

CITY OF INDUSTRY

June 30, 2014

Financial Statements

With

Independent Auditor's Report

CITY OF INDUSTRY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014

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AND
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**CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Industry, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 16 and 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedules of long-term debt are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedules of long-term debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City of Industry, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Industry, California's internal control over financial reporting and compliance.

Eadward Payne, LLP

December 19, 2014
Redlands, California

Management's Discussion and Analysis

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014. 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, 2014.

The assets of the City's governmental activities exceeded its liabilities at June 30, 2014 by \$587.9 million (Net Position). Of this amount, \$160.8 million is restricted for debt service activities. Net Position increased by \$7.4 million.

The assets of the City's business-type activities exceeded its liabilities at June 30, 2014 by \$36.5 million (Net Position). Of this amount, \$34.6 million is invested in capital assets, net of related debt. Net Position increased by \$0.6 million.

General Overview of the Financial Statements

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

Government-wide statements

The Statement of Net Position and the Statement of Activities

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

These two statements report the City's Net Position and changes thereto. Net Position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources are one way to measure the City's financial health or

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

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

Fiduciary funds – Agency Funds are used to account for assets held by the City as an agent for individuals, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The Private-Purpose Trust Fund is a fiduciary fund used by the City to report trust arrangements under which the principal and income benefits other governments. This fund reports the assets, liabilities and activities of the Successor Agency of the Industry Urban-Development Agency.

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

The City as a Whole

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

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Governmental activities

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
Current and other assets	\$ 849,167,514	\$ 833,145,988	\$ 16,021,526
Capital assets, net	<u>208,407,211</u>	<u>209,593,225</u>	<u>(1,186,014)</u>
Total assets	<u>1,057,574,725</u>	<u>1,042,739,213</u>	<u>14,835,512</u>
Deferred outflows of resources			
Deferred charge on refunding	<u>1,724,960</u>	<u>3,222,296</u>	<u>(1,497,336)</u>
Long-term liabilities	415,673,650	449,356,729	(33,683,079)
Other liabilities	<u>55,719,499</u>	<u>16,091,381</u>	<u>39,628,118</u>
Total liabilities	<u>471,393,149</u>	<u>465,448,110</u>	<u>5,945,039</u>
Net position:			
Invested in capital assets,			
Net of related debt	208,043,984	178,454,999	29,588,985
Unrestricted	219,105,285	250,964,661	(31,859,376)
Restricted for:			
Debt service	<u>160,757,267</u>	<u>151,093,739</u>	<u>9,663,528</u>
Total net position	<u>\$ 587,906,536</u>	<u>\$ 580,513,399</u>	<u>\$ 7,393,137</u>

During the year, the City adopted GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Issued in March 2012, the statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The cumulative effect of applying this Statement is \$4,494,109, which has been reflected in the beginning net position at June 30, 2013.

As noted above, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$587.9 million at June 30, 2014.

The largest portion of the Net Position is restricted by external sources on how the funds may be used. Approximately \$208 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 \$160.8 million are restricted for the City's future debt service obligations.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The City's total Net Position under governmental activities increased over the prior year by \$7.4 million.

Total liabilities increased by approximately \$5.9 million as the City accrued a liability for settlement of a litigation in the amount of \$42.5 million which was offset by the City's payments on its long-term obligations.

The increase in Net Position invested in capital assets, net of related debt of \$29.6 million is a result of current year additions and payments on long-term debt obligations exceeding retirements and current year's depreciation expense.

