

CITY OF INDUSTRY
June 30, 2012
Financial Statements
With
Independent Auditors' Report

CITY OF INDUSTRY
 FINANCIAL STATEMENTS
 AND
 INDEPENDENT AUDITORS' REPORT
 JUNE 30, 2012

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AND
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ACCOUNTANTS
& BUSINESS
ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council
City of Industry, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of funding progress of the retirement and other post-employment benefit plans, and budgetary comparison information on pages 3 through 13 and pages 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Eadie and Payne, LLP

February 20, 2013
Redlands, California

Management's Discussion and Analysis

CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Industry and its component units (the "City") provide this Management's Discussion and Analysis that gives an overview of the City's activities for the year ended June 30, 2012. 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, 2012.

The assets of the City's governmental activities exceeded its liabilities at June 30, 2012 by \$530 million (net assets). Of this amount, \$478 million is restricted for debt service activities. Net assets decreased by \$35 million, which was a result of a \$53 million increase due to operations and an \$88 million extraordinary loss due to the redevelopment agency being dissolved.

The assets of the City's business-type activities exceeded its liabilities at June 30, 2012 by \$37 million (net assets). Of this amount, \$34 million is invested in capital assets, net of related debt. Net assets decreased by \$2 million as a result of expenditures exceeding revenues and transfers.

General Overview of the Financial Statements

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and 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 Assets and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-wide statements

The Statement of Net Assets and the Statement of Activities

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

These two statements report the City's net assets and changes thereto. Net assets, the difference between assets and liabilities, are one way to measure the City's financial

CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

health or financial position. Over time, increases or decreases in net assets 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 Assets and the Statement of Activities, present information about the following:

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

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

Component units - The City's government-wide financial statements include the blending with the City of the following entities: The Industry Urban-Development Agency ("IUDA") for the period ending January 31, 2012, 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. In addition, the City presents one discretely presented component unit, the Industry Convalescent Hospital dba El Encanto Healthcare and Habilitation Center.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

Proprietary funds – The City maintains three enterprise funds. 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.

The City as a Whole

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

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Current and other assets	\$ 830,373,719	\$ 610,712,467
Capital assets, net	203,957,554	667,974,043
Total assets	<u>1,034,331,273</u>	<u>1,278,686,510</u>
Long term debt outstanding	477,228,254	669,416,499
Other liabilities	27,054,518	43,748,007
Total liabilities	<u>504,282,772</u>	<u>713,164,506</u>
Net assets:		
Invested in capital assets, Net of related debt	171,204,328	484,004,110
Unrestricted	(118,716,221)	(158,160,221)
Restricted for:		
Debt service	477,560,394	195,975,428
Capital projects	-	43,702,687
Total net assets	<u>\$ 530,048,501</u>	<u>\$ 565,522,004</u>

As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$530 million at June 30, 2012.

The largest portion of the net assets is restricted by external sources on how the funds may be used. Approximately \$171 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 \$478 million are restricted for the City's future debt service obligations.

The City's total net assets under governmental activities decreased over the prior year by approximately \$35 million due to approximately \$88 million in net assets of the IUDA being transferred to the SA which is being accounted for in a fiduciary fund and offset by an increase of \$53 million in net assets through operations.

The City's total liabilities decreased by approximately \$209 million due to the City's payments on its long-term debt obligations of \$48 million and a net transfer of debt to the fiduciary fund of \$627 million offset by an increase in the OPEB payable of \$1 million. Of the \$627 million transferred to the fiduciary fund, \$465 million was eliminated in 2011 as it was bonds owned by the City.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The decrease in net assets invested in capital assets, net of related debt of \$313 million is a result of \$519 million of capital assets net of depreciation being transferred to the private –purpose trust fund.

Table 2
Change in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Taxes	\$ 104,389,528	\$ 127,923,502
Revenues from use of money and property	31,357,356	26,235,003
Other revenues	2,861,483	1,405,684
Community development	2,605,429	2,717,029
Total revenues	<u>141,213,796</u>	<u>158,281,218</u>
Expenses:		
General government	8,091,761	7,934,449
Support services	9,178,860	6,603,674
Community development	2,955,459	2,648,342
Community services	4,836,344	4,653,653
Public safety	15,494,707	11,298,595
Capital projects and public works	16,819,431	41,361,599
Interest expense	27,417,710	33,594,214
Loss on disposal of assets, net		7,686,222
SERAF payment		6,810,449
School district settlement	5,000,000	
Amortization of bond issuance costs	910,693	1,349,964
Total expenses	<u>90,704,965</u>	<u>123,941,161</u>
Increase in net assets before transfers	50,508,831	34,340,057
Transfers, net	<u>2,513,748</u>	<u>(121,788)</u>
Increase in net assets before extraordinary items	<u>53,022,579</u>	<u>34,218,269</u>
Gain from transfer of liabilities to the Successor Agency	657,369,919	
Loss from transfer of assets to the Successor Agency	<u>(745,866,001)</u>	
Total extraordinary items	<u>(88,496,082)</u>	<u>-</u>
(Decrease) increase in net assets	(35,473,503)	34,218,269
Net assets, beginning of year as restated	<u>565,522,004</u>	<u>531,303,735</u>
Net assets, end of year	<u>\$ 530,048,501</u>	<u>\$ 565,522,004</u>

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

The total revenues reported as governmental activities, decreased by approximately \$17 million. This was a result of \$16 million of property taxes received from the Redevelopment Agency Property Tax Trust Fund and approximately \$2 million of rental income being reported in the fiduciary fund during the current year as compared to the prior year. This decrease in revenues from taxes of \$24 million was partially offset by increases in revenues from use of money and property and other revenues combined totaling approximately \$5 million.

The City's total expenses, excluding transfers decreased approximately \$33 million from the prior year. The decrease is a result of \$19 million of expenses (\$1 million in general government and \$18 million in interest expense) being recorded in the private-purpose trust fund for the current year as compared to the prior year.

In addition there was a \$25 million decrease in capital project expenses from the prior year due to the uncertainty of spending limitations as a result of the dissolution of the redevelopment agency. There was no loss on the disposal of assets and no SERAF payment was made during this year as compared to the prior year. These reductions were offset by a \$5 million settlement payment made to the school district as further explained in footnote 22 of the financial statements.

Net transfers increased by \$3 million due to transfers coming from the enterprise funds.

Business-type activities

Table 3
Net Assets

	Business-Type Activities	
	2012	2011
Current and other assets	\$ 4,273,826	\$ 4,763,367
Capital assets, net	34,155,671	34,920,920
Total assets	<u>38,429,497</u>	<u>39,684,287</u>
Liabilities	1,557,416	575,129
Total liabilities	<u>1,557,416</u>	<u>575,129</u>
Net assets:		
Invested in capital assets, Net of related debt	34,155,671	34,920,920
Unrestricted	<u>2,716,410</u>	<u>4,188,238</u>
Total net assets	<u>\$ 36,872,081</u>	<u>\$ 39,109,158</u>

Total net assets for the City's business type activities decreased approximately \$2 million as compared to the prior year. The decrease in total net assets is primarily due to the increased losses in the IPUC and the Housing Authority due to increased operating expenses.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Table 4
Change in Net Assets

	Business-Type Activities	
	2012	2011
Revenues:		
Charges for services	\$ 5,485,086	\$ 5,115,396
Expenses:		
Purchased electricity	3,537,363	2,651,349
Transmission and distribution expenses	899,218	786,360
Cost of expo operations	3,104,708	2,951,508
Cost of housing authority operations	410,167	278,684
Total expenses	<u>7,951,456</u>	<u>6,667,901</u>
Loss from operations before transfers	(2,466,370)	(1,552,505)
Transfers	<u>229,293</u>	<u>121,788</u>
Change in net assets	<u>\$ (2,237,077)</u>	<u>\$ (1,430,717)</u>

Charges for services increased approximately \$370 thousand during the current year, which was due to an increase in revenues from utilities and the expo center, offset by a decrease in housing revenues.

Expenses increased \$1 million which was mainly a direct result of an increase in operating expenses in IPUC.

Financial Analysis of the City's Funds

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

The General fund is the chief operating fund of the City. At the end of the current fiscal year the General Fund reflects a fund balance of approximately \$207 million which is a decrease from prior year of \$12 million. This decrease was a result a \$700 thousand excess of revenues over expenditures offset by \$5 million of transfers out to other governmental funds, \$5 million school district settlement and \$2 million Prop A Exchange.

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

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

\$21 million, a decrease from prior year by \$138 million. This decrease results from an extraordinary loss from the transfer of assets and liabilities to the Successor Agency of \$146 million offset by an increase in net change in fund balance before extraordinary items of \$9 million.

The Debt Service Fund accounts for the payment of principal and interest on outstanding bond obligations. The fund balance decreased approximately \$90 million due to the extraordinary loss from the transfer of assets and liabilities to the Successor Agency of \$77 million, revenues in excess of expenditures of \$15 million and net transfers out of \$28 million..

General Fund Budgetary Highlights

The City adopts a budget every fiscal year. There was one amendment made to the budget during the year. The City increased their budgeted general fund expenditures by approximately \$8 million at mid-year. Differences between the budget and actual expenditures for the general fund are shown below:

Table 5
General Fund Budget to Actual Comparison

	Original Budget	Revised Budget	Actual	Variance
Legislative	\$ 324,415	\$ 329,940	\$ 324,968	\$ 4,972
General administration	2,321,240	2,817,240	3,144,094	(326,854)
Community development	1,123,705	587,055	503,448	83,607
Community services	3,860,385	3,969,163	4,435,215	(466,052)
Public safety	5,969,000	5,867,000	7,741,218	(1,874,218)
Public works	14,888,460	15,371,290	15,582,528	(211,238)
Support services	6,197,800	8,708,760	8,345,608	363,152
Capital projects	-	5,255,020	5,341,694	(86,674)
Total expenditures	\$ <u>34,685,005</u>	\$ <u>42,905,468</u>	\$ <u>45,418,773</u>	\$ <u>(2,513,305)</u>

General administration actual expenditures were over the amended budget by \$330 thousand. This was due to expenditures for professional fees being higher than anticipated during the budget process.

Community development costs were under the amended budget amount by \$84 thousand. This was due to a decrease in professional fees being lower than anticipated during the budget process.

Community services exceeded its budgeted amount by \$470 thousand as additional landscaping and property maintenance projects were necessary and unknown at the time of the budget process.

Public safety costs exceeded budget by \$2 million due to requesting additional services from the Los Angeles Sherriff Department related to special task forces set up to service the community.

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

Public works actual costs were above the amended budgeted amount by \$210 thousand due to an increase in property maintenance costs and professional services.

Support services actual cost were \$360 thousand under the amended budget due to a decrease in insurance claims and repairs and maintenance.

Capital Asset and Debt Administration

Capital assets

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

Table 6
Capital Assets at Year-End

	Governmental Activities	
	2012	2011
Land	\$ 56,680,764	\$ 325,603,626
Construction in progress	8,818,814	39,182,457
Buildings and improvements	115,447,448	125,219,600
Equipment, furniture and fixtures	6,033,335	6,426,304
Infrastructure	<u>118,166,809</u>	<u>288,790,929</u>
Capital Assets, Gross	305,147,170	785,222,916
Less accumulated depreciation	<u>(101,189,616)</u>	<u>(117,248,873)</u>
Capital Assets, Net	<u>\$ 203,957,554</u>	<u>\$ 667,974,043</u>

As of June 30, 2012, the City had approximately \$204 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net decrease of \$464 million over last year. This decrease results from a transfer of capital assets net of accumulated depreciation of \$496 million to the SA to IUDA which is accounted for in the private-purpose trust fund. The City capitalized \$44 million of costs and retired approximately \$3 million in capital assets during the year. Accumulated depreciation increased by \$9 million.

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

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

Table 7
Net Capital Assets at Year-End

	Business-Type Activities	
	2012	2011
Land	\$ 6,764,880	\$ 6,764,880
Water rights	441,200	441,200
Construction in progress	-	2,558
Buildings and improvements	50,411,635	49,910,294
Source of supply	4,495,493	4,477,162
Equipment, furniture and fixtures	1,124,014	965,183
Capital Assets, Gross	<u>63,237,222</u>	<u>62,561,277</u>
Less accumulated depreciation	(29,081,551)	(27,640,357)
Capital Assets, Net	<u>\$ 34,155,671</u>	<u>\$ 34,920,920</u>

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

Debt

At June 30, 2012, the City of Industry had total long term debt outstanding of approximately \$477 million due to outside third parties. In addition there was \$31 million of City 2002 general obligation bonds owned by PFA that has been eliminated in the statement of net assets and Table 8 below. The decrease in debt was result of \$31.5 million in principal payments made to outside third parties and \$162.4 million of IUDA tax allocation bonds transferred to the fiduciary fund.

Table 8
Outstanding Debt, at Year-End

	Governmental Activities	
	2012	2011
General obligation bonds	\$ 146,660,000	\$ 157,050,000
Revenue bonds	197,075,000	206,270,000
Refunding lease revenue bonds	7,100,000	7,775,000
Tax allocation bonds	118,580,000	292,175,001
Deferred amounts	1,582,764	1,009,253
OPEB benefits payable	6,101,514	5,020,440
Compensated absences	128,976	116,805
Total Outstanding Debt	<u>\$ 477,228,254</u>	<u>\$ 669,416,499</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. The following is a summary of major capital improvement projects for the City and SA to IUDA.

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

- Sunset Ave Grade Separation
- Azusa Ave Bridge Seismic Retrofit
- Brea Canyon Road Grade Separation at Currier Road
- Nelson Avenue widening from Willow to Sunset Ave
- The Industry Business Center an ongoing construction project
- Resurfacing Puente, Valley Blvd and Gale Ave
- The Grand Cross Development Electrical Substation improvements an ongoing construction project
- Reclaimed Water Reservoir & Booster Pump Station at Anaheim-Puente Road

In 2012, the State of California dissolved all Redevelopment Agencies in California. Accordingly the IUDA does not have budget prepared for 2012-2013.

Request for Information

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

Basic Financial Statements

CITY OF INDUSTRY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	INDUSTRY CONVALESCENT HOSPITAL
ASSETS				
Cash	\$ 3,051,539	\$ 401,978	\$ 3,453,517	\$ 2,580,474
Cash and investments with fiscal agent	163,077,447		163,077,447	
Investments	121,277,892	2,942,119	124,220,011	
Accounts receivable, less allowance for doubtful accounts of \$150,000 for primary government and \$42,197 for component unit	1,627,753	875,766	2,503,519	1,970,487
Receivables - current	20,961,475	7,230	20,968,705	
Due from Enterprise and Fiduciary funds	14,429,285		14,429,285	
Inventories		46,733	46,733	61,320
Prepaid expenses	5,560		5,560	241,423
Investments with fiscal agent - restricted	40,013,647		40,013,647	
Investment bonds - Successor Agency	455,625,272		455,625,272	
Bond issuance costs, net	4,957,075		4,957,075	
Land held for sale	5,346,774		5,346,774	
Capital assets not being depreciated:				
Land	56,680,764	6,764,880	63,445,644	
Water rights		441,200	441,200	
Source of supply		4,495,493	4,495,493	
Construction in progress	8,818,814		8,818,814	
Capital assets being depreciated net of accumulated depreciation:				
Buildings and improvements	115,447,448	50,411,635	165,859,083	1,310,161
Equipment, furniture and fixtures	6,033,335	1,124,014	7,157,349	1,660,578
Infrastructure	118,166,809		118,166,809	
Less: accumulated depreciation	(101,189,616)	(29,081,551)	(130,271,167)	(2,443,988)
Total capital assets, net of depreciation	<u>203,957,554</u>	<u>34,155,671</u>	<u>238,113,225</u>	<u>526,751</u>
Total assets	<u>1,034,331,273</u>	<u>38,429,497</u>	<u>1,072,760,770</u>	<u>5,380,455</u>
LIABILITIES				
Accounts payable	11,539,063	598,301	12,137,364	329,358
Rental deposits and advances	5,064,739	149,168	5,213,907	
Accrued expenses	10,450,716		10,450,716	1,511,260
Due to other governmental funds		809,947	809,947	
Long-term liabilities:				
Portion due or payable within one year	32,557,456		32,557,456	
Portion due or payable after one year	444,670,798		444,670,798	38,606,640
Total liabilities	<u>504,282,772</u>	<u>1,557,416</u>	<u>505,840,188</u>	<u>40,447,258</u>
NET ASSETS				
Invested in capital assets, net of related debt	171,204,328	34,155,671	205,359,999	
Unrestricted	(118,716,221)	2,716,410	(115,999,811)	(35,066,803)
Restricted for:				
Debt service	477,560,394		477,560,394	
Total net assets	<u>\$ 530,048,501</u>	<u>\$ 36,872,081</u>	<u>\$ 566,920,582</u>	<u>\$ (35,066,803)</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Net (Expenses) Revenues and Changes in Net Assets						Component Unit Industry Convalescent Hospital
	Expenses	Program Revenues		Primary Government		Totals	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 8,091,761	\$	\$	\$ (8,091,761)	\$	\$ (8,091,761)	
Support services	9,178,860			(9,178,860)		(9,178,860)	
Community development	2,955,459	2,605,429	2,861,483	2,511,453		2,511,453	
Community services	4,836,344			(4,836,344)		(4,836,344)	
Public safety	15,494,707			(15,494,707)		(15,494,707)	
Public works	14,192,823			(14,192,823)		(14,192,823)	
Capital projects	2,626,608			(2,626,608)		(2,626,608)	
Interest expense	27,417,710			(27,417,710)		(27,417,710)	
School district settlement	5,000,000			(5,000,000)		(5,000,000)	
Amortization of premium/discount and bond issuance costs	910,693			(910,693)		(910,693)	
Total governmental activities	<u>90,704,965</u>	<u>2,605,429</u>	<u>2,861,483</u>	<u>(85,238,053)</u>	<u>-</u>	<u>(85,238,053)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES							
Electric utility	3,537,363	3,454,075			(83,288)	(83,288)	
Water utility	899,218	385,249			(513,969)	(513,969)	
Cost of expo operations	3,104,708	1,430,398			(1,674,310)	(1,674,310)	
Cost of housing authority operations	410,167	186,200			(223,967)	(223,967)	
Total business-type activities	<u>7,951,456</u>	<u>5,455,922</u>	<u>-</u>	<u>-</u>	<u>(2,495,534)</u>	<u>(2,495,534)</u>	<u>-</u>
Total City	<u>\$ 98,656,421</u>	<u>\$ 8,061,351</u>	<u>\$ 2,861,483</u>	<u>(85,238,053)</u>	<u>(2,495,534)</u>	<u>(87,733,587)</u>	<u>-</u>
COMPONENT UNIT							
Hospital	<u>\$ 14,829,931</u>	<u>\$ 14,140,389</u>					<u>(689,542)</u>
General revenues and transfers:							
Taxes							
Property taxes				73,335,582		73,335,582	
Sales tax				28,720,234		28,720,234	
Franchise				1,337,239		1,337,239	
Documentary transfer tax				97,109		97,109	
Transient occupancy tax				792,767		792,767	
PSAF/COPS				106,597		106,597	
Total taxes				<u>104,389,528</u>	<u>-</u>	<u>104,389,528</u>	
Revenues from use of money and property				31,357,356	29,164	31,386,520	
Transfers - internal activities				2,513,748	229,293	2,743,041	
Total general revenues and transfers				<u>138,260,632</u>	<u>258,457</u>	<u>138,519,089</u>	<u>-</u>
Changes in net assets before extraordinary items				<u>53,022,579</u>	<u>(2,237,077)</u>	<u>50,785,502</u>	<u>(689,542)</u>
Extraordinary gain from transfer of liabilities to the Successor Agency				657,369,920		657,369,920	
Extraordinary loss from transfer of assets to the Successor Agency				<u>(745,866,002)</u>		<u>(745,866,002)</u>	
Total extraordinary items				<u>(88,496,082)</u>	<u>-</u>	<u>(88,496,082)</u>	
Changes in net assets				<u>(35,473,503)</u>	<u>(2,237,077)</u>	<u>(37,710,580)</u>	
Net assets, beginning of year				<u>565,522,004</u>	<u>39,109,158</u>	<u>604,631,162</u>	<u>(34,377,261)</u>
Net assets, end of year				<u>\$ 530,048,501</u>	<u>\$ 36,872,081</u>	<u>\$ 566,920,582</u>	<u>\$ (35,066,803)</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS					
Cash	\$ 2,366,412	\$ 5,839	\$ 53,016	\$ 626,272	\$ 3,051,539
Cash and investments with fiscal agent	163,077,447				163,077,447
Investments	40,910,173	819,384	79,403,839	144,496	121,277,892
Accounts receivable, net of allowance for doubtful accounts of \$150,000	1,627,753				1,627,753
Receivables - current	14,301,225	174,631	7,560,499	3,471	22,039,826
Site lease prepayment			6,716,587		6,716,587
Contract advances and other assets	5,560				5,560
Due from other governmental funds	23,501,271	377,018	8,031,422	732,086	32,641,797
Investments with fiscal agent - restricted			40,013,647		40,013,647
Investments in City and IUDA bonds			486,660,272		486,660,272
Land held for sale		21,283,484			21,283,484
Total assets	<u>\$ 245,789,841</u>	<u>\$ 22,660,356</u>	<u>\$ 628,439,282</u>	<u>\$ 1,506,325</u>	<u>\$ 898,395,804</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 9,455,285	\$ 2,002,841	\$ 3,950	\$ 76,987	\$ 11,539,063
Rental deposits and advances	5,064,739				5,064,739
Accrued expenses	1,158,276				1,158,276
Site lease deferred revenues	6,716,587				6,716,587
Due to other governmental funds	16,090,186			2,122,326	18,212,512
Total liabilities	<u>38,485,073</u>	<u>2,002,841</u>	<u>3,950</u>	<u>2,199,313</u>	<u>42,691,177</u>
FUND BALANCES					
Nonspendable:					
Investment in bonds with a future maturity date			486,660,272		486,660,272
Prepayment of site lease			6,716,587		6,716,587
Land held for sale		21,283,484			21,283,484
Prepaid item	5,560				5,560
Property tax receivable	790,258				790,258
Restricted for:					
Road and surface repairs				406,004	406,004
Public transportation and road improvement				42,457	42,457
Debt service reserve			23,254,076		23,254,076
Assigned:					
Debt service			111,804,397		111,804,397
Unassigned					
	206,508,950	(625,969)		(1,141,449)	204,741,532
Total fund balances	<u>207,304,768</u>	<u>20,657,515</u>	<u>628,435,332</u>	<u>(692,988)</u>	<u>855,704,627</u>
Total liabilities and fund balances	<u>\$ 245,789,841</u>	<u>\$ 22,660,356</u>	<u>\$ 628,439,282</u>	<u>\$ 1,506,325</u>	<u>\$ 898,395,804</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance of governmental funds	\$ <u>855,704,627</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	305,147,170
Accumulated depreciation	<u>(101,189,617)</u>
Total capital assets	<u>203,957,553</u>
Difference between fair market value and book value of land transferred between City and IUDA	<u>(15,936,810)</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>4,957,075</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	(10,370,690)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. These liabilities consist of:	
City of Industry:	
General obligation bonds and other - Current portion	(19,670,000)
General obligation bonds and other - Long term	(324,100,000)
Deferred charge on refunding - Current portion	682,823
Deferred charge on refunding - Long term	3,402,566
Issuance discount - Current portion	(934,247)
Issuance discount - Long term	(5,076,915)
OPEB benefits payable	(6,101,514)
Compensated absences	(128,976)
Public Facilities Authority:	
General obligations bonds - Current portion	(930,000)
General obligation bonds - Long term	(30,070,000)
Tax allocation revenue bonds - Current portion	(11,570,000)
Tax allocation revenue bonds - Long term	(107,010,000)
Refunding lease revenue bonds - Current portion	(685,000)
Refunding lease revenue bonds - Long term	(6,415,000)
Issuance discount - Current portion	52,944
Issuance discount - Long term	<u>290,065</u>
Total liabilities	<u>(508,263,254)</u>
Investment in City bonds	(31,035,000)
General Obligation bonds owned by PFA	31,035,000
Accrued interest payable on City bonds owned by PFA	(1,078,351)
Accrued interest receivable on City bonds owned by PFA	<u>1,078,351</u>
Net assets of governmental activities	\$ <u><u>530,048,501</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, 2012

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES					
Taxes	\$ 32,448,959	\$	\$ 71,940,569	\$ 3,230,661	\$ 107,620,189
Licenses and permits	2,153,176				2,153,176
Fines, forfeitures and penalties	452,252				452,252
Revenues from use of money and property	11,031,455	4,966,628	41,125,324	6,339	57,129,746
Total revenues	<u>46,085,842</u>	<u>4,966,628</u>	<u>113,065,893</u>	<u>3,237,000</u>	<u>167,355,363</u>
EXPENDITURES					
Current:					
Legislative	324,968				324,968
General administration	3,144,094	1,038,732	1,290,019	156,705	5,629,550
Support services	8,345,608				8,345,608
Community development	503,448				503,448
Community services	4,435,215				4,435,215
Public safety	7,741,218			6,425,639	14,166,857
Public works	15,582,528				15,582,528
Debt service:					
Principal retirement - long term debt			31,505,000		31,505,000
Principal retirement - long term debt - City			16,087,608		16,087,608
Principal retirement - long term debt - PFA			580,000		580,000
Interest expense			27,249,839		27,249,839
Interest expense - City			15,703,732		15,703,732
Interest expense - PFA			5,435,667		5,435,667
Capital outlay:					
Capital projects	5,341,694	32,447,353			37,789,047
Total expenditures	<u>45,418,773</u>	<u>33,486,085</u>	<u>97,851,865</u>	<u>6,582,344</u>	<u>183,339,067</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>667,069</u>	<u>(28,519,457)</u>	<u>15,214,028</u>	<u>(3,345,344)</u>	<u>(15,983,704)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in from other governmental funds	23,508,061	88,669,292	36,250,718	1,332,840	149,760,911
Transfers in from enterprise and fiduciary funds	9,933,424	72,309			10,005,733
Prop A Exchange	(2,025,000)				(2,025,000)
School district settlement	(5,000,000)				(5,000,000)
Transfers out to enterprise and fiduciary funds	(3,420,176)	(2,456,883)		(1,119,559)	(6,996,618)
Transfers out to other governmental funds	(35,359,569)	(49,130,821)	(64,867,307)	(403,214)	(149,760,911)
Total other financing sources (uses)	<u>(12,363,260)</u>	<u>37,153,897</u>	<u>(28,616,589)</u>	<u>(189,933)</u>	<u>(4,015,885)</u>
Changes in fund balances before extraordinary items	<u>(11,696,191)</u>	<u>8,634,440</u>	<u>(13,402,561)</u>	<u>(3,535,277)</u>	<u>(19,999,589)</u>
EXTRAORDINARY ITEMS					
Gain from liabilities transferred to Successor Agency		21,562,721	6,188,889		27,751,610
Loss from assets transferred to Successor Agency		(167,840,225)	(82,985,698)		(250,825,923)
Total extraordinary items	-	<u>(146,277,504)</u>	<u>(76,796,809)</u>	-	<u>(223,074,313)</u>
Change in fund balances	<u>(11,696,191)</u>	<u>(137,643,064)</u>	<u>(90,199,370)</u>	<u>(3,535,277)</u>	<u>(243,073,902)</u>
FUND BALANCES, beginning of year	<u>219,000,959</u>	<u>158,300,579</u>	<u>718,634,702</u>	<u>2,842,289</u>	<u>1,098,778,529</u>
FUND BALANCES, end 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>

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, 2012

Net change in fund balances of total governmental funds \$ (243,073,902)

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	37,789,047
Other capitalized project improvement expenditures	3,528,958
Depreciation expense	(8,798,005)

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.

Transfer of capital assets to enterprise fund	(495,365)
Net difference between the extraordinary loss from transfer of assets and liabilities from the IUDA to the Successor Agency in the governmental funds and the statement of activities	134,578,231

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of
of net assets. Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets. These consist of the following:

Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net assets	48,172,608
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Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in the governmental funds. These items consist of:

Change in accrued interest payable	(447,883)
Amortization of bond issuance costs	(1,062,410)
Net change of bond premium/discount and deferred amount on refunding	151,716
Change in compensated absences	(12,171)
Change in OPEB obligation	(1,081,074)

Change in interest receivable on City's investment in IUDA bonds. Amount no longer eliminated due to the change in presentation of the IUDA as a fiduciary fund	(4,723,253)
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Interest income from investment in City and IUDA bonds	(21,418,311)
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Interest expense from investment in City bonds	2,156,701
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Interest expense from investment in IUDA bonds	<u>19,261,610</u>
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Change in net assets of governmental activities	<u>\$ (35,473,503)</u>
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The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	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, 2012
ASSETS				
Current assets:				
Cash and deposits	\$ 222,779	\$ 150,938	\$ 28,261	\$ 401,978
Investments	560,785		2,381,334	2,942,119
Accounts receivable, net of allowance of \$6,647	674,841	34,604	700	710,145
Other receivables	165,621		4,230	169,851
Inventory of materials and supplies, at cost	10,000	36,733		46,733
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	22,959,409	23,421,572	4,030,654	50,411,635
Equipment, furniture and fixtures	229,332	806,629		1,035,961
Vehicles		88,053		88,053
Less: accumulated depreciation	(14,339,283)	(13,496,048)	(1,246,220)	(29,081,551)
Total capital assets, net	<u>13,821,651</u>	<u>10,820,206</u>	<u>9,513,814</u>	<u>34,155,671</u>
Total assets	<u>15,455,677</u>	<u>11,045,481</u>	<u>11,928,339</u>	<u>38,429,497</u>
LIABILITIES				
Current liabilities:				
Accounts payable	372,512	174,969	50,820	598,301
Rental deposits and advances		139,268	9,900	149,168
Due to other governmental funds	809,947			809,947
Total liabilities	<u>1,182,459</u>	<u>314,237</u>	<u>60,720</u>	<u>1,557,416</u>
NET ASSETS				
Invested in capital assets	13,821,651	10,820,206	9,513,814	34,155,671
Unrestricted	451,567	(88,962)	2,353,805	2,716,410
Total net assets	<u>\$ 14,273,218</u>	<u>\$ 10,731,244</u>	<u>\$ 11,867,619</u>	<u>\$ 36,872,081</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	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, 2012
OPERATING REVENUES				
Charges for sales and services				
Water sales and service	\$ 385,249			\$ 385,249
Electric sales	3,683,754			3,683,754
Rental income		641,768	186,200	827,968
Concessions income		788,631		788,631
Total operating revenues	<u>4,069,003</u>	<u>1,430,399</u>	<u>186,200</u>	<u>5,685,602</u>
OPERATING EXPENSES				
General administration	1,090,258	1,197,876		2,288,134
Purchased electricity	1,743,364			1,743,364
Departing load charges	1,200,000			1,200,000
Cost of expo center operations		1,178,005		1,178,005
Cost of housing authority operations			325,472	325,472
Capital outlay	4,964			4,964
Depreciation	627,675	728,828	84,695	1,441,198
Total operating expenses	<u>4,666,261</u>	<u>3,104,709</u>	<u>410,167</u>	<u>8,181,137</u>
INCOME (LOSS) FROM OPERATIONS	(597,258)	(1,674,310)	(223,967)	(2,495,535)
NON-OPERATING REVENUES				
Interest income	11,848	6,164	11,153	29,165
Total non-operating revenues	<u>11,848</u>	<u>6,164</u>	<u>11,153</u>	<u>29,165</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(585,410)</u>	<u>(1,668,146)</u>	<u>(212,814)</u>	<u>(2,466,370)</u>
TRANSFERS				
Transfers in from other government funds	3,737,510	1,119,559	2,444,411	7,301,480
Transfers out to other government funds	<u>(7,072,187)</u>			<u>(7,072,187)</u>
Total transfers	<u>(3,334,677)</u>	<u>1,119,559</u>	<u>2,444,411</u>	<u>229,293</u>
Changes in net assets	(3,920,087)	(548,587)	2,231,597	(2,237,077)
Net assets, beginning of year	<u>18,193,305</u>	<u>11,279,831</u>	<u>9,636,022</u>	<u>39,109,158</u>
Net assets, end of year	<u>\$ 14,273,218</u>	<u>\$ 10,731,244</u>	<u>\$ 11,867,619</u>	<u>\$ 36,872,081</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, 2012