Table 2
Change in Net Position

	Governmental Activities		
	2014	2013	Change
Revenues:			
Taxes	\$ 101,519,823	\$ 89,785,034	\$ 11,734,789
Revenues from use of money and property	45,289,566	41,805,615	3,483,951
Other revenues	4,167,776	4,606,216	(438,440)
Community development	2,955,038	2,855,473	99,565
Total revenues	<u>153,932,203</u>	<u>139,052,338</u>	<u>14,879,865</u>
Expenses:			
General government	9,003,648	6,964,934	2,038,714
Support services	7,679,546	8,878,779	(1,199,233)
Community development	3,919,393	2,629,239	1,290,154
Community services	3,687,057	4,506,094	(819,037)
Public safety	11,093,832	11,469,756	(375,924)
Capital projects and public works	16,940,599	15,978,918	961,681
Interest expense	18,717,068	21,016,954	(2,299,886)
Litigation settlement	42,500,000		42,500,000
Loss on disposal of assets, net	14,761	287,657	(272,896)
Other uses-debt service payments from property tax override fund on behalf of fiduciary fund	31,181,125		31,181,125
Loss on write off debts due from Successor Agency		6,486,139	(6,486,139)
Bond issuance and redemption costs	650,433		650,433
Loss on redemption of 2005 bond	425,381		425,381
Total expenses	<u>145,812,843</u>	<u>78,218,470</u>	<u>67,594,373</u>
Increase in net assets before transfers	8,119,360	60,833,868	(52,714,508)
Transfers, net	<u>(726,223)</u>	<u>(5,231,625)</u>	<u>4,505,402</u>
Increase (decrease) in net position	<u>\$ 7,393,137</u>	<u>\$ 55,602,243</u>	<u>\$ (48,209,106)</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The total revenues reported as governmental activities, increased by approximately \$14.9 million. The increase in tax revenues of \$11.7 million was a result of an increase in sales taxes of \$7.9 million. The increase in sales tax revenues of \$7.9 million was mainly due to a one time sales tax settlement of \$4.6 million and general increases in sales tax collected during the year. Revenues from use of money and property increased by \$3.5 million as a result of a change in the fair market value of our investments from a decrease of \$1.7 million in 2013 to an increase of \$2.6 million in 2014.

The City's total expenses, excluding transfers increased by approximately \$67.6 million from the prior year. General government expenses increased approximately \$2 million year over year as a result of additional expenses incurred for legal fees in connection with the school district litigation and payment of expenses on behalf of the Successor Agency. Community development expenses increased year over year by \$1.3 million as a result of the Prop A funds exchanged during the current year increased approximately \$1.5 million. Interest expense decreased by \$2.3 million as a result of a reduction in outstanding debt.

In the prior year, the City wrote off \$6.5 million due from the Successor Agency and no amounts were written off during the current year. The majority of the increase in expenditures for the City was result of the City paying \$31 million of the Successor Agency debt service shortfall. On September 26, 2013 pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA of the debt service shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the debt service shortfall. Until such time as the SA makes any additional or different request, so long as the IUDA bonds remain outstanding, the City shall make withdrawals from the Agency Override Fund solely for the purpose of covering debt service shortfalls.

In addition, subsequent to June 30, 2014 the City settled the litigation with the school districts in the amount of \$42.5 million, which increased the current year expenses.

Net transfers decreased by \$4.5 million year over year as transfers between the governmental funds to the agency fund decreased during the current year.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Business-type activities

Table 3
Net Position

	Business-Type Activities		
	2014	2013	Change
Current and other assets	\$ 10,992,459	\$ 9,888,609	\$ 1,103,850
Capital assets, net	<u>34,578,597</u>	<u>35,493,108</u>	<u>(914,511)</u>
Total assets	<u>45,571,056</u>	<u>45,381,717</u>	<u>189,339</u>
Liabilities	<u>9,111,439</u>	<u>9,542,759</u>	<u>(431,320)</u>
Total liabilities	<u>9,111,439</u>	<u>9,542,759</u>	<u>(431,320)</u>
Net position:			
Invested in capital assets, Net of related debt	34,578,597	35,493,108	(914,511)
Unrestricted	<u>1,881,020</u>	<u>345,850</u>	<u>1,535,170</u>
Total net position	<u>\$ 36,459,617</u>	<u>\$ 35,838,958</u>	<u>\$ 620,659</u>

Total Net Position for the City's business type activities increased by approximately \$0.6 million as compared to the prior year. The increase in total Net Position is primarily due to transfers in from the general fund offsetting operating losses.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

Table 4
Change in Net Position

	Business-Type Activities		
	2014	2013	Change
Revenues:			
Charges for services	\$ 7,519,625	\$ 7,134,099	\$ 385,526
Revenues from use of money and property	119,410	38,786	80,624
Total revenues	<u>7,639,035</u>	<u>7,172,885</u>	<u>466,150</u>
Expenses:			
Purchased electricity	3,512,723	3,206,292	306,431
Water transmission and distribution	1,110,969	1,162,975	(52,006)
Cost of expo operations	3,157,628	3,177,653	(20,025)
Cost of housing authority operations	370,846	265,713	105,133
Total expenses	<u>8,152,166</u>	<u>7,812,633</u>	<u>339,533</u>
Loss from operations before transfers	(513,131)	(639,748)	126,617
Transfers	<u>1,133,790</u>	<u>(393,375)</u>	<u>1,527,165</u>
Change in net position	<u>\$ 620,659</u>	<u>\$ (1,033,123)</u>	<u>\$ 1,653,782</u>

Charges for services increased by approximately \$0.4 million year over year as there was an increase in sales of water and electricity offset by a decrease in revenues generated by the Expo Center.

Expenses increased year over year by \$0.3 million which was a result of purchasing more electricity and increased housing authority costs.

Transfer-ins from the general fund increased by \$1.5 million over the prior year because in 2013 there was a \$1.6 million transfer out to the general fund.

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. Below is a summary of the general fund revenues and expenditures compared to the prior year.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Table 5
General Fund Comparison

	2014	2013	Change
Revenues			
Taxes	\$ 46,899,638	\$ 38,934,839	\$ 7,964,799
Licenses and permits	2,539,226	2,375,346	163,880
Fines, forfeitures and penalties	415,812	480,126	(64,314)
Revenues from use of money and property	<u>12,806,242</u>	<u>7,799,425</u>	<u>5,006,817</u>
Total revenues	<u>62,660,918</u>	<u>49,589,736</u>	<u>13,071,182</u>
Expenditures:			
Legislative	357,373	351,063	6,310
General administration	5,936,313	4,099,759	1,836,554
Community development	689,857	655,514	34,343
Community services	3,148,503	4,544,184	(1,395,681)
Public safety	8,729,322	9,681,513	(952,191)
Public works	12,752,783	14,273,519	(1,520,736)
Support services	6,557,824	7,789,417	(1,231,593)
Capital projects	-	6,635	(6,635)
Total expenditures	<u>38,171,975</u>	<u>41,401,604</u>	<u>(3,229,629)</u>
Excess of Revenues over Expenditures	<u>24,488,943</u>	<u>8,188,132</u>	<u>16,300,811</u>
Other Financing Sources (Uses):			
Other income	1,000,000	1,000,000	-
Prop A Exchange	(2,906,000)	(1,402,000)	(1,504,000)
Litigation settlement	(42,500,000)		(42,500,000)
Net Transfers	<u>23,820,012</u>	<u>18,563,612</u>	<u>5,256,400</u>
Total other financing sources (uses)	<u>(20,585,988)</u>	<u>18,161,612</u>	<u>(38,747,600)</u>
Change in fund balances	<u>\$ 3,902,955</u>	<u>\$ 26,349,744</u>	<u>\$ (22,446,789)</u>

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund reflects a fund balance of \$237.5 million, which is an increase from prior year of \$3.9 million. The increase of \$3.9 million year over year is a result of \$24.5 million in excess of revenues over expenditures and net of \$20.6 million of other financing uses. The \$23.8 million of net transfers was a result of transfers in from the City's debt service fund to pay for future capital improvement projects or expenditures.

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 \$21.0 million, an increase from prior year by \$85 thousand.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Debt Service Fund accounts for the payment of principal and interest on outstanding bond obligations. The fund balance decreased by approximately \$60.2 million due to revenues in excess of expenditures of \$31 million and other financing uses of \$91.2 million. The \$60.2 million net decrease resulted from payments of \$31.2 million made on the Successor Agency's debt service shortfall and \$30.2 million net transfers to the general fund.