	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, 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash inflows:				
Receipts from customers and users	\$ 3,712,450	\$ 1,398,440	\$ 184,167	\$ 5,295,057
Total cash inflows from operating activities	3,712,450	1,398,440	184,167	5,295,057
Cash outflows:				
Payments to suppliers and employees	3,053,223	1,179,231		4,232,454
Payments for general and administrative expenses		1,197,876	294,767	1,492,643
Total cash outflows from operating activities	3,053,223	2,377,107	294,767	5,725,097
Net cash provided by (used in) operating activities	659,227	(978,667)	(110,600)	(430,040)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets		(63,692)		(63,692)
Net cash used in capital financing activities	-	(63,692)	-	(63,692)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	(3,334,677)	1,119,559		(2,215,118)
Net cash (used in) provided by non-capital financing activities	(3,334,677)	1,119,559	-	(2,215,118)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment maturities	2,536,602		56,762	2,593,364
Interest income received	11,848	6,164	11,153	29,165
Net cash provided by investing activities	2,548,450	6,164	67,915	2,622,529
Net (decrease) increase in cash	(127,000)	83,364	(42,685)	(86,321)
Cash, July 1, 2011	349,779	67,574	70,946	488,299
Cash, June 30, 2012	\$ 222,779	\$ 150,938	\$ 28,261	\$ 401,978
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating loss	\$ (597,258)	\$ (1,674,310)	\$ (223,967)	\$ (2,495,535)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	627,675	728,828	84,695	1,441,198
(Increase) decrease in assets				
Accounts receivable	(317,391)	(6,073)	2,197	(321,267)
Other receivable	(39,162)		(4,230)	(43,392)
Inventory		6,673		6,673
Increase (decrease) in liabilities				
Accounts payable	175,416	(7,899)	36,372	203,889
Rental deposits and advances		(25,886)		(25,886)
Deposits held in trust			(5,667)	(5,667)
Due to other government funds	809,947			809,947
Net cash provided by (used in) operating activities	\$ 659,227	\$ (978,667)	\$ (110,600)	\$ (430,040)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Transfers of property from other funds	\$ -	\$ -	\$ 2,444,411	\$ 2,444,411

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2012

	<u>PRIVATE - PURPOSE TRUST FUND</u>	<u>ASSESSMENT DISTRICTS</u>	<u>DEFERRED COMPENSATION PLANS</u>	<u>TOTALS JUNE 30, 2012</u>
ASSETS				
Cash	\$ 87,630	\$ 190,861	\$ 1,149,044	\$ 278,491
Investments	89,279,057	1,172,255		91,600,356
Investments with fiscal agent - restricted	86,180,902	512,452		86,693,354
Due from other governmental funds	7,465,015	95,444		7,560,459
Notes receivable	21,261,522			21,261,522
Other receivables	456,431			456,431
Property held for sale and disposition	520,740,924			520,740,924
Total assets	<u>725,471,481</u>	<u>1,971,012</u>	<u>1,149,044</u>	<u>728,591,537</u>
LIABILITIES				
Accounts payable	6,977,475			6,977,475
Interest payable	7,761,487			7,761,487
Other liabilities	813,490			813,490
Due to other governmental funds	21,179,797			21,179,797
Bonds payable, net	602,256,594			602,256,594
Total liabilities	<u>638,988,843</u>	<u>-</u>	<u>-</u>	<u>638,988,843</u>
NET ASSETS, held in trust for deferred compensation and other purposes	<u>\$ 86,482,638</u>	<u>\$ 1,971,012</u>	<u>\$ 1,149,044</u>	<u>\$ 89,602,694</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	PRIVATE - PURPOSE TRUST FUND	ASSESSMENT DISTRICTS	DEFERRED COMPENSATION PLANS	TOTALS JUNE 30, 2012
ADDITIONS				
Taxes	\$ 16,735,425	\$ 636,231	\$	\$ 17,371,656
Revenues from use of money and property	2,753,573	2,461		2,756,034
Participants contributions			44,639	44,639
Net increase in fair value			2,255	2,255
Total additions	<u>19,488,998</u>	<u>638,692</u>	<u>46,894</u>	<u>20,174,584</u>
DEDUCTIONS				
General administration	1,013,340	4,026		1,017,366
Bond principal payments		285,000		285,000
Bond interest expense	17,513,592	224,310		17,737,902
Amortization of bond costs and premiums/discounts	291,732			291,732
Total deductions	<u>18,818,664</u>	<u>513,336</u>	<u>-</u>	<u>19,332,000</u>
OTHER FINANCING SOURCES (USES)				
Transfer in from City of Industry	190,505			190,505
Other sources	59,263			59,263
Transfers out to City of Industry	<u>(2,933,546)</u>			<u>(2,933,546)</u>
Total other financing (uses) sources	<u>(2,683,778)</u>	<u>-</u>	<u>-</u>	<u>(2,683,778)</u>
Change in net assets before extraordinary items	<u>(2,013,444)</u>	<u>125,356</u>	<u>46,894</u>	<u>(1,841,194)</u>
EXTRAORDINARY ITEMS				
Assets transferred in from IUDA	745,866,001			745,866,001
Liabilities transferred in from IUDA	<u>(657,369,919)</u>			<u>(657,369,919)</u>
Total extraordinary items	<u>88,496,082</u>	<u>-</u>	<u>-</u>	<u>88,496,082</u>
Changes in net assets	86,482,638	125,356	46,894	86,654,888
NET ASSETS, beginning of year	<u>-</u>	<u>1,845,656</u>	<u>1,102,150</u>	<u>2,947,806</u>
NET ASSETS, end of year	<u>\$ 86,482,638</u>	<u>\$ 1,971,012</u>	<u>\$ 1,149,044</u>	<u>\$ 89,602,694</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

Description of the reporting entity

The City of Industry (referred to as the "City") is a municipal corporation governed by an elected five-member council of which the mayor is appointed by the members of the city council. The accompanying financial statements present the government and its component units, entities for which the government has a continuing oversight responsibility. The oversight responsibility is determined on the basis of taxing authority, funding, and appointment of governing boards and scope of public service. Blended component units, which include the financial activities of the Industry Urban-Development Agency from July 1, 2011 to January 31, 2012 (referred to as the "IUDA"), the Civic-Recreational-Industrial Authority (referred to as "CRIA"), the Industry Public Utilities Commission (referred to as "IPUC"), the Industry Public Facilities Authority (referred to as the "PFA") and the Industry Property and Housing Authority (referred to as the "Housing Authority"), although legally separate entities, are in substance, part of the government's operations. Data from these units are combined with data of the primary government (the City of Industry). The Industry Convalescent Hospital, as further explained in Note 17, is discretely presented in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

Blended Component Units:

IUDA was established to develop and finance the orderly growth and development within the City and was governed by a board appointed by the City Council. The IUDA is represented by Capital Projects, Debt Service and Trust and Agency funds for the period from July 1, 2011 to January 31, 2012. Pursuant to the provisions of the Redevelopment Restructuring Act, the Successor Agency to the Industry Urban-Development Agency (referred to as the "SA to IUDA") was created, and all of the assets, liabilities and obligations of the former IUDA were transferred to the SA to IUDA on February 1, 2012. The activities of the SA to IUDA is being reported as a fiduciary fund in the accompanying financial statements.

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

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Discretely Presented Component Unit:

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

Fiduciary Type Component Unit

SA to IUDA operates under the auspices of a legislatively formed Oversight Board comprised of representatives of the local agencies that serve the redevelopment project area. The Oversight Board, in its fiduciary capacity, has authority over the operations and the timely dissolution of the former IUDA. It is tasked with fulfilling the obligations of the former IUDA, and is also responsible for the revenue collection, maintaining necessary bond reserves and disposing of excess property.

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

Basis of accounting and measurement focus

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

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

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

Government-wide financial statements

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as 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.

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

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

Fund financial statements

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

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

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

When both restricted and unrestricted resources are combined in a fund, 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.

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

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

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 assets.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The City's proprietary funds include the Industry Hills Expo Center, IPUC, Housing Authority, and the Internal Service Fund of the City. These funds are presented on the accrual basis of accounting.

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

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

The City reports the following major proprietary funds:

Industry Public Utilities Commission

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

Industry Hills Expo Center

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

Industry Property and Housing Authority

This fund accounts for property and housing rental activity.

Fiduciary fund types

Agency Funds

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

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 balance sheet. 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

Land held for sale

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

Cash and investments

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

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

Fund balance

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

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

Net assets

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

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

Retirement plan

The City, under a contract with the California Public Employees' Retirement System of California, provides a retirement plan covering all full-time and certain part-time employees of the City and IUDA. Prior service costs are being funded over a period ending in the year 2012.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Inventories

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

Bond issuance costs and premiums/discounts

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

2. **Cash and investments**

Cash and investments for governmental and business-type activities at June 30, 2012 consisted of the following:

Statement of net assets:	<u>Amount</u>
Cash	\$ 3,453,517
Cash and investments with fiscal agent	163,077,447
Investments	124,220,011
Investments with fiscal agent - restricted	40,013,647
Investments in IUDA bonds	455,625,272
Fiduciary funds:	
Cash	278,491
Investments	91,600,356
Investments with fiscal agent - restricted	<u>86,693,354</u>
Total cash and investments	<u>\$ 964,962,095</u>
Cash	3,705,065
Investments	<u>961,257,030</u>
Total cash and investments	<u>\$ 964,962,095</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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, 2012, the City's deposits exceeded federally insured limits by \$1,954,895; however, such amounts are secured by the financial institutions that hold such deposits for the City.

The Hospital's cash and cash equivalents consist of cash and money market savings accounts with initial maturities of three months or less. At June 30, 2012, the Hospital had no uninsured amounts.

As of June 30, 2012, 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
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.

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.

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, 2012, the financial institutions that hold collateral for the City of Industry had satisfied this requirement.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Investments authorized by debt agreements (continued)

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

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

2. Cash and investments (continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity Date (in months)</u>
Commercial paper	\$ 22,076,150	0.16
Annuities	1,149,044	N/A
Federal home loan notes	30,696,758	0.66
Banker's acceptances	13,860,981	2.06
LAIF	124,136,018	9.25
Held by bond trustee:		
Treasury obligations	65,687,105	N/A
Treasury Notes	23,901,418	7.24
Government obligations	55,768,886	N/A
Money Market Funds	14,193,026	N/A
Mortgage backed securities	38,179,108	326.58
Asset backed securities	4,058,722	130.74
Municipal securities	9,271,442	77.00
Corporate securities	100,047,731	117.17
Investment contracts	2,605,369	144.10
Investment in IUDA bonds	455,625,272	145.00
	<u>\$ 961,257,030</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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>					
			<u>Aaa/P-1</u>	<u>AA/Aa - A/A</u>	<u>BBB/Baa - B/B</u>	<u>CCC/Caa - C/C</u>	<u>Not Rated</u>	
Commercial paper	\$ 22,076,150	Aaa/P-1	\$ 22,076,150					
Annuities	1,149,044	N/A						1,149,044
Federal home loan notes	30,696,758	Aaa/P-1	30,696,758					
Banker's acceptances	13,860,981	Aaa/P-1	13,860,981					
LAIF	124,136,018	N/A						124,136,018
Held by bond trustee:								
Treasury obligations	65,687,105	Aaa/P-1	65,687,105					
Treasury notes	23,901,418	Aaa/P-1	23,901,418					
Government obligations	55,768,886	Aaa/P-1	55,768,886					
Money market funds	14,193,026	Aaa/P-1	14,193,026					
Mortgage backed securities	38,179,108	N/A	29,734,588	3,349,420			250,837	4,844,263
Asset backed securities	4,058,722	Aaa/P-1	4,058,722					
Municipal securities	9,271,442	AA/Aa-A/A		9,271,442				
Corporate securities	100,047,731	N/A	2,053,830	31,644,182	61,043,473		473,051	4,833,195
Investment contracts	2,605,369							2,605,369
Investment in IUDA bonds	455,625,272							455,625,272
Total investments	<u>\$ 961,257,030</u>		<u>\$ 262,031,464</u>	<u>\$ 44,265,044</u>	<u>\$ 61,043,473</u>	<u>\$ 723,888</u>		<u>\$ 593,193,161</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

2. Cash and investments (continued)

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.

State of California Local Agency Investment Fund

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

At June 30, 2012, the carrying amount of the investments in LAIF amounted to \$124,136,018 and its fair value amounted to \$124,142,747.

Investment in IUDA Bonds

The City and the Public Facilities Authority have investments in IUDA bonds. As of June 30, 2012 the City has an investment balance of \$343,580,272 and the Public Facilities Authority has an investment balance of \$112,045,000. In prior years 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. The combined effect to the Government-wide financial statements due to this change in presentation is an increase to investments and net assets of \$455,625,272.

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, 2012, is \$1,122,101.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

3. Interfund receivables/payables and transfers in/out

Interfund transactions

Interfund receivables and payables consisted of the following at June 30, 2012:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 23,501,271	\$ 16,090,186
Debt Service	8,031,422	
Capital Projects	377,018	
Other Governmental Funds	732,086	2,122,326
Total - governmental funds	\$ 32,641,797	\$ 18,212,512
Enterprise Funds		809,947
Fiduciary Funds	7,560,459	21,179,797
Totals	\$ 40,202,256	\$ 40,202,256

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

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

Interfund transactions

Interest income received on IUDA bonds owned by City	\$ 15,436,613
Principal payments on City bonds owned by PFA	\$ 580,000
Interest income/expense paid from IUDA to PFA on IUDA bonds	\$ 3,824,997
Interest income/expense paid from City to PFA on City bonds	\$ 2,156,701
PFA investment in City general obligation bond	\$ 31,035,000
Interest payable to PFA from City on PFA owned bonds	\$ 1,078,351
Interest income/expense paid from IUDA on note receivable to the City	\$ 523,500
Site lease prepayment between PFA and City	\$ 6,716,587

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Interfund transfers

The City of Industry reports interfund transfers between many of its funds. Some of the transfers are considered to be immaterial and are aggregated into a single column or row titled "All Others". For the year ended June 30, 2012, the sum of all the transfers are presented in the table is as follows:

Transfers Out	Transfers In					Totals
	General Fund	Capital Projects	Debt Service	Other Governmental Funds	All Others	
General fund	\$ 12,972,234	\$ 33,934,597	\$ 92,131	\$ 1,332,840	\$ 3,420,176	\$ 38,779,744
Capital Projects fund			36,158,587		2,456,883	51,587,704
Debt Service fund	10,509,630	54,357,677				64,867,307
Other Governmental Funds	26,196	377,018			1,119,559	1,522,773
All Others	9,933,424	72,309				10,005,733
Totals	\$ 33,441,484	\$ 88,741,601	\$ 36,250,718	\$ 1,332,840	\$ 6,996,618	\$ 166,763,261

The above transfers have been presented on the statement of revenue, expenditures and changes in fund balances for the year ended June 30, 2012 as follows:

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
TRANSFERS IN					
Operating transfers in	\$ 23,508,061	\$ 88,669,292	\$ 36,250,718	\$ 1,332,840	\$ 149,760,911
Transfers from enterprise and fiduciary funds	9,933,424	72,309			10,005,733
Total transfers in	\$ 33,441,485	\$ 88,741,601	\$ 36,250,718	\$ 1,332,840	\$ 159,766,644
TRANSFERS OUT					
Operating transfers out	\$ 35,359,569	\$ 49,130,821	\$ 64,867,307	\$ 403,214	\$ 149,760,911
Transfers to enterprise and fiduciary funds	3,420,176	2,456,883		1,119,559	6,996,618
Total transfers out	\$ 38,779,745	\$ 51,587,704	\$ 64,867,307	\$ 1,522,773	\$ 156,757,529

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt

City of Industry

General obligation bonds

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

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

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

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

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

Sales tax revenue bonds

In April 2005, the City issued \$113,420,000 of Taxable Sales Tax Revenue Bonds. The net proceeds of approximately \$102,200,000 from the issuance were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Sales tax revenue bonds (continued)

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.