General Fund Budgetary Highlights

The City adopts a budget every fiscal year. There was a mid-year amendment to the budget during the current year. Differences between the budget and actual expenditures for the general fund are shown below:

Table 6
General Fund Budget to Actual Comparison

	Original Budget	Revised Budget	Actual	Variance
Legislative	\$ 344,500	\$ 359,600	\$ 357,373	\$ 2,227
General administration	3,427,350	6,097,250	5,936,313	160,937
Community development	574,200	587,400	689,857	(102,457)
Community services	3,762,400	3,133,246	3,148,503	(15,257)
Public safety	9,328,600	9,302,600	8,729,322	573,278
Public works	12,193,400	12,527,254	12,752,783	(225,529)
Support services	6,545,510	6,796,510	6,557,824	238,686
Total expenditures	\$ <u>36,175,960</u>	\$ <u>38,803,860</u>	\$ <u>38,171,975</u>	\$ <u>631,885</u>

The actual expenditures for the general fund were under budget by \$631 thousand as the City attempted to maintain its spending within budgeted amounts.

Capital Asset and Debt Administration

Capital assets

Net capital assets for governmental activities as of June 30, 2014 and 2013 are summarized as follows:

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Table 7
Net Capital Assets at Year-End

	Governmental Activities		
	2014	2013	Change
Land	\$ 51,335,846	\$ 51,335,846	\$ -
Construction in progress	12,994,210	13,034,548	(40,338)
Buildings and improvements	118,220,676	117,744,914	475,762
Equipment, furniture and fixtures	6,378,133	6,490,757	(112,624)
Infrastructure	<u>132,673,028</u>	<u>127,703,612</u>	<u>4,969,416</u>
Capital assets, gross	321,601,893	316,309,677	5,292,216
Less accumulated depreciation	<u>(113,194,682)</u>	<u>(106,716,452)</u>	<u>(6,478,230)</u>
Capital assets, net	<u>\$ 208,407,211</u>	<u>\$ 209,593,225</u>	<u>\$ (1,186,014)</u>

As of June 30, 2014, the City had approximately \$208.4 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net decrease of \$1.2 million year over year. The City capitalized \$5 million of costs into construction in progress ("CIP") and transferred \$5 million in costs from CIP to infrastructure and improvements. Accumulated depreciation increased by \$6.5 million.

Net capital assets for business activities as of June 30, 2014 and 2013 are summarized as follows:

Table 8
Net Capital Assets at Year-End

	Business-Type Activities		
	2014	2013	Change
Land	\$ 6,764,880	\$ 6,764,880	\$ -
Water rights	441,200	441,200	-
Buildings and improvements	53,726,324	53,098,015	628,309
Source of supply	4,495,493	4,495,493	-
Equipment, furniture and fixtures	<u>1,276,251</u>	<u>1,276,251</u>	<u>-</u>
Capital assets, gross	66,704,148	66,075,839	628,309
Less accumulated depreciation	<u>(32,125,551)</u>	<u>(30,582,731)</u>	<u>(1,542,820)</u>
Capital assets, net	<u>\$ 34,578,597</u>	<u>\$ 35,493,108</u>	<u>\$ (914,511)</u>

Capital assets related to business activities belong to IPUC and the Industry Hills Expo Center. The decrease in net capital assets was a result of \$628 thousand of additions to improvements net of the change in depreciation of \$1.5 million.

Debt

At June 30, 2014, the City had total long term debt and other non-current liabilities of approximately \$415.7 million due to outside third parties. In May 2014, the City issued \$28,985,000 of General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Refunding Bonds"). Proceeds from the 2014 GO Refunding Bonds,

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

along with other funds, were used to refund the \$35,000,000 Taxable General Obligation Bonds, Issue of 2002. In addition to the funds received, the City used approximately \$1,764,000 from other funds to fund the redemption of the 2002 bonds. The refunding provided for a cumulative savings of \$16,720,175 over the life of the bonds resulting in a net present value savings of \$11,083,855 or 37.28% of refunded principal.