Special bond issues

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

City of Industry (continued)

Special bond issues (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
2013	\$ 17,375,411	\$ 19,670,000	\$ 37,045,411
2014	16,613,455	20,390,000	37,003,455
2015	15,748,774	21,260,000	37,008,774
2016	14,843,429	22,185,000	37,028,429
2017	13,817,821	23,165,000	36,982,821
2018-2022	51,424,116	118,285,000	169,709,116
2023-2027	22,500,761	99,475,000	121,975,761
2028-2032	3,503,503	16,475,000	19,978,503
2033	102,066	2,865,000	2,967,066
Totals	\$ <u>155,929,336</u>	\$ <u>343,770,000</u>	\$ <u>499,699,336</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 net proceeds of approximately \$33,100,000 were used to purchase the 2002 City Bonds from IUDA. The City and IUDA determined in order to provide financing for the Projects at more advantageous interest rates, it was in the best interest of the City and its property taxpayers for PFA to issue bonds in the amount of \$35,190,000 ("PFA Bonds") for the purpose of providing funds to finance the acquisition and construction of the Projects.

On August 1, 2005, PFA issued \$35,190,000 of General Obligation Revenue Bonds. The net proceeds of \$33.095 million were used to purchase the 2002 City Bonds from IUDA. The City has assigned to PFA the City's right to redeem its Taxable General Obligation Bonds Issue of

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Public Facilities Authority

Project Funding Agreement and City of Industry Public Facilities Authority Bonds

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

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>
2013	\$ 373,144
2014	373,144
2015	373,144
2016	373,144
2017	373,144
Thereafter	4,850,867

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>
2013	937,658
2014	937,658
2015	937,658
2016	937,658
2017	937,658
Thereafter	3,750,631

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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>
2013	\$ 6,421,925	\$ 13,185,000	\$ 19,606,925
2014	5,902,764	13,590,000	19,492,764
2015	5,408,523	13,965,000	19,373,523
2016	4,875,166	14,385,000	19,260,166
2017	4,288,804	14,865,000	19,153,804
2018-2022	11,559,509	66,970,000	78,529,509
2023-2027	3,638,894	7,780,000	11,418,894
2028-2032	1,659,670	9,720,000	11,379,670
2033	51,060	2,220,000	2,271,060
Totals	<u>\$ 43,806,315</u>	<u>\$ 156,680,000</u>	<u>\$ 200,486,315</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>
2013	\$ 2,137,952	\$ 625,000	\$ 2,762,952
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
2018-2022	8,806,300	5,315,000	14,121,300
2023-2027	6,563,017	7,775,000	14,338,017
2028-2032	3,181,313	11,430,000	14,611,313
2033	102,066	2,865,000	2,967,066
Totals	<u>\$ 28,912,075</u>	<u>\$ 31,035,000</u>	<u>\$ 59,947,075</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Summary of bond transactions

The following is a summary of bond transactions for the year ended June 30, 2012:

DESCRIPTION / TERMS	INTEREST RATE	BALANCE JUNE 30, 2011	ADDITIONS (RETIRED)	BALANCE JUNE 30, 2012	AMOUNTS DUE WITHIN ONE YEAR
CITY OF INDUSTRY:					
GENERAL OBLIGATION BONDS:					
\$35,000,000 in 2002 Public Works Capital Improvement Bonds \$625,000 to \$2,865,000 principal payments due annually through 2033					
	6.00% to 7.13%	\$ 31,615,000	\$ (580,000)	\$ 31,035,000	625,000
\$37,860,000 in 2009 Public Works Capital Improvement Bonds Refunding Bonds - Series A \$3,425,000 to \$4,545,000 principal payment due annually through 2020					
	2.00% to 3.80%	34,755,000	(3,340,000)	31,415,000	3,425,000
\$50,975,000 in 2010 Public Works Capital Improvement Bonds Refunding Bonds - Series B \$4,050,000 to \$5,640,000 principal payment due annually through 2020					
	3.63% to 5.25%	47,060,000	(3,895,000)	43,165,000	4,050,000
\$43,340,000 in 2010 Public Works Capital Improvement Refunding Bonds \$1,550,000 to \$3,240,000 principal payment due annually through 2030					
	0.600% to 5.00%	43,340,000	(2,260,000)	41,080,000	1,950,000
Total general obligation bonds					
		\$ 156,770,000	\$ (10,075,000)	\$ 146,695,000	\$ 10,050,000

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

Summary of bond transactions (continued)

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2011</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2012</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) \$4,360,000 to \$8,485,000 principal payments due annually through 2026	5.00% to 5.50%	\$ 90,635,000	\$ (4,155,000)	\$ 86,480,000	\$ 4,360,000
\$77,540,000 Sales Tax Revenue Bonds Issue of 2008 (taxable) \$3,430,000 to \$6,095,000 principal payments due annually through 2027	3.00% to 5.00%	71,470,000	(3,265,000)	68,205,000	3,430,000
\$45,380,000 Sales Tax Revenue Bonds issue of 2010 (Taxable) \$1,830,000 to \$4,385,000 principal payments due annually through 2027	3.75% to 8.00%	44,165,000	(1,775,000)	42,390,000	1,830,000
Total sales tax revenue bonds		<u>206,270,000</u>	<u>(9,195,000)</u>	<u>197,075,000</u>	<u>9,620,000</u>
Grand Total City bonds		<u>\$ 363,040,000</u>	<u>\$ (19,270,000)</u>	<u>\$ 343,770,000</u>	<u>\$ 19,670,000</u>

**CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS**

4. Long-term debt (continued)

Summary of bond transactions (continued)

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2011</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2012</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Public Facilities Authority					
General Obligation Revenue Bond					
\$35,190,000 2005 General Obligation Revenue Bonds, due in annual principal installments of \$930,000 to \$2,220,000 through July 01, 2033	3.625% to 4.875%	\$ 31,895,000	\$ (895,000)	\$ 31,000,000	\$ 930,000
\$169,695,000 2007 Tax Allocation Revenue Bonds, due in annual principal installments of \$11,570,000 to \$15,085,000 through May 01, 2021	3.625% to 4.500%	129,825,000	(11,245,000)	118,580,000	11,570,000
\$8,460,000 2010 Refunding Lease Revenue Bonds, due in annual principal installments of \$685,000 to \$915,000 through August 1, 2021	3.000% to 4.250%	7,775,000	(675,000)	7,100,000	685,000
Total PFA bonds		<u>\$ 169,495,000</u>	<u>\$ (12,815,000)</u>	<u>\$ 156,680,000</u>	<u>\$ 13,185,000</u>

The annual debt service requirements for all bonded long-term debt as of June 30, 2012 for City and PFA are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2013	\$ 23,797,336	\$ 32,855,000	\$ 56,652,336
2014	22,516,221	33,980,000	56,496,221
2015	21,157,298	35,225,000	56,382,298
2016	19,718,595	36,570,000	56,288,595
2017	18,106,624	38,030,000	56,136,624
2018-2022	62,983,619	185,255,000	248,238,619
2023-2027	26,139,655	107,255,000	133,394,655
2028-2032	5,163,173	26,195,000	31,358,173
2033-2037	153,126	5,085,000	5,238,126
Totals	<u>\$ 199,735,647</u>	<u>\$ 500,450,000</u>	<u>\$ 700,185,647</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Long-term liability activity for the year ended June 30, 2012, is summarized as follows:

At June 30, 2012, compensated absences totaled \$128,976 for governmental funds, which will principally be paid by the General Fund.

Governmental activities:	Balance July 01, 2011	Additions	Decreases	Transferred to Trust Fund	Balance June 30, 2012	Amounts due within one year
Bonds payable:						
General obligation bonds	\$ 188,665,000	\$	\$ (10,970,000)	\$	\$ 177,695,000	\$ 10,980,000
Tax allocation bonds	773,817,881		(27,332,609)	(627,905,272)	118,580,000	11,570,000
Sales Tax Revenue bonds	206,270,000		(9,195,000)		197,075,000	9,620,000
Refunding Lease Revenue Bonds	7,775,000		(675,000)		7,100,000	685,000
Deferred amounts:						
Unamortized premiums/ discounts on refunding	7,762,334		(1,062,678)	(1,031,503)	5,668,153	881,303
Deferred charges	(6,753,081)		910,963	1,756,729	(4,085,389)	(682,823)
	<u>1,177,537,134</u>	-	<u>(48,324,324)</u>	<u>(627,180,046)</u>	<u>502,032,764</u>	<u>33,053,480</u>
Other liabilities:						
OPEB contribution payable	5,020,440	1,657,227	(576,153)		6,101,514	
Compensated absences	116,805	12,171			128,976	128,976
	<u>1,182,674,379</u>	<u>1,669,398</u>	<u>(48,900,477)</u>	<u>(627,180,046)</u>	<u>508,263,254</u>	<u>33,182,456</u>
Inter-debt eliminations:						
City and IUDA bonds owned by PFA	(153,590,000)		580,000	121,975,000	(31,035,000)	(625,000)
IUDA bonds owned by the City	(359,667,880)		16,087,607	343,580,273	-	
Totals	<u>\$ 669,416,499</u>	<u>\$ 1,669,398</u>	<u>\$ (32,232,870)</u>	<u>\$ (161,624,773)</u>	<u>\$ 477,228,254</u>	<u>\$ 32,557,456</u>
Portion due or payable after one year						<u>444,670,798</u>
Total						<u>\$ 477,228,254</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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 will be held in trust for the benefit of the City and the bond owners. The proceeds of the Loan Fund will be used to make advances to IUDA under this loan agreement. IUDA has assigned all of its rights to these proceeds to the Trustee as security for the bonds and their owners. As of June 30, 2012, 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.

Bonds outstanding at January 31, 2012 of \$114,660,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

2003 Subordinate Lien Tax Allocation Refunding Bonds

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

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

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

Bonds outstanding at January 31, 2012 of \$156,300,983 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

2005 Subordinate Lien Tax Allocation Refunding Bonds

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

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

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

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

Bonds outstanding at January 31, 2012 of \$70,060,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

2008 Subordinate Lien Tax Allocation Refunding Bonds

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

2008 Subordinate Lien Tax Allocation Refunding Bonds (continued)

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

Bonds outstanding at January 31, 2012 of \$64,029,289 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable)

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

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

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

Bonds outstanding at January 31, 2012 of \$37,860,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

Civic-Recreational-Industrial Redevelopment Project No. 1

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

In February 2007, IUDA 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").

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

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

Principal and interest payments are made by IUDA to PFA for the payment of the 2002 IUDA TA Bonds. PFA then uses those monies to make principal and interest payments on the 2007 PFA TA Bonds. Any surplus funds received by PFA are returned to IUDA. Bonds outstanding at January 31, 2012 of \$121,975,000 were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the 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.

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

During fiscal year 2009, an examination of the IUDA's spending of bond proceeds related to tax exempt bonds was conducted by the Internal Revenue Service (IRS). As a result of the examination, the IRS determined that the IUDA's bond proceeds spending of the 2003 \$68,090,000 Project 1 Tax Allocation Bonds Series B (2003 Series Bond) issuance was in violation of IRS Section Code 149 (g) (2) related to the timely spending requirements posed by the section code. The IUDA and the IRS agreed on a cash settlement on the violation in the amount of \$500,000 and the redemption of a portion of the 2003 Series B bond in the amount of \$27,170,000. Bonds outstanding at January 31, 2012 of \$23,620,000 were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the IUDA.

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.

Bonds outstanding at January 31, 2012 were \$15,330,000 and were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

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.

Bonds outstanding at January 31, 2012 of \$11,985,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

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.

Bonds outstanding at January 31, 2012 of \$29,405,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

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.

Bonds outstanding at January 31, 2012 of \$12,085,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

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.

Bonds outstanding at January 31, 2012 of \$32,990,000 were transferred to the SA to IUDA on February 1, 2012 due to the dissolution of the IUDA.

Source of bond payments

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

As described in footnote 23, the SA to IUDA assumed the obligations of the IUDA. As of June 30, 2012, details of bonds payable are as follows:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JANUARY 31, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30,</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 \$10,340,000 to \$14,915,000 through May 1, 2021	5.000% to 5.500%	\$ 121,975,000	\$ (9,930,000)	\$ 112,045,000	\$ 10,340,000
\$78,720,000 2003 Tax Allocation Bonds, Series A (Taxable), due in annual principal installments of \$4,265,000 to \$6,660,000 through May 1, 2021	5.250% to 6.000%	52,265,000	(4,060,000)	48,205,000	4,265,000
\$68,090,000 2003 Tax Allocation Bonds, Series B (Taxable), due in annual principal installments of \$1,745,000 to \$3,180,000 through May 1, 2021	3.500% to 5.000%	23,620,000	(1,570,000)	22,050,000	1,745,000
\$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,445,000 to \$9,525,000 through December 1, 2020	10.000%	60,335,000	-	60,335,000	4,445,000
\$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$2,585,000 to \$5,900,000 through December 1, 2025	6.250% to 6.800%	56,155,000	-	56,155,000	2,585,000
\$16,038,957 2007 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,055,000 to \$2,115,000 through December 1, 2022	8.000%	15,330,000	-	15,330,000	1,055,000
\$33,673,437 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,545,000 to \$3,695,000 through December 1, 2024	8.250%	29,754,000	-	29,754,000	1,545,000
Totals - Project No. 1		\$ 359,434,000	\$ (15,560,000)	\$ 343,874,000	\$ 25,980,000

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JANUARY 31, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30,</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 \$735,000 to \$1,190,000 through May 1, 2024	4.000% to 4.750%	\$ 11,985,000	\$ (710,000)	\$ 11,275,000	\$ 735,000
\$39,730,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,675,000 to \$3,125,000 through May 1, 2024	5.300% to 6.100%	29,405,000	(1,595,000)	27,810,000	1,675,000
\$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,773,046 to \$10,901,285 through December 1, 2023	10.000%	89,715,984	-	89,715,984	4,773,046
\$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$640,000 to \$1,460,000 through December 1, 2025	6.250 to 6.800%	13,905,000	-	13,905,000	640,000
\$31,083,172 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$720,000 to \$6,050,000 through December 1, 2026	5.750%	29,155,000	-	29,155,000	720,000
\$40,000,000 2010 Subordinate Tax Allocation Refunding Bonds (Taxable), due in annual principal installments of \$1,275,000 to \$4,335,000 through December 1, 2026	9.150%	37,860,000	-	37,860,000	1,275,000
Totals - Project No. 2		\$ 212,025,984	\$ (2,305,000)	\$ 209,720,984	\$ 9,818,046

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JANUARY 31, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30,</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 \$740,000 to \$1,200,000					
through May 1, 2024					
	4.000% to 5.000%	\$ 12,085,000	(715,000)	\$ 11,370,000	\$ 740,000
\$44,585,000 2003 Tax Allocation Bonds					
(Taxable), due in annual principal					
installments of \$1,885,000 to \$3,510,000					
through May 1, 2024					
	5.300% to 6.100%	32,990,000	(1,790,000)	31,200,000	1,885,000
\$9,726,529 2003 Subordinate Lien Tax					
Allocation Refunding Bonds, due in annual					
principal installments of \$660,000 to					
\$1,165,000 through December 1, 2018					
	10.000%	6,250,000	-	6,250,000	660,000
\$5,120,288 2008 Subordinate Lien Tax					
Allocation Refunding Bonds, due in annual					
principal installments of \$77,886 to					
\$1,267,544 beginning in December 1,					
2017 through December 1, 2026					
	10.000%	5,120,289	-	5,120,289	-
Totals - Project No. 3					
		<u>56,445,289</u>	<u>(2,505,000)</u>	<u>53,940,289</u>	<u>3,285,000</u>
Combined totals		\$ <u>627,905,273</u>	\$ <u>(20,370,000)</u>	\$ <u>607,535,273</u>	\$ <u>39,083,046</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

YEAR ENDED JUNE 30

<u>PROJECT AREA NO. 1</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2013	\$ 22,801,937	\$ 25,980,000	\$ 48,781,937
2014	21,107,455	27,642,000	48,749,455
2015	19,273,298	29,435,000	48,708,298
2016	17,306,080	31,364,000	48,670,080
2017	15,163,970	33,461,000	48,624,970
2018-2022	38,659,885	167,444,000	206,103,885
2023-2027	3,630,800	28,548,000	32,178,800
Total	<u>\$ 137,943,425</u>	<u>\$ 343,874,000</u>	<u>\$ 481,817,425</u>

<u>PROJECT AREA NO. 2</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2013	\$ 14,736,660	\$ 9,818,046	\$ 24,554,706
2014	16,192,958	10,513,023	26,705,981
2015	18,000,826	11,252,646	29,253,472
2016	20,232,858	12,062,697	32,295,555
2017	22,982,553	12,928,357	35,910,910
2018-2022	182,460,569	80,249,261	262,709,830
2023-2027	129,069,022	72,896,954	201,965,976
Total	<u>\$ 403,675,446</u>	<u>\$ 209,720,984</u>	<u>\$ 613,396,430</u>

<u>PROJECT AREA NO. 3</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2013	\$ 2,953,944	\$ 3,285,000	\$ 6,238,944
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
2018-2022	8,621,519	22,271,483	30,893,002
2023-2027	18,808,271	13,133,806	31,942,077
Total	<u>\$ 40,038,120</u>	<u>\$ 53,940,289</u>	<u>\$ 93,978,409</u>

YEAR ENDED JUNE 30

<u>TOTALS</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2013	\$ 40,492,541	\$ 39,083,046	\$ 79,575,587
2014	40,055,601	41,630,023	81,685,624
2015	39,812,400	44,382,646	84,195,046
2016	39,844,302	47,341,697	87,185,999
2017	40,202,081	50,554,357	90,756,438
2018-2022	229,741,973	269,964,744	499,706,717
2023-2027	151,508,093	114,578,760	266,086,853
Total	<u>\$ 581,656,991</u>	<u>\$ 607,535,273</u>	<u>\$ 1,189,192,264</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

5. Successor Agency Bonds Payable (continued)

Long-term liability activity for the year ended June 30, 2012, is summarized as follows:

	January 31, 2012	Increases	Decreases	June 30, 2012	Amounts due within one year
Bonds payable:					
Tax allocation	\$ 627,905,273	\$ -	\$ (20,370,000)	\$ 607,535,273	\$ 39,083,046
Less deferred amounts:					
Unamortized premiums on refundings	1,031,503	-	(93,199)	938,304	203,400
Deferred charges	(1,756,729)	-	128,808	(1,627,921)	(287,951)
Total bonds payable	<u>627,180,047</u>	<u>-</u>	<u>(20,334,391)</u>	<u>606,845,656</u>	<u>38,998,495</u>
Other :					
Bond Issuance Cost	(4,845,183)	-	256,121	(4,589,062)	582,589
Totals	<u><u>622,334,864</u></u>	<u><u>-</u></u>	<u><u>(20,078,270)</u></u>	<u><u>602,256,594</u></u>	<u><u>39,581,084</u></u>

At June 30, 2012 the City owns \$343,580,273 and PFA owns \$112,045,000 of the \$607,535,273 outstanding bonds of the SA to the IUDA.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

6. Industry Hills Regional Public Park and Recreation Area

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

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

7. Defined benefit pension plan

Plan description

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

All full-time and certain part-time employees of the City and IUDA are covered in this plan. Due to the dissolution of the IUDA all of the employees of the IUDA have been transferred to the City. 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, 2012, 2011 and 2010 were 27.940%, 25.062%, and 25.627% respectively for both City and IUDA. 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

7. Defined benefit pension plan (continued)

Annual pension cost

For the year ended June 30, 2012, the City's annual employer pension cost amounted to \$718,818. The required contribution for the year ended June 30, 2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.55% to 14.45%, which vary depending on age, duration of service and type of employment. Both (a) and (b) include an inflation component of 3.00% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and losses.

The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period as of June 30, 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)
2010	565,366	97.31%	11,319
2011	625,296	109.72%	(41,938)
2012	718,818	100.00%	(15,288)

As a result of the IUDA's dissolution as of January 31, 2012, the employees and plan were transferred to the City.

8. Deferred compensation plan

The City and IUDA offer its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Due to the dissolution of the IUDA all of the employees of the IUDA have been transferred to the City. The assets of the deferred compensation plan of the ex-IUDA employees have also been transferred to the City.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

8. Deferred compensation plan (continued)

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.

As a result of the IUDA's dissolution as of January 31, 2012, the employees and plan were transferred to the City.

9. Commitments and contingencies

Dissolution legislation "true up" process

The provisions of AB 1484, which was a trailer bill to the FY 2012-13 State Budget, required that the County Auditor-Controller determine if the tax revenues received by the former Agency in January 2012 (before dissolution) were in excess of the amount spent by the former Agency and the Successor Agency on enforceable obligations as defined by the Redevelopment Dissolution Law during the period from January 1 through June 30, 2012. If there was an excess, the Successor Agency must remit the residual amounts to the County by July 12, 2012, for allocation to the taxing entities. This is referred to as the "true up" process. It was determined that the IUDA received tax revenues of \$6,188,888 in excess. This amount due has been accrued as of January 31, 2012 and was paid by the Successor Agency in July 2012. The amount has been deducted from the tax revenue line item on the financial statements.

10. Capital assets

Primary government

Capital asset activity for the year ending June 30, 2012 is as follows:

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>	<u>ADDITIONS</u>	<u>RECLASSES</u>	<u>RETIREMENTS</u>	<u>TRANSFERS OUT</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
PRIMARY GOVERNMENT						
Governmental activities:						
Capital assets, not being depreciated						
Land	\$ 325,603,626	\$ 5,255,021	\$ 1,211,683	\$ -	\$ (275,389,566)	\$ 56,680,764
Construction in progress	39,182,457	38,321,235	(20,402,657)	(2,626,608)	(45,655,613)	8,818,814
Totals	<u>364,786,083</u>	<u>43,576,256</u>	<u>(19,190,974)</u>	<u>(2,626,608)</u>	<u>(321,045,179)</u>	<u>65,499,578</u>
Capital assets being depreciated						
Buildings and improvements	125,219,600	-	13,284,914	-	(23,057,066)	115,447,448
Machinery and equipment	2,165,876	-	-	(244,482)	(65,807)	1,855,587
Furniture and fixture	4,260,428	368,358	123,285	-	(574,322)	4,177,749
Infrastructure	288,790,929	-	5,287,409	-	(175,911,530)	118,166,808
Totals	<u>420,436,833</u>	<u>368,358</u>	<u>18,695,608</u>	<u>(244,482)</u>	<u>(199,608,725)</u>	<u>239,647,592</u>
Less accumulated depreciation						
Personal property	2,965,376	668,479	-	(244,482)	(153,998)	3,235,375
Real property	114,283,501	8,129,522	-	-	(24,458,782)	97,954,241
Totals	<u>117,248,877</u>	<u>8,798,001</u>	<u>-</u>	<u>(244,482)</u>	<u>(24,612,780)</u>	<u>101,189,616</u>
Net capital assets being depreciated	<u>303,187,956</u>	<u>(8,429,643)</u>	<u>18,695,608</u>	<u>-</u>	<u>(174,995,945)</u>	<u>138,457,976</u>
Governmental activities capital assets, net	<u>\$ 667,974,039</u>	<u>\$ 35,146,613</u>	<u>\$ (495,366)</u>	<u>\$ (2,626,608)</u>	<u>\$ (496,041,124)</u>	<u>\$ 203,957,554</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

10. Capital assets (continued)

As of February 1, 2012, \$496,041,124 of net capital assets were transferred to the Successor Agency and are now included only as part of the Private-Purpose Trust Fund in the fiduciary funds.

Business-type activities

CAPITAL ASSETS	BALANCE July 01, 2011	ADDITIONS	RETIREMENTS	BALANCE June 30, 2012
PRIMARY GOVERNMENT				
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,764,880	\$	\$	6,764,880
Water rights	441,200			441,200
Source of supply	4,477,162	18,331		4,495,493
Construction in progress	2,558		(2,558)	-
Totals	<u>11,685,800</u>	<u>18,331</u>	<u>(2,558)</u>	<u>11,701,573</u>
Capital assets being depreciated				
Buildings and improvements	49,910,294	501,341		50,411,635
Equipment, furniture and fixtures	965,183	158,831		1,124,014
Totals	<u>50,875,477</u>	<u>660,172</u>	<u>-</u>	<u>51,535,649</u>
Less: accumulated depreciation				
Personal property	714,862	32,516		747,378
Real property	26,925,491	1,408,682		28,334,173
Totals	<u>27,640,353</u>	<u>1,441,198</u>	<u>-</u>	<u>29,081,551</u>
Capital assets being depreciated, net	<u>23,235,124</u>	<u>(781,026)</u>	<u>-</u>	<u>22,454,098</u>
Business-type activities capital assets, net	<u>\$ 34,920,924</u>	<u>\$ (762,695)</u>	<u>\$ (2,558)</u>	<u>\$ 34,155,671</u>

Depreciation expense was charged to the primary government in the governmental activities-general government expenses in the amount of \$8,798,001 and for business activities in the amount of \$1,441,198. Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,841,078
Support services	1,217,157
Community development	391,907
Community services	641,320
Public safety	2,254,665
Public works	2,451,874
Total depreciation expense	<u>\$ 8,798,001</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

10. Capital assets (continued)

Discretely presented component unit

Capital asset activity for the Industry Convalescent Hospital dba El Encanto Healthcare and Habilitation Center for the year ending June 30, 2012 is as follows:

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> July 01, 2011	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2012
El Encanto Healthcare and Habilitation Center				
Capital assets being depreciated				
Buildings and improvements	\$ 1,275,082	\$ 35,079	\$ -	\$ 1,310,161
Machinery and equipment	1,066,564	10,316	-	1,076,880
Furniture and fixtures	583,698	-	-	583,698
Totals	<u>2,925,344</u>	<u>45,395</u>	<u>-</u>	<u>2,970,739</u>
Less accumulated depreciation				
Buildings and improvements	938,794	63,184	-	1,001,978
Machinery and equipment	880,996	54,082	-	935,078
Furniture and fixtures	479,379	27,553	-	506,932
Totals	<u>2,299,169</u>	<u>144,819</u>	<u>-</u>	<u>2,443,988</u>
Net capital assets being depreciated	<u>626,175</u>	<u>(99,424)</u>	<u>-</u>	<u>526,751</u>
Component unit's capital assets, net	<u>\$ 626,175</u>	<u>\$ (99,424)</u>	<u>\$ -</u>	<u>\$ 526,751</u>

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

<u>PROPERTY HELD FOR SALE OR DISPOSITION</u>	<u>BALANCE</u> FEBRUARY 1, 2012	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> JUNE 30, 2012
Capital Assets Not Being Depreciated				
Land	\$ 298,056,956	-	-	\$ 298,056,956
Construction in progress	45,655,613	2,032,409	-	47,688,022
Infrastructure	175,911,531	-	-	175,911,531
Buildings and improvements	23,057,066	-	-	23,057,066
Furniture and fixtures	574,322	-	-	574,322
Vehicles	65,807	-	-	65,807
Totals	<u>543,321,295</u>	<u>2,032,409</u>	<u>-</u>	<u>545,353,704</u>
Less: Accumulated depreciation	<u>(24,612,780)</u>	<u>-</u>	<u>-</u>	<u>(24,612,780)</u>
Capital assets, net	<u>\$ 518,708,515</u>	<u>\$ 2,032,409</u>	<u>\$ -</u>	<u>\$ 520,740,924</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

11. Transactions with related parties

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

The IUDA rented certain office spaces from the City on a month-to-month basis for \$7,259 per month. The IUDA incurred total lease expenses in the amount of \$50,810 for the seven months ended January 31, 2012.

A company that provides maintenance services to the City and its component units is a related party to the ex-Mayor of the City of Industry. The ex-Mayor resigned from all positions held at the City in June 2012. For the year ended June 30, 2012, total expenses amounted to \$7,185,304. Included in accounts payable is \$500,045 that is owed to this company.

A company that provides auto body and towing services to the City and its component units is a related party to a board member of CRIA. For the year ended June 30, 2012, total expenses amounted to \$99,222. As of June 30, 2012, included in accounts payable is \$14,270 that is owed to this company.

Certain companies that provide maintenance and refuse collection services to the City and its component units are related to the ex-Mayor of the City through family ownership. The City incurred total expenses related to these services in the amount of \$12,802,785. Included in accounts payable is \$1,220,276 that is owed to this company.

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

A company that provides maintenance to CRIA is related to the ex-Mayor of the City of Industry through family ownership. CRIA incurred total expenses related to these services in the amount of \$35,361 for the year ended June 30, 2012. Included in accounts payable is \$7,255 due to this company as of June 30, 2012.

A company that provides maintenance services to the City is owned by an ex-board member of the IUDA. For the year ended June 30, 2012, total expense amounted to \$797,318, including in accounts payable is \$74,553 that is owed to this company.

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

12. Self-insurance plan

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

12. Self-insurance plan (continued)

As of June 30, 2012, there are \$51,641 in pending liability claims and litigation outstanding against the City and its component units. Based on information presently available, the City believes that there are substantial defenses to such litigation and disputes and that, in any event, the ultimate liability, if any, resulting there from will not have a material effect on the financial position of the City and its component units.

13. Equity deficit

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

The Proposition A-Sales Tax fund has a deficit fund balance of \$1,549,197 which will be offset by sales tax monies received in July 2012.

14. Low and moderate income housing

In December of 1992, pursuant to the authority of Government Code 65584.3, IUDA entered into an agreement with the City and the Housing Authority of the County of Los Angeles ("HACoLA"). 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.

15. Other post employment benefits (OPEB)

The City and IUDA provides post-retirement health and dental care benefits for retirees and their spouses under a single-employer OPEB plan. Due to the IUDA employees being transferred to the City, the City has assumed the responsibility of funding the OPEB benefits of the these employees. 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.

The City has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for the year ending June 30, 2008. Statement No. 45 requires governments to account for other post-employment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their post-employment benefit rather than when they use their post-employment benefit.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

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, 2012, there were eighteen individuals receiving post-retirement benefits from the City. For the year ended June 30, 2012, the City and its component units paid \$334,159 for these individuals.

(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	\$ 810,738
Amortization of initial unfunded actuarial accrued liability (UAAL)	706,048
Residual UAAL amortization	(110,581)
 Total ARC	 \$ 1,406,205

NET OPEB OBLIGATION:

	AMOUNT
Balance as of July 1, 2011	\$ 5,020,441
ARC	1,406,205
Interest on net pension obligation	251,022
Amortization adjustment	(241,995)
Retiree costs paid	(334,159)
 Balance as of June 30, 2012	 \$ 6,101,514

(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	\$	1,670,642
UAAL as a percentage of covered payroll		863%

(d) Actuarial Methods and Assumptions

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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

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 8.5%.

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 82. Projections of benefits are based on the nature of benefits provided under the plan at the time of the actuarial valuation and the pattern of cost sharing between the employer and plan members to that point. Actuarial calculations are long-term in nature, and techniques are used to reduce the short-term volatility of actuarial accrued liabilities and the actuarial valuation of assets.