During the year the City retired principal on its bonded debt of \$33.7 million. Below is a summary of our outstanding debt at June 30:

Table 9
Outstanding Debt, at Year-End

	Governmental Activities		
	2014	2013	Change
General obligation bonds	\$ 125,515,000	\$ 136,305,000	\$ (10,790,000)
Revenue bonds	177,445,000	187,455,000	(10,010,000)
Refunding lease revenue bonds	5,710,000	6,415,000	(705,000)
Tax allocation bonds	95,090,000	107,010,000	(11,920,000)
Original issue premium	3,605,857	4,786,849	(1,180,992)
OPEB benefits payable	8,185,842	7,256,842	929,000
Compensated absences	121,951	128,038	(6,087)
Total outstanding debt	<u>\$ 415,673,650</u>	<u>\$ 449,356,729</u>	<u>\$ (33,683,079)</u>

Economic Factors and Next Year's Budgets and Rates

The City has experienced steady development within the City limits during the past year. Economic trends in the Los Angeles area are comparable with the indices. The assessed valuation of property located within the City boundaries increased to approximately \$1.123 billion for the 2014-2015 fiscal year from \$1.048 billion in the prior year or an increase of \$75.5 million in total assessed value.

The City has adopted a balanced budget of \$151 million with approximately \$20.4 million in capital project expenditures to be incurred for the 2014-2015 fiscal year. The following is a summary of major capital improvement projects for the City for the 2014-2015 year.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Table 10
Capital Projects For 2014-2015

<u>Project Description</u>	<u>Budget 2014-15</u>
Grade separation projects	\$ 1,215,000
Street widening, reconstruction	10,759,000
Bridge widening, seismic retrofit projects	343,000
Traffic signal improvements	1,204,000
Storm drain improvements	2,078,000
IPUC potable water and IPUC electrical distribution	1,840,000
Metro link, commuter rail station	114,000
Expo Center at Industry Hills	1,575,000
Industry Hills	516,000
El Encanto healthcare facility	115,000
San Gabriel Canyon properties	290,000
Tonner Canyon	311,000
Industry Housing and Property Management projects	30,000
Total	<u><u>\$ 20,390,000</u></u>

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for additional financial information should be directed to the Finance Department at the City of Industry, 15625 East Stafford Street, City of Industry, California 91744.