Preceding year trend information

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	1,779,300	26.42%	(3,966,527)
2011	1,387,884	24.06%	(5,020,441)
2012	1,415,232	23.61%	(6,101,514)

16. Industry Convalescent Hospital

Under statement number 14 issued by the Governmental Standards Accounting Board (GASB), the Hospital is classified as a component unit and is discretely presented in the financial statements. During 1992, the City Council passed a resolution stating that periodic advances made to Industry Convalescent Hospital dba El Encanto Healthcare and habilitation Center in the past, as well as currently, will be treated as loans. The note is payable on demand with simple interest at 6% per annum on the unpaid balance. As of June 30, 2012 the unpaid note balance amounted to \$20,060,000 and accrued interest amounted to \$18,546,540. As the collectability of this note and accrued interest is uncertain, the loan amounts have been shown as General Fund expenditures in the financial statements; and the City will recognize the collections on the note receivable as revenue as the amounts are collected. However, in the discrete presentation column the Hospital has recognized these amounts as long-term debt owed to the City of Industry.

The Hospital leases property from IUDA for \$1 a year, which is renewed annually, and at the time of renewal the lease may be terminated or the lease payment renegotiated by IUDA. The property was transferred to the City during 2011. During the fiscal year ended 2012, the City incurred expenses on behalf of the Hospital totaling \$1,956,609 relating to contract labor, security and repairs and maintenance and capital asset additions.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

16. Industry Convalescent Hospital (continued)

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

17. Notes receivable – fiduciary fund

The following notes receivable were entered into by the IUDA and were reflected in the financial statements in the capital projects fund of the City’s financial statements. At June 30, 2012 due to the dissolution of the IUDA these notes receivable have been transferred to the fiduciary fund.

Developer notes receivable - construction loan – related party

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

	AMOUNT JUNE 30, 2012	PRINCIPAL AMOUNT DUE IN ONE YEAR	NON-CURRENT PRINCIPAL
Due June, 2022, interest payable in monthly payments of \$78,171 including interest at 4% per annum beginning July 2002	\$ 2,216,516	183,982	2,032,534
Due June, 2022, interest payable in monthly payments of \$66,658 including interest at 4% per annum beginning July 2002	6,583,806	546,489	6,037,317
Due June, 2022, interest payable in monthly payments of \$22,441 including interest at 4% per annum beginning July 2002	7,721,009	640,882	7,080,127
Totals	\$ 16,521,331	1,371,353	15,149,978

Total interest received on these loans during the year ended June 30, 2012, amounted to \$700,945.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

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, 2012. Under the agreement, the developer paid interest payments at \$5,000 per month since on May 1, 2010 through April 1, 2012. On May 1, 2012, the Developer made monthly principal and interest payments at an annual rate of 4% due monthly on the outstanding note balance.

	Amount June 30, 2012	Principal Amounts due in one year	Non-current Principal
Due May, 2022, payable in monthly payments of \$25,069 including interest at 4.00% per annum beginning June 2012	\$ 4,740,191	\$ 113,285	\$ 4,626,906

18. Receivables - current

As of June 30, 2012, 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	\$ 1,445,000		\$ 5,500,072		\$ 6,945,072
Sales tax receivable - LA County	4,012,358				4,012,358
Property tax receivable	7,145,937				7,145,937
Other	1,697,930	174,631		3,471	1,876,032
<u>Industry Public Facilities Authority</u>					
Accrued interest receivable			2,060,427		2,060,427
Totals	\$ 14,301,225	\$ 174,631	\$ 7,560,499	\$ 3,471	\$ 22,039,826

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, 2012 amounted to \$7,123,674. Rental income of \$4,729,593 is reported in the Governmental Fund statements, \$186,200 in the Enterprise Fund statements, and \$2,207,882 in the Fiduciary Fund Statements. Future minimum rental income payments based on terms in effect at June 30, 2012 are as follows:

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

19. **Rental property (continued)**

YEAR ENDING JUNE 30	AMOUNT
2013	\$ 7,768,837
2014	8,924,267
2015	9,498,693
2016	9,905,165
2017	9,560,880
2018-2022	40,887,657
2023-2027	43,626,395
2028-2032	44,041,821

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. During the seven months ended January 31, 2012, IUDA earned and received \$4,031,716 of rental income from the Company and is presented in the Governmental Fund statements. During the five months ended June 30, 2012 the SA to IUDA earned and received \$2,207,882 of rental income from the Company and is presented in the Fiduciary Fund statements.

The Successor Agency has assumed this agreement.

20. **Revenue pass through**

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

21. Revenue pass through(continued)

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

	<u>COUNTY</u>
Project 1	\$ 458,144
Project 2	305,496
Project 3	58,086
Total	<u>\$ 821,726</u>

22. 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:

<u>YEAR ENDING JUNE 30,</u>	<u>LEASED FROM THIRD PARTIES</u>
2013	\$ 48,704
2014	34,963
2015	27,333
2016	4,446
2017	4,446
2017-2021	22,228
2022-2026	22,228
2027-2031	22,228

23. 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 the districts since July 1, 1973.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

23. School district agreement (continued)

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.

24. Budgetary expenditures in excess of appropriations

During fiscal year ended June 30, 2012, the General Fund experienced budgetary expenditures that were in excess of appropriations related to general increase of expenditures in all departments.

25. Successor Agency Trust for Assets of the former Industry Urban-Development Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. The City has elected to become the Successor Agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

25. Successor Agency Trust for Assets of the former Industry Urban-Development Agency (continued)

Prior to that date, the final seven months of the activity of the Industry Urban-Development Agency are reported in the governmental funds of the City. After the date of dissolution the remaining assets, liabilities, and activities of the dissolved IUDA, are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the City.

26. Transfer of Assets and Liabilities from IUDA to the Successor Agency

The transfer of the assets and liabilities of the IUDA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund financial statements as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 223,074,313
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	496,041,124
Bond issuance costs reported in the government-wide financial statements - increase to net assets of the	4,845,183
Accrued interest payable recorded in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(8,284,492)
Long-term liabilities reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(627,180,046)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to the amount of extraordinary gain reported in the government-wide financial statements of the City)	\$ <u><u>88,496,082</u></u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS

26. Transfer of Assets and Liabilities from IUDA to the Successor Agency (continued)

The assets and liabilities of the IUDA as of January 31, 2012 that were transferred to the Successor Agency were as follows:

		January 31, 2012
Cash and investments	\$	103,055,675
Receivables - current		1,500,476
Bond issuance costs, net		4,845,183
Investments with fiscal agent - restricted		97,406,999
Receivables - non-current		20,349,154
Land held for sale		22,667,390
Capital assets not being depreciated:		
Land		275,389,566
Construction in progress		45,655,613
Capital assets, net of accumulated depreciation		174,995,945
Total assets	\$	745,866,001
Accounts payable	\$	7,078,148
Accrued interest payable		8,284,492
Due to City of Industry		405,925
Long-term liabilities:		
Advances from City of Industry		14,421,308
Portion due or payable within one year		37,983,114
Portion due or payable after one year		589,196,932
Total liabilities		657,369,919
Net assets	\$	88,496,082

Required Supplementary Information

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

I. Budgetary information

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

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

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

II. Expenditures in excess of appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the following departments of the general fund:

General administration	\$ 326,854
Community services	466,052
Public safety	1,980,618
Public Works	<u>211,238</u>
	<u>\$ 2,984,762</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES				
Sales tax	\$ 35,546,000	\$ 32,105,216	\$ 28,720,234	\$ (3,384,982)
Franchise tax	1,400,000	1,370,000	1,337,239	(32,761)
Documentary transfer tax	100,000	95,000	97,109	2,109
Transient occupancy tax	660,000	720,000	792,767	72,767
Property tax	2,100,000	1,400,000	1,395,013	(4,987)
PSAF/COPS	106,400	106,400	106,597	197
Total taxes	<u>39,912,400</u>	<u>35,796,616</u>	<u>32,448,959</u>	<u>(3,347,657)</u>
LICENSES AND PERMITS				
Salvage fees and licenses	170,000	200,000	227,963	27,963
Inspection fees and plans	750,000	730,000	358,849	(371,151)
Refuse collection	1,400,000	1,200,000	1,505,412	305,412
Motor vehicles license fees	60,000	30,000	60,952	30,952
Total licenses and permits	<u>2,380,000</u>	<u>2,160,000</u>	<u>2,153,176</u>	<u>(6,824)</u>
FINES AND FORFEITURES				
Vehicle impound and storage fees	27,000	27,000	33,650	6,650
Bin impound fees	4,000	6,000	4,000	(2,000)
Code violation citations	600	1,800		(1,800)
Fines and forfeitures	300,000	300,000	320,543	20,543
Parking citations	80,000	80,000	94,059	14,059
Total Fines & Forfeitures	<u>411,600</u>	<u>414,800</u>	<u>452,252</u>	<u>37,452</u>
REVENUE FROM USE OF MONEY AND PROPERTY				
Interest income	13,000,000	14,124,387	13,108,345	(1,016,042)
Rental income	8,556,000	7,450,000	697,999	(6,752,001)
Other income	120,500	773,144	(2,779,889)	(3,553,033)
Total revenue from use of money and property	<u>21,676,500</u>	<u>22,347,531</u>	<u>11,026,455</u>	<u>(11,321,076)</u>
OTHER SOURCES				
Sale of Property			5,000	5,000
Total general fund revenues	<u>\$ 64,380,500</u>	<u>\$ 60,718,947</u>	<u>\$ 46,085,842</u>	<u>\$ (14,633,105)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE				
City council:				
Salaries	\$ 115,890	\$ 115,890	\$ 115,277	\$ 613
Services and supplies:				
Office supplies	4,000	4,000	90	3,910
Printing and photographs	100			
Travel and meetings	1,800	1,800	4,437	(2,637)
Vehicle expenses	300	4,300	4,438	(138)
Telephone	1,200	1,200	1,642	(442)
Miscellaneous	125	25	49	(24)
Totals - City council	<u>123,415</u>	<u>127,215</u>	<u>125,933</u>	<u>1,282</u>
City clerk:				
Salaries	174,000	174,000	173,998	2
Services and supplies:				
Office supplies	100	100	67	33
Travel and meetings	1,200	1,600	924	676
Advertising and printing	20,000	21,000	18,146	2,854
Election expense	500	500		500
Dues and subscriptions	4,000	4,500	5,221	(721)
Telephone	1,000	1,000	679	321
Miscellaneous	200	25		25
Totals - City clerk	<u>201,000</u>	<u>202,725</u>	<u>199,035</u>	<u>3,690</u>
Totals - Legislative	<u>324,415</u>	<u>329,940</u>	<u>324,968</u>	<u>4,972</u>
GENERAL ADMINISTRATION				
City attorney:				
Services and supplies:				
Legal services	1,400,000	1,900,000	2,130,403	(230,403)
Totals - City attorney	<u>\$ 1,400,000</u>	<u>\$ 1,900,000</u>	<u>\$ 2,130,403</u>	<u>\$ (230,403)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL ADMINISTRATION, continued				
City manager:				
Salaries	\$ 182,700	\$ 182,700	\$ 194,465	\$ (11,765)
Services and supplies:				
Professional services	360,000	310,000	332,372	(22,372)
Office supplies	300	300	1,672	(1,372)
Travel and meetings	10,000	10,000	22,312	(12,312)
Vehicle expense	5,000	49,300	48,370	930
Dues and subscriptions	65,000	65,000	70,844	(5,844)
Telephone	1,400	1,800	911	889
Miscellaneous	1,800	2,000	1,014	986
Legal	60,000		28,597	(28,597)
Legislative expenses	150,000	215,000	227,725	(12,725)
Capital outlay	5,000			
Totals - City manager	<u>841,200</u>	<u>836,100</u>	<u>928,282</u>	<u>(92,182)</u>
Human resources:				
Salaries	77,925	77,925	81,687	(3,762)
Services and supplies:				
Office supplies	100	100		100
Printing and photographs	200	500	1,532	(1,032)
Dues and subscriptions	1,000	1,800	1,794	6
Repairs and maintenance	315	315	312	3
Telephone	500	500	84	416
Totals - Human Resources	<u>80,040</u>	<u>81,140</u>	<u>85,409</u>	<u>(4,269)</u>
Totals - General Administration	<u>2,321,240</u>	<u>2,817,240</u>	<u>3,144,094</u>	<u>(326,854)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
COMMUNITY DEVELOPMENT				
Engineering:				
Salaries	\$ 72,345	\$ 72,345	\$ 76,997	\$ (4,652)
Professional services	35,000			
Printing and photographs	2,400			
General engineering	252,000	5,000		5,000
Miscellaneous engineering	34,460	47,710	39,602	8,108
Totals - Engineering	<u>396,205</u>	<u>125,055</u>	<u>116,599</u>	<u>8,456</u>
Planning:				
Salaries	130,760	130,760	130,754	6
Services and supplies:				
Offices supplies	100	100		100
Legal advertising/printing	1,000	500		500
Telephone	540	540	501	39
Miscellaneous	100	100		100
Filing fees	30,000	30,000	20,766	9,234
Professional services	565,000	300,000	234,828	65,172
Totals- Planning	<u>727,500</u>	<u>462,000</u>	<u>386,849</u>	<u>75,151</u>
Totals - Community Development	<u>1,123,705</u>	<u>587,055</u>	<u>503,448</u>	<u>83,607</u>
COMMUNITY SERVICES				
Community promotion:				
Services and supplies:				
Community promotion	1,782,935	1,892,210	2,056,125	(163,915)
Telephone	850	850	193	657
Totals - Community promotion	<u>\$ 1,783,785</u>	<u>\$ 1,893,060</u>	<u>\$ 2,056,318</u>	<u>\$ (163,258)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
COMMUNITY SERVICES, continued				
El Encanto Hospital:				
Services and supplies				
Professional fees	\$ 500	\$ 500	\$ 280	\$ 220
Repairs and maintenance	27,000	35,000	29,939	5,061
Property maintenance	235,000	220,000	252,123	(32,123)
Security	14,000	60,000	62,459	(2,459)
Capital outlay		25,000	32,641	(7,641)
Totals - El Encanto Hospital	<u>276,500</u>	<u>340,500</u>	<u>377,442</u>	<u>(36,942)</u>
Workman Temple Homestead Museum:				
Services and supplies:				
Professional services		1,000	16,585	(15,585)
Museum agreement	954,000	954,000	956,078	(2,078)
Utilities	6,200	6,200	21,165	(14,965)
Property maintenance	720,000	660,503	895,093	(234,590)
Janitorial services	11,100	11,100	10,175	925
Miscellaneous	97,800	97,800	81,669	16,131
Pond maintenance	6,000			
Capital outlay	5,000	5,000	20,690	(15,690)
Totals - Workman Temple Museum	<u>1,800,100</u>	<u>1,735,603</u>	<u>2,001,455</u>	<u>(265,852)</u>
Totals - Community Services	<u>3,860,385</u>	<u>3,969,163</u>	<u>4,435,215</u>	<u>(466,052)</u>
PUBLIC SAFETY				
Law enforcement:				
Services and supplies:				
Printing and photography		5,000	1,692	3,308
Professional services	1,000	200	528	(328)
Vehicle expenses		65,000	108,146	(43,146)
Telephone	5,000	6,000	7,493	(1,493)
General law and traffic enforcement	5,600,000	5,300,000	6,781,977	(1,481,977)
Other law enforcement		8,000	8,610	(610)
Animal control	50,000	50,000	43,374	6,626
Security	245,000	365,000	693,774	(328,774)
Building lease and storage payments	68,000	67,800	69,156	(1,356)
Capital outlay			26,468	(26,468)
Totals - Public Safety	<u>\$ 5,969,000</u>	<u>\$ 5,867,000</u>	<u>\$ 7,741,218</u>	<u>\$ (1,874,218)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC WORKS				
Community facilities and ground				
Services and supplies:				
Professional services	\$ 20,000	\$ 75,000	\$ 253,416	\$ (178,416)
Repairs and maintenance		2,027,000	2,138,150	(111,150)
Vehicle expenses	50,000	180,000	133,331	46,669
Telephone	5,600	11,600	15,355	(3,755)
Building lease	95,000	1,155,000	1,191,450	(36,450)
Miscellaneous	2,500	1,130	501	629
Graffiti removal	52,000			
Utilities	654,000	602,000	615,390	(13,390)
Property maintenance	6,873,000	4,864,000	4,793,578	70,422
Printing and photography			12,801	(12,801)
Storage		40,000	15,747	24,253
Security	645,000	795,000	786,832	8,168
Capital outlay	125,000	55,000	69,619	(14,619)
Totals - Community facilities	<u>8,522,100</u>	<u>9,805,730</u>	<u>10,026,170</u>	<u>(220,440)</u>
Public Works Administration:				
Salaries	80,460	80,460	84,432	(3,972)
Services and supplies:				
Dues and subscriptions	900	2,100	1,938	162
Streets and roads	6,055,000	5,483,000	5,470,305	12,695
Miscellaneous	230,000		(317)	317
Totals - Public works	<u>6,366,360</u>	<u>5,565,560</u>	<u>5,556,358</u>	<u>9,202</u>
Totals - Public Works	<u>14,888,460</u>	<u>15,371,290</u>	<u>15,582,528</u>	<u>(211,238)</u>
SUPPORT SERVICES				
Central services:				
Salaries	111,000	111,000	119,429	(8,429)
Services and supplies:				
Professional services	507,000	577,000	338,098	238,902
Office supplies	45,000	29,500	40,291	(10,791)
Repairs and maintenance	182,000	32,000	7,405	24,595
Equipment rentals	30,000	33,000	32,126	874
Printing and photographs	1,200	2,200	3,477	(1,277)
Storage expense	40,000	40,000	39,000	1,000
Travel and meetings	1,200	4,200	4,918	(718)
Vehicle expenses	100,000	100,000	45,355	54,645
Dues and subscription	3,000	3,000	4,519	(1,519)
Computer services	6,100	206,100	221,595	(15,495)
Building maintenance	300,000	300,000	266,496	33,504
Telephone	26,000	16,000	15,020	980
Utilities	45,000	45,000	53,141	(8,141)
Miscellaneous	11,000	8,000	16,657	(8,657)
Refuse disposal - residents	16,000	16,000	16,000	
Capital outlay	55,000		1,707	(1,707)
Totals - Central services	<u>\$ 1,479,500</u>	<u>\$ 1,523,000</u>	<u>\$ 1,225,234</u>	<u>\$ 297,766</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPORT SERVICES, continued				
City treasurer:				
Salaries	\$ 135,370	\$ 135,370	\$ 146,651	\$ (11,281)
Services and supplies:				
Repairs and maintenance		140	140	
Miscellaneous	1,300	1,300	227	1,073
Totals - City treasurer	<u>136,670</u>	<u>136,810</u>	<u>147,018</u>	<u>(10,208)</u>
Finance department:				
Salaries			10,530	(10,530)
Services and supplies:				
Office supplies	300	300	271	29
Repairs and maintenance	11,660	61,660	43,928	17,732
Equipment Rental/Lease	10,900	8,900	8,331	569
Printing and photographs		5,000	4,626	374
Dues and subscriptions	500	500	411	89
Telephone	1,000	100	103	(3)
Miscellaneous	500	500	219	281
Accounting	320,000	720,000	846,995	(126,995)
Professional services	525,000	10,000	3,586	6,414
Audit Services	95,000	280,000	288,510	(8,510)
Capital outlay	25,000	25,000	20,865	4,135
Totals - Finance department	<u>989,860</u>	<u>1,111,960</u>	<u>1,228,375</u>	<u>(116,415)</u>
Non-departmental:				
Services and supplies:				
Insurance and bonds	510,000	465,000	438,362	26,638
Employees insurance	87,000	89,000	117,166	(28,166)
Group and medical insurance	1,010,000	1,110,000	1,267,940	(157,940)
PERS	349,000	2,671,720	2,672,319	(599)
Miscellaneous	20,000	2,000	2,169	(169)
Tuition reimbursement	5,000	12,000	13,768	(1,768)
Taxes and assessments	220,000	345,000	353,160	(8,160)
Payroll taxes	27,000	28,500	31,805	(3,305)
Insurance claims	372,800	222,800	(139,590)	362,390
Parking citation	43,000	43,000	40,890	2,110
Lease obligation	947,970	947,970	946,992	978
Total Non-departmental	<u>3,591,770</u>	<u>5,936,990</u>	<u>5,744,981</u>	<u>192,009</u>
Totals - Support Services	<u>6,197,800</u>	<u>8,708,760</u>	<u>8,345,608</u>	<u>363,152</u>
Capital projects:				
Capital outlay			86,674	(86,674)
Real estate purchases		5,255,020	5,255,020	
Total Capital projects		<u>5,255,020</u>	<u>5,341,694</u>	<u>(86,674)</u>
Total expenditures	<u>\$ 34,685,005</u>	<u>\$ 42,905,468</u>	<u>\$ 45,418,773</u>	<u>\$ (2,513,305)</u>

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN
JUNE 30, 2012

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
6/30/2009	\$ 2,140,438,884	\$ 1,674,260,302	\$ 466,178,582	78.2%	\$ 440,071,499	105.9%
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 435,764,641	116.0%

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
OPEB PLAN
JUNE 30, 2012

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
 CAPITAL PROJECT FUNDS
 JUNE 30, 2012

	CAPITAL PROJECTS		INDUSTRY URBAN- DEVELOPMENT AGENCY	
	CAPITAL IMPROVEMENTS	PROPERTY AND HOUSING CIP FUND	CAPITAL PROJECTS	TOTALS
ASSETS				
Cash	\$ 5,839	\$ -	\$ -	\$ 5,839
Investments	819,384	-	-	819,384
Receivables - current	174,631	-	-	174,631
Due from other funds	377,018	-	-	377,018
Land held for resale	21,283,484	-	-	21,283,484
Total assets	\$ 22,660,356	\$ -	\$ -	\$ 22,660,356
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,002,841	\$ -	\$ -	\$ 2,002,841
Total liabilities	2,002,841	-	-	2,002,841
FUND BALANCES				
Nonspendable				
Land held for resale	21,283,484	-	-	21,283,484
Unassigned	(625,969)	-	-	(625,969)
Total fund balances	20,657,515	-	-	20,657,515
Total liabilities and fund balances	\$ 22,660,356	\$ -	\$ -	\$ 22,660,356

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL PROJECTS		INDUSTRY URBAN- DEVELOPMENT AGENCY	TOTALS
	CAPITAL IMPROVEMENTS	PROPERTY AND HOUSING CIP FUND	CAPITAL PROJECTS	
REVENUES				
Revenues from use of money and property	\$ 2,334	\$ -	\$ 4,964,294	4,966,628
Total revenues	<u>2,334</u>	<u>-</u>	<u>4,964,294</u>	<u>4,966,628</u>
EXPENDITURES				
Current:				
General administration			1,038,732	1,038,732
Capital outlay:				
Capital projects	25,053,379		7,393,974	32,447,353
Total expenditures	<u>25,053,379</u>	<u>-</u>	<u>8,432,706</u>	<u>33,486,085</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(25,051,045)</u>	<u>-</u>	<u>(3,468,412)</u>	<u>(28,519,457)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from other governmental funds	32,252,138		74,431,159	106,683,297
Transfers in from enterprise and fiduciary funds	72,309			72,309
Transfers out to enterprise and fiduciary funds	(12,472)	(2,444,411)		(2,456,883)
Transfers out to other governmental funds	<u>(25,139,902)</u>		<u>(42,004,924)</u>	<u>(67,144,826)</u>
Total other financing sources	<u>7,172,073</u>	<u>(2,444,411)</u>	<u>32,426,235</u>	<u>37,153,897</u>
Net change in fund balances	<u>(17,878,972)</u>	<u>(2,444,411)</u>	<u>28,957,823</u>	<u>8,634,440</u>
EXTRAORDINARY ITEMS				
Gain from liabilities transferred to Successor Agency			21,562,721	21,562,721
Loss from assets transferred to Successor Agency			<u>(167,840,225)</u>	<u>(167,840,225)</u>
Total extraordinary items	<u>-</u>	<u>-</u>	<u>(146,277,504)</u>	<u>(146,277,504)</u>
Change in fund balances	(17,878,972)	(2,444,411)	(117,319,681)	(137,643,064)
FUND BALANCES, July 1, 2011	<u>38,536,487</u>	<u>2,444,411</u>	<u>117,319,681</u>	<u>158,300,579</u>
FUND BALANCES, June 30, 2012	<u>\$ 20,657,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,657,515</u>

CITY OF INDUSTRY
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2012

	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY URBAN- DEVELOPMENT AGENCY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
ASSETS				
Cash	\$ 53,016	\$ -	\$ -	\$ 53,016
Accrued interest and other receivables	5,500,072	-	2,060,427	7,560,499
Investments	79,403,839	-	-	79,403,839
Site lease prepayment	-	-	6,716,587	6,716,587
Investments with fiscal agent - restricted	38,711,419	-	1,302,228	40,013,647
Investments in City and IUUDA bonds	343,580,272	-	143,080,000	486,660,272
Due from other government funds	8,031,422	-	-	8,031,422
Total assets	\$ 475,280,040	\$ -	\$ 153,159,242	\$ 628,439,282
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,950	\$ -	\$ -	\$ 3,950
Total liabilities	3,950	-	-	3,950
FUND BALANCES				
Nonspendable				
Investment in bonds with a future maturity date	343,580,272	-	143,080,000	486,660,272
Prepayment of site lease	-	-	6,716,587	6,716,587
Restricted for debt service	19,891,421	-	3,362,655	23,254,076
Assigned for debt service	111,804,397	-	-	111,804,397
Total fund balances	475,276,090	-	153,159,242	628,435,332
Total liabilities and fund balances	\$ 475,280,040	\$ -	\$ 153,159,242	\$ 628,439,282

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY URBAN- DEVELOPMENT AGENCY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
REVENUES				
Taxes				
Property taxes	\$ 31,107,149	\$ 47,844,035	\$	\$ 78,951,184
Tax increment pass through		(821,726)		(821,726)
Tax increment refund		(6,188,889)		(6,188,889)
Net taxes	<u>31,107,149</u>	<u>40,833,420</u>	<u>-</u>	<u>71,940,569</u>
Interest income - Industry Urban Development Agency	15,703,732		3,278,569	18,982,301
Interest income - Successor Agency	11,030,515		3,167,789	14,198,304
Interest income - City of Industry			2,157,098	2,157,098
Lease income - City of Industry			946,992	946,992
Revenues from use of money and property	<u>4,777,241</u>	<u>63,388</u>		<u>4,840,629</u>
Total revenues	<u>62,618,637</u>	<u>40,896,808</u>	<u>9,550,448</u>	<u>113,065,893</u>
EXPENDITURES				
Current:				
General administration	59,021	820,581	410,417	1,290,019
Debt service:				
Principal retirement - long term debt	18,690,000		12,815,000	31,505,000
Principal retirement - long term debt - City of Industry		16,087,608		16,087,608
Principal retirement - long term debt - Public Facilities Authority	580,000			580,000
Interest expense	15,949,061	4,378,347	6,922,431	27,249,839
Interest expense - City of Industry		15,703,732		15,703,732
Interest expense - Public Facilities Authority	<u>2,157,098</u>	<u>3,278,569</u>		<u>5,435,667</u>
Total expenditures	<u>37,435,180</u>	<u>40,268,837</u>	<u>20,147,848</u>	<u>97,851,865</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>25,183,457</u>	<u>627,971</u>	<u>(10,597,400)</u>	<u>15,214,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from capital project funds		36,158,587		36,158,587
Transfer in from General fund	55,071		37,060	92,131
Transfers out to General fund	(10,056,148)		(453,482)	(10,509,630)
Transfers out to capital project funds		(54,357,677)		(54,357,677)
Total other financing (uses) sources	<u>(10,001,077)</u>	<u>(18,199,090)</u>	<u>(416,422)</u>	<u>(28,616,589)</u>
Change in fund balances before extraordinary items	<u>15,182,380</u>	<u>(17,571,119)</u>	<u>(11,013,822)</u>	<u>(13,402,561)</u>
EXTRAORDINARY ITEMS				
Gain from liabilities transferred to Successor Agency		6,188,889		6,188,889
Loss from assets transferred to Successor Agency		(82,985,698)		(82,985,698)
Total extraordinary items	<u>-</u>	<u>(76,796,809)</u>	<u>-</u>	<u>(76,796,809)</u>
Change in fund balances	15,182,380	(94,367,928)	(11,013,822)	(90,199,370)
FUND BALANCES, July 1, 2011	<u>460,093,710</u>	<u>94,367,928</u>	<u>164,173,064</u>	<u>718,634,702</u>
FUND BALANCES, June 30, 2012	<u>\$ 475,276,090</u>	<u>\$ -</u>	<u>\$ 153,159,242</u>	<u>\$ 628,435,332</u>

CITY OF INDUSTRY
 COMBINING BALANCE SHEET - NON MAJOR FUNDS
 JUNE 30, 2012

	CITY OF INDUSTRY						CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	CAPITAL IMPROVEMENT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND	
ASSETS								
Cash	\$	\$	\$ 208,959	\$ 321,783	\$	\$ 100	\$ 95,430	\$ 626,272
Investments							144,496	144,496
Other receivables	3,214						257	3,471
Due from other government funds	402,790	19,050		78,642	231,604			732,086
Total assets	<u>\$ 406,004</u>	<u>\$ 19,050</u>	<u>\$ 208,959</u>	<u>\$ 400,425</u>	<u>\$ 231,604</u>	<u>\$ 100</u>	<u>\$ 240,183</u>	<u>\$ 1,506,325</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$	\$	\$ 12,848	\$	\$	\$	\$ 64,139	\$ 76,987
Due to other funds			1,745,308	377,018				2,122,326
Total liabilities	<u>-</u>	<u>-</u>	<u>1,758,156</u>	<u>377,018</u>	<u>-</u>	<u>-</u>	<u>64,139</u>	<u>2,199,313</u>
FUND BALANCES								
Restricted for								
Road and surface repairs	406,004							406,004
Public transportation and road improvement		19,050		23,407				42,457
Unassigned			(1,549,197)		231,604	100	176,044	(1,141,449)
Total fund balances	<u>406,004</u>	<u>19,050</u>	<u>(1,549,197)</u>	<u>23,407</u>	<u>231,604</u>	<u>100</u>	<u>176,044</u>	<u>(692,988)</u>
Total liabilities and fund balances	<u>\$ 406,004</u>	<u>\$ 19,050</u>	<u>\$ 208,959</u>	<u>\$ 400,425</u>	<u>\$ 231,604</u>	<u>\$ 100</u>	<u>\$ 240,183</u>	<u>\$ 1,506,325</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NON MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	CITY OF INDUSTRY						CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	CAPITAL IMPROVEMENT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND	
REVENUES								
Taxes	\$ 24,231	\$ 7,253	\$ 11,734	\$ 387,443	\$ -	\$ -	\$ -	\$ 430,661
Revenues from use of money and property	210	3	5,449	3	-	-	674	6,339
Prop A exchange			2,800,000					2,800,000
Total revenues	<u>24,441</u>	<u>7,256</u>	<u>2,817,183</u>	<u>387,446</u>	<u>-</u>	<u>-</u>	<u>674</u>	<u>3,237,000</u>
EXPENDITURES								
Current:								
General administration							156,705	156,705
Public safety			6,425,639					6,425,639
Total expenditures	<u>-</u>	<u>-</u>	<u>6,425,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,705</u>	<u>6,582,344</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,441</u>	<u>7,256</u>	<u>(3,608,456)</u>	<u>387,446</u>	<u>-</u>	<u>-</u>	<u>(156,031)</u>	<u>(3,345,344)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in from other government funds							1,332,840	1,332,840
Transfers out to enterprise and fiduciary funds							(1,119,559)	(1,119,559)
Transfers out to other government funds	(26,196)		-	(377,018)				(403,214)
Total other financing sources (uses)	<u>(26,196)</u>	<u>-</u>	<u>-</u>	<u>(377,018)</u>	<u>-</u>	<u>-</u>	<u>213,281</u>	<u>(189,933)</u>
Net change in fund balances	(1,755)	7,256	(3,608,456)	10,428	-	-	57,250	(3,535,277)
FUND BALANCES, July 1, 2011	<u>407,759</u>	<u>11,794</u>	<u>2,059,259</u>	<u>12,979</u>	<u>231,604</u>	<u>100</u>	<u>118,794</u>	<u>2,842,289</u>
FUND BALANCES, June 30, 2012	<u>\$ 406,004</u>	<u>\$ 19,050</u>	<u>\$ (1,549,197)</u>	<u>\$ 23,407</u>	<u>\$ 231,604</u>	<u>\$ 100</u>	<u>\$ 176,044</u>	<u>\$ (692,988)</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 AS OF JUNE 30, 2012