Basic Financial Statements

CITY OF INDUSTRY
STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash	\$ 4,164,360	\$ 1,097,079	\$ 5,261,439
Cash and investments with fiscal agent	179,033,279		179,033,279
Investments	192,728,809	8,668,171	201,396,980
Accounts receivable, less allowance for doubtful accounts of \$196,000 for governmental activities and \$33,000 for business type activities	678,469	1,184,752	1,863,221
Receivables - current	17,132,140	3,000	17,135,140
Due from Fiduciary funds	14,614,008		14,614,008
Inventories		39,457	39,457
Investments with fiscal agent - restricted	37,822,471		37,822,471
Investment in IUDA bonds	397,647,204		397,647,204
Land held for sale	5,346,774		5,346,774
Capital assets not being depreciated:			
Land	51,335,846	6,764,880	58,100,726
Water rights		441,200	441,200
Source of supply		4,495,493	4,495,493
Construction in progress	12,994,210		12,994,210
Capital assets being depreciated net of accumulated depreciation:			
Buildings and improvements	118,220,676	53,726,324	171,947,000
Equipment, furniture and fixtures	6,378,133	1,276,251	7,654,384
Infrastructure	132,673,028		132,673,028
Less: accumulated depreciation	<u>(113,194,682)</u>	<u>(32,125,551)</u>	<u>(145,320,233)</u>
Total capital assets, net of depreciation	<u>208,407,211</u>	<u>34,578,597</u>	<u>242,985,808</u>
Total assets	<u>1,057,574,725</u>	<u>45,571,056</u>	<u>1,103,145,781</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>1,724,960</u>		<u>1,724,960</u>
Total deferred outflows of resources	<u>1,724,960</u>		<u>1,724,960</u>
Total assets and deferred outflows of resources	<u>1,059,299,685</u>	<u>45,571,056</u>	<u>1,104,870,741</u>
LIABILITIES			
Accounts payable	4,277,133	612,916	4,890,049
Rental deposits and advances	6,440	163,225	169,665
Accrued expenses	8,935,926	14,100	8,950,026
Deferred revenue		8,321,198	8,321,198
Settlement liability	42,500,000		42,500,000
Long-term liabilities:			
Portion due or payable within one year	34,224,360		34,224,360
Portion due or payable after one year	<u>381,449,290</u>		<u>381,449,290</u>
Total liabilities	<u>471,393,149</u>	<u>9,111,439</u>	<u>480,504,588</u>
NET POSITION			
Invested in capital assets, net of related debt	208,043,984	34,578,597	242,622,581
Unrestricted	219,105,285	1,881,020	220,986,305
Restricted for:			
Debt service	<u>160,757,267</u>		<u>160,757,267</u>
Total net position	<u>\$ 587,906,536</u>	<u>\$ 36,459,617</u>	<u>\$ 624,366,153</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Net (Expenses) Revenues and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government	\$ 9,003,648			\$ (9,003,648)		\$ (9,003,648)
Support services	7,679,546			(7,679,546)		(7,679,546)
Community development	3,919,393	2,955,038	2,843,690	1,879,335		1,879,335
Community services	3,687,057			(3,687,057)		(3,687,057)
Public safety	11,093,832			(11,093,832)		(11,093,832)
Public works	14,987,554			(14,987,554)		(14,987,554)
Capital projects	1,953,045			(1,953,045)		(1,953,045)
Interest expense	18,717,068			(18,717,068)		(18,717,068)
Bond issuance/redemption costs	650,433			(650,433)		(650,433)
Total governmental activities	<u>71,691,576</u>	<u>2,955,038</u>	<u>2,843,690</u>	<u>(65,892,848)</u>		<u>(65,892,848)</u>
BUSINESS-TYPE ACTIVITIES						
Electric utility	3,512,723	4,422,163			909,440	909,440
Water utility	1,110,969	1,455,820			344,851	344,851
Cost of expo operations	3,157,628	1,433,242			(1,724,386)	(1,724,386)
Cost of housing authority operations	370,846	208,400			(162,446)	(162,446)
Total business-type activities	<u>8,152,166</u>	<u>7,519,625</u>			<u>(632,541)</u>	<u>(632,541)</u>
Total City	<u>\$ 79,843,742</u>	<u>\$ 10,474,663</u>	<u>\$ 2,843,690</u>	<u>(65,892,848)</u>	<u>(632,541)</u>	<u>(66,525,389)</u>
 General revenues and other items:						
Taxes						
Property taxes				56,152,079		56,152,079
Sales tax				40,619,729		40,619,729
Tax increment pass through payments				1,923,205		1,923,205
Franchise				1,515,773		1,515,773
Documentary transfer tax				189,766		189,766
Transient occupancy tax				1,011,865		1,011,865
PSAF/COPS				107,406		107,406
Total taxes				<u>101,519,823</u>		<u>101,519,823</u>
Revenues from use of money and property				45,289,566	119,410	45,408,976
Grant income				324,086		324,086
Other income				1,000,000		1,000,000
Loss on disposal of assets, net				(14,761)		(14,761)
Loss on redemption of 2005 bond				(425,381)		(425,381)
Litigation settlement				(42,500,000)		(42,500,000)
Other uses-debt service payments from property tax override fund on behalf of fiduciary fund				(31,181,125)		(31,181,125)
Transfer of property from fiduciary fund				407,567		407,567
Transfers - internal activities				(1,133,790)	1,133,790	
Total general revenues and other items				<u>73,285,985</u>	<u>1,253,200</u>	<u>74,539,185</u>
Changes in net position				<u>7,393,137</u>	<u>620,659</u>	<u>8,013,796</u>
Net position, beginning of year				585,007,508	35,838,958	620,846,466
Prior period adjustment-see note 1				(4,494,109)		(4,494,109)
Net position, beginning of year as restated				<u>580,513,399</u>	<u>35,838,958</u>	<u>616,352,357</u>
Net position, end of year				<u>\$ 587,906,536</u>	<u>\$ 36,459,617</u>	<u>\$ 624,366,153</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS					
Cash	\$ 2,729,748	\$ 5,843	\$ 144,960	\$ 1,283,809	\$ 4,164,360
Cash and investments with fiscal agent	179,033,279				179,033,279
Investments	93,404,558	824,124	95,939,102	2,561,025	192,728,809
Accounts receivable, net of allowance for doubtful accounts of \$196,000	678,469				678,469
Receivables - current	6,863,625	1,146,500	9,107,186	14,829	17,132,140
Site lease prepayment			5,970,300		5,970,300
Due from other governmental funds			8,784,802	124,531	10,493,141
Due from Fiduciary funds	14,614,008				14,614,008
Investments with fiscal agent - restricted			37,822,471		37,822,471
Investments in IUDA bonds			397,647,204		397,647,204
Land held for sale		21,283,484			21,283,484
Total assets	\$ 298,907,495	\$ 23,259,951	\$ 555,416,025	\$ 3,984,194	\$ 881,567,665
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,783,106	\$ 1,121,154	\$ 33,756	\$ 339,117	\$ 4,277,133
Rental deposits and advances	6,440				6,440
Accrued expenses	1,180,849				1,180,849
Site lease deferred revenues	5,970,300				5,970,300
Due to other governmental funds	8,909,333	1,146,500		437,308	10,493,141
Settlement liability	42,500,000				42,500,000
Total liabilities	61,350,028	2,267,654	33,756	776,425	64,427,863
FUND BALANCES					
Nonspendable:					
Investment in bonds with a future maturity date			397,647,204		397,647,204
Prepayment of site lease			5,970,300		5,970,300
Land held for sale		21,283,484			21,283,484
Restricted for:					
Public transportation and road improvement				3,144,309	3,144,309
Capital projects				145,330	145,330
Debt service reserve			38,617,218		38,617,218
Committed			69,064,917		69,064,917
Assigned:					
Debt service			44,082,630		44,082,630
Unassigned					
	237,557,467	(291,187)		(81,870)	237,184,410
Total fund balances	237,557,467	20,992,297	555,382,269	3,207,769	817,139,802
Total liabilities and fund balances	\$ 298,907,495	\$ 23,259,951	\$ 555,416,025	\$ 3,984,194	\$ 881,567,665