	<u>CITY OF INDUSTRY</u>	<u>INDUSTRY URBAN- DEVELOPMENT AGENCY</u>	
	<u>DEFERRED COMPENSATION</u>	<u>DEFERRED COMPENSATION</u>	<u>TOTALS</u>
ASSETS			
Cash	\$	\$	\$
Investments	1,149,044		1,149,044
Investments with fiscal agent - restricted			
Due from other governmental funds, net			
Total assets	<u>1,149,044</u>	<u>-</u>	<u>1,149,044</u>
 NET ASSETS, held in trust for deferred compensation benefits and other purposes	 \$ <u>1,149,044</u>	 \$ <u>-</u>	 \$ <u>1,149,044</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>CITY OF INDUSTRY</u>	<u>INDUSTRY URBAN- DEVELOPMENT AGENCY</u>	
	<u>DEFERRED COMPENSATION</u>	<u>DEFERRED COMPENSATION</u>	<u>TOTALS</u>
ADDITIONS			
Taxes	\$	\$	\$
Revenues from use of money and property			
Participants contributions	32,119	12,520	44,639
Net (decrease) increase in fair value of investments	<u>11,567</u>	<u>(9,312)</u>	<u>2,255</u>
Total additions	<u>43,686</u>	<u>3,208</u>	<u>46,894</u>
DEDUCTIONS			
General administration			
Bond principal payments			
Bond interest expense			
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets before extraordinary items	43,686	3,208	46,894
EXTRAORDINARY ITEMS			
Assets of Industry Urban Development Agency	<u>323,763</u>	<u>(323,763)</u>	<u>-</u>
Total extraordinary items	<u>323,763</u>	<u>(323,763)</u>	<u>-</u>
Changes in net assets	367,449	(320,555)	46,894
NET ASSETS, July 1, 2011	<u>781,595</u>	<u>320,555</u>	<u>1,102,150</u>
NET ASSETS, June 30, 2012	<u>\$ 1,149,044</u>	<u>\$ -</u>	<u>\$ 1,149,044</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF NET ASSETS
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 JUNE 30, 2012

	CITY OF INDUSTRY INDUSTRY PUBLIC UTILITIES COMMISSION		TOTALS
ASSETS	WATER	ELECTRIC	JUNE 30, 2012
Current assets:			
Cash	\$ 68,698	\$ 154,081	\$ 222,779
Investments		560,785	560,785
Accounts receivable		674,841	674,841
Other receivables	165,621		165,621
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
Construction in progress			
Source of supply	441,687	4,053,806	4,495,493
Buildings and improvements	22,959,409		22,959,409
Equipment, furniture and fixtures	229,332		229,332
Less accumulated depreciation	(13,496,267)	(843,016)	(14,339,283)
Capital assets, net	10,610,861	3,210,790	13,821,651
Total assets	10,855,180	4,600,497	15,455,677
LIABILITIES			
Current liabilities:			
Accounts payable	106,199	266,313	372,512
Due to other government funds	231,602	578,345	809,947
Total liabilities	337,801	844,658	1,182,459
NET ASSETS			
Invested in capital assets	10,610,861	3,210,790	13,821,651
Unrestricted	(93,482)	545,049	451,567
Total net assets	\$ 10,517,379	\$ 3,755,839	\$ 14,273,218

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS - INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>CITY OF INDUSTRY</u>		<u>TOTALS</u>
	INDUSTRY PUBLIC		JUNE 30, 2012
	<u>WATER</u>	<u>ELECTRIC</u>	
OPERATING REVENUES			
Charges for sales and services:			
Water sales and service	\$ 385,249	\$	\$ 385,249
Electric sales		3,683,754	3,683,754
Total operating revenues	<u>385,249</u>	<u>3,683,754</u>	<u>4,069,003</u>
OPERATING EXPENSES			
Purchased water			
Purchased electricity		1,743,364	1,743,364
Departing load charges		1,200,000	1,200,000
General administration	347,644	742,614	1,090,258
Capital outlay	4,964		4,964
Depreciation	546,610	81,065	627,675
Total operating expenses	<u>899,218</u>	<u>3,767,043</u>	<u>4,666,261</u>
(LOSS) INCOME FROM OPERATIONS	(513,969)	(83,289)	(597,258)
NON-OPERATING REVENUE - INTEREST INCOME	<u>15</u>	<u>11,833</u>	<u>11,848</u>
(LOSS) INCOME BEFORE TRANSFERS	<u>(513,954)</u>	<u>(71,456)</u>	<u>(585,410)</u>
TRANSFERS			
Transfers in from other government funds	507,838	3,229,672	3,737,510
Transfers out to other governmental funds	<u>(300,000)</u>	<u>(6,772,187)</u>	<u>(7,072,187)</u>
Total transfers In (Out)	<u>207,838</u>	<u>(3,542,515)</u>	<u>(3,334,677)</u>
Change in net assets	(306,116)	(3,613,971)	(3,920,087)
Total net assets - beginning of year	<u>10,823,495</u>	<u>7,369,810</u>	<u>18,193,305</u>
Total net assets - end of year	<u>\$ 10,517,379</u>	<u>\$ 3,755,839</u>	<u>\$ 14,273,218</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF CASH FLOWS
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		
	UTILITIES COMMISSION		JUNE 30,
	WATER	ELECTRIC	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Receipts from customers and users	\$ 342,603	\$ 3,369,847	\$ 3,712,450
Total cash inflows from operating activities	342,603	3,369,847	3,712,450
Cash outflows:			
Payments to suppliers and employees	38,765	3,014,458	3,053,223
Total cash outflows from operating activities	38,765	3,014,458	3,053,223
Net cash provided by operating activities	303,838	355,389	659,227
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(590,504)	3,127,106	2,536,602
Interest income	15	11,833	11,848
Net cash provided by (used in) investing activities	(590,489)	3,138,939	2,548,450
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	207,838	(3,542,515)	(3,334,677)
Net cash used in non-capital financing activities	207,838	(3,542,515)	(3,334,677)
Net decrease in cash	(78,813)	(48,187)	(127,000)
Cash, July 1, 2011	147,511	202,268	349,779
Cash, June 30, 2012	\$ 68,698	\$ 154,081	\$ 222,779
RECONCILIATION OF OPERATING INCOME TO			
NET CASH USED IN OPERATING ACTIVITIES			
Operating (loss) income	\$ (513,969)	\$ (83,289)	\$ (597,258)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	546,610	81,065	627,675
(Increase) decrease in assets			
Accounts receivable		(317,391)	(317,391)
Other receivable	(42,646)	3,484	(39,162)
Increase (decrease) in liabilities			
Accounts payable	82,241	93,175	175,416
Due to other government funds	231,602	578,345	809,947
Net cash (used in) provided by operating activities	\$ 303,838	\$ 355,389	\$ 659,227

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, 2012

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2013	6.00%	\$ 1,078,351	\$ 625,000	\$ 1,059,601	\$ 2,762,952
2014	6.05%	1,059,601	675,000	1,039,182	2,773,783
2015	6.13%	1,039,182	725,000	1,016,979	2,781,161
2016	6.25%	1,016,979	780,000	992,604	2,789,583
2017	6.25%	992,604	845,000	964,296	2,801,900
2018	6.25%	964,296	910,000	933,811	2,808,107
2019	6.25%	933,811	980,000	900,981	2,814,792
2020	6.25%	900,981	1,055,000	865,639	2,821,620
2021	6.25%	865,639	1,140,000	827,449	2,833,088
2022	6.70%	827,449	1,230,000	786,244	2,843,693
2023	6.70%	786,244	1,325,000	739,041	2,850,285
2024	6.70%	739,041	1,430,000	688,097	2,857,138
2025	6.70%	688,097	1,545,000	633,056	2,866,153
2026	6.70%	633,056	1,670,000	573,563	2,876,619
2027	6.70%	573,563	1,805,000	509,259	2,887,822
2028	6.70%	509,259	1,950,000	439,791	2,899,050
2029	6.70%	439,791	2,105,000	364,800	2,909,591
2030	6.70%	364,800	2,270,000	283,931	2,918,731
2031	6.70%	283,931	2,455,000	196,472	2,935,403
2032	6.70%	196,472	2,650,000	102,066	2,948,538
2033	7.13%	102,066	2,865,000		2,967,066
Totals		\$ <u>14,995,213</u>	\$ <u>31,035,000</u>	\$ <u>13,916,862</u>	\$ <u>59,947,075</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$37,860,000 PUBLIC WORKS CAPITAL IMPROVEMENT
 GENERAL OBLIGATION REFUNDING SERIES A BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2012

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2013	2.00%	\$ 674,450	\$ 3,425,000	\$ 611,238	\$ 4,710,688
2014	2.25%	611,238	3,550,000	550,238	4,711,476
2015	2.62%	550,238	3,675,000	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		\$ 3,389,476	\$ 31,415,000	\$ 2,715,026	\$ 37,519,502

CITY OF INDUSTRY
 SCHEDULE OF LONG-TERM DEBT
 \$50,975,000 PUBLIC WORKS CAPITAL IMPROVEMENT
 GENERAL OBLIGATION REFUNDING SERIES B BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2012

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2013	3.63%	\$ 924,088	\$ 4,050,000	\$ 847,338	\$ 5,821,426
2014	4.00%	847,338	4,200,000	754,838	5,802,176
2015	5.25%	754,838	4,390,000	657,688	5,802,526
2016	4.00%	657,688	4,580,000	571,088	5,808,776
2017	5.00%	571,088	4,755,000	460,763	5,786,851
2018	4.25%	460,763	4,975,000	358,950	5,794,713
2019	4.38%	358,950	5,180,000	251,450	5,790,400
2020	4.50%	251,450	5,395,000	127,800	5,774,250
2021	4.50%	127,800	5,640,000	-	5,767,800
Totals		\$ <u>4,954,003</u>	\$ <u>43,165,000</u>	\$ <u>4,029,915</u>	\$ <u>52,148,918</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT

\$43,340,000 GENERAL OBLIGATION REFUNDING BOND, ISSUE OF 2010 - MATURITY SCHEDULE
AS OF JUNE 30, 2012

<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>
2013	0.600%	\$ 859,250	\$ 1,950,000	\$ 853,400	\$ 3,662,650
2014	3.500%	853,400	1,955,000	819,450	3,627,850
2015	3.500%	819,450	2,025,000	784,075	3,628,525
2016	3.000%	784,075	2,100,000	752,625	3,636,700
2017	4.000%	752,625	2,155,000	709,525	3,617,150
2018	4.000%	709,525	2,240,000	664,725	3,614,250
2019	4.000%	664,725	2,330,000	618,125	3,612,850
2020	5.000%	618,125	2,430,000	557,375	3,605,500
2021	5.000%	557,375	2,550,000	493,625	3,601,000
2022	4.500%	493,625	2,675,000	431,200	3,599,825
2023	5.000%	431,200	2,800,000	361,200	3,592,400
2024	5.000%	361,200	2,940,000	287,700	3,588,900
2025	5.000%	287,700	3,095,000	210,325	3,593,025
2026	4.500%	210,325	3,240,000	137,075	3,587,400
2027	4.250%	137,075	1,550,000	104,138	1,791,213
2028	4.000%	104,138	1,615,000	71,838	1,790,976
2029	4.125%	71,838	1,680,000	37,188	1,789,026
2030	4.250%	37,188	1,750,000	-	1,787,188
Totals		\$ <u>8,752,839</u>	\$ <u>41,080,000</u>	\$ <u>7,893,589</u>	\$ <u>57,726,428</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, 2012

<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>
2013	5.00%	\$ 2,295,161	\$ 4,360,000	\$ 2,295,161	\$ 8,950,322
2014	5.00%	2,186,161	4,580,000	2,186,161	8,952,322
2015	5.10%	2,071,661	4,805,000	2,071,661	8,948,322
2016	5.10%	1,949,134	5,055,000	1,949,134	8,953,268
2017	5.00%	1,820,231	5,310,000	1,820,231	8,950,462
2018	5.25%	1,687,481	5,575,000	1,687,481	8,949,962
2019	5.25%	1,541,138	5,870,000	1,541,138	8,952,276
2020	5.40%	1,387,050	6,175,000	1,387,050	8,949,100
2021	5.40%	1,220,325	6,510,000	1,220,325	8,950,650
2022	5.40%	1,044,555	6,860,000	1,044,555	8,949,110
2023	5.40%	859,335	7,230,000	859,335	8,948,670
2024	5.40%	664,125	7,625,000	664,125	8,953,250
2025	5.50%	454,438	8,040,000	454,438	8,948,876
2026	5.50%	233,338	8,485,000	233,338	8,951,676
Totals		\$ <u>19,414,133</u>	\$ <u>86,480,000</u>	\$ <u>19,414,133</u>	\$ <u>125,308,266</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$77,540,000 SALES TAX REVENUE BONDS, ISSUE OF 2008 - MATURITY SCHEDULE
 AS OF JUNE 30, 2012

<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>
2013	3.00%	\$ 1,484,758	\$ 3,430,000	\$ 1,484,758	\$ 6,399,516
2014	3.20%	1,433,308	3,530,000	1,433,308	6,396,616
2015	3.40%	1,376,828	3,645,000	1,376,828	6,398,656
2016	4.25%	1,314,863	3,770,000	1,314,863	6,399,726
2017	4.00%	1,234,750	3,930,000	1,234,750	6,399,500
2018	4.00%	1,156,150	4,085,000	1,156,150	6,397,300
2019	4.13%	1,074,450	4,250,000	1,074,450	6,398,900
2020	4.25%	986,794	4,425,000	986,794	6,398,588
2021	4.25%	892,763	4,610,000	892,763	6,395,526
2022	4.63%	794,800	4,810,000	794,800	6,399,600
2023	4.63%	683,569	5,030,000	683,569	6,397,138
2024	5.00%	567,250	5,265,000	567,250	6,399,500
2025	5.00%	435,625	5,525,000	435,625	6,396,250
2026	5.00%	297,500	5,805,000	297,500	6,400,000
2027	5.00%	152,375	6,095,000	152,375	6,399,750
Totals		\$ <u>13,885,783</u>	\$ <u>68,205,000</u>	\$ <u>13,885,783</u>	\$ <u>95,976,566</u>

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, 2012

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2013	3.75%	\$ 1,453,929	\$ 1,830,000	\$ 1,453,929	\$ 4,737,858
2014	5.00%	1,419,616	1,900,000	1,419,616	4,739,232
2015	5.00%	1,372,116	1,995,000	1,372,116	4,739,232
2016	5.75%	1,322,241	2,095,000	1,322,241	4,739,482
2017	6.00%	1,262,010	2,215,000	1,262,010	4,739,020
2018	6.35%	1,195,560	2,345,000	1,195,560	4,736,120
2019	6.60%	1,121,106	2,495,000	1,121,106	4,737,212
2020	6.75%	1,038,771	2,660,000	1,038,771	4,737,542
2021	7.00%	948,996	2,840,000	948,996	4,737,992
2022	7.25%	849,596	3,040,000	849,596	4,739,192
2023	7.40%	739,396	3,260,000	739,396	4,738,792
2024	7.60%	618,776	3,500,000	618,776	4,737,552
2025	7.85%	485,776	3,765,000	485,776	4,736,552
2026	8.00%	338,000	4,065,000	338,000	4,741,000
2027	8.00%	175,400	4,385,000	175,400	4,735,800
Totals		\$ <u>14,341,289</u>	\$ <u>42,390,000</u>	\$ <u>14,341,289</u>	\$ <u>71,072,578</u>