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance of governmental funds	\$ <u>817,139,802</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	321,601,893
Accumulated depreciation	<u>(113,194,682)</u>
Total capital assets	<u>208,407,211</u>
Difference between fair market value and book value of land held for resale	<u>(15,936,710)</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	(7,755,078)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term debt included as net position below:	
City of Industry:	
General obligation bonds and other - Current portion	(20,535,000)
General obligation bonds and other - Long term	(282,425,000)
Deferred charge on refunding	1,724,960
Issuance discount - Current portion	(760,248)
Issuance discount - Long term	(2,996,401)
OPEB benefits payable	(8,185,842)
Compensated absences	(121,951)
Public Facilities Authority:	
Tax allocation revenue bonds - Current portion	(12,235,000)
Tax allocation revenue bonds - Long term	(82,855,000)
Refunding lease revenue bonds - Current portion	(730,000)
Refunding lease revenue bonds - Long term	(4,980,000)
Issuance discount - Current portion	35,888
Issuance discount - Long term	114,905
Total liabilities	<u>(413,948,689)</u>
Net position of governmental activities	\$ <u><u>587,906,536</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, 2014

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES					
Taxes	\$ 46,899,638	\$	\$ 54,620,185	\$ 2,843,690	\$ 104,363,513
Licenses and permits	2,539,226				2,539,226
Fines, forfeitures and penalties	415,812				415,812
Grant income				324,086	324,086
Revenues from use of money and property	12,806,242	2,041	35,421,964	6,767	48,237,014
Total revenues	<u>62,660,918</u>	<u>2,041</u>	<u>90,042,149</u>	<u>3,174,543</u>	<u>155,879,651</u>
EXPENDITURES					
Current:					
Legislative	357,373				357,373
General administration	5,936,313		410,113	300,398	6,646,824
Support services	6,557,824				6,557,824
Community development	689,857			205,536	895,393
Community services	3,148,503				3,148,503
Public safety	8,729,322			871,352	9,600,674
Public works	12,752,783			50,911	12,803,694
Debt service:					
Principal retirement - long term debt			33,305,000		33,305,000
Principal retirement - long term debt - Public Facilities Authority			675,000		675,000
Interest			21,011,807		21,011,807
Interest - Public Facilities Authority			2,947,448		2,947,448
Bond issuance/redemption costs			650,433		650,433
Capital outlay:					
Capital projects		6,906,059			6,906,059
Total expenditures	<u>38,171,975</u>	<u>6,906,059</u>	<u>58,999,801</u>	<u>1,428,197</u>	<u>105,506,032</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,488,943</u>	<u>(6,904,018)</u>	<u>31,042,348</u>	<u>1,746,346</u>	<u>50,373,619</u>
OTHER FINANCING SOURCES (USES)					
Redemption of 2002 GOB Bond			(28,823,482)		(28,823,482)
Redemption of 2005 GOB Bond			(29,530,381)		(29,530,381)
Proceeds from 2014 GOB Refunding Bonds			28,531,651		28,531,651
Other uses-fiduciary fund debt service			(31,181,125)		(31,181,125)
Other income	1,000,000				1,000,000
Prop A Exchange	(2,906,000)				(2,906,000)
Litigation settlement	(42,500,000)				(42,500,000)
Transfers out to enterprise and fiduciary funds	(53,790)			(1,080,000)	(1,133,790)
Transfers from other governmental funds	23,873,802	6,989,801	(30,220,848)	(642,755)	
Total other financing sources (uses)	<u>(20,585,988)</u>	<u>6,989,801</u>	<u>(91,224,185)</u>	<u>(1,722,755)</u>	<u>(106,543,127)</u>
Change in fund balances	3,902,955	85,783	(60,181,837)	23,591	(56,169,508)
FUND BALANCES, beginning of year	<u>233,654,512</u>	<u>20,906,514</u>	<u>615,564,106</u>	<u>3,184,178</u>	<u>873,309,310</u>
FUND BALANCES, end of year	<u>\$ 237,557,467</u>	<u>\$ 20,992,297</u>	<u>\$ 555,382,269</u>	<u>\$ 3,207,769</u>	<u>\$ 817,139,802</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, 2014

Net change in fund balances of total governmental funds \$ (56,169,508)

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	4,953,014
Depreciation expense	(6,531,834)

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 position
 differs from the change in fund balance by cost of assets sold or disposed of.

Cost of capital assets disposed of or retired	(14,761)
Transfer of capital assets from enterprise and fiduciary fund	407,567

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

Proceeds from bonds issued net of discount on bonds issued	(28,531,651)
Redemption of bonds	58,353,863
Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net position	33,980,000

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in the governmental funds. These items consist of:

Loss on redemption of 2005 bond	(425,381)
Change in accrued interest payable	2,152,916
Net change of bond premium/discount and deferred amount on refunding	141,825
Change in compensated absences	6,087
Change in OPEB obligation	(929,000)

Interest income from investment in City bonds	(2,947,448)
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Interest expense from investment in City bonds	<u>2,947,448</u>
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Total changes in net position of governmental activities	<u>\$ 7,393,137</u>
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The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	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, 2014
ASSETS				
Current assets:				
Cash and deposits	\$ 644,118	\$ 418,182	\$ 34,779	\$ 1,097,079
Investments	6,989,807		1,678,364	8,668,171
Accounts receivable, net of allowance of \$33,000	1,120,355	59,467	4,930	1,184,752
Inventory of materials and supplies, at cost	10,000	29,457		39,457
Deposits		3,000		3,000
Noncurrent assets:				
Land	35,500		6,729,380	6,764,880
Water rights	441,200			441,200
Source of supply	4,495,493			4,495,493
Buildings and improvements	25,625,873	23,421,572	4,678,879	53,726,324
Equipment, furniture and fixtures	229,332	958,866		1,188,198
Vehicles		88,053		88,053
Less: accumulated depreciation	(15,700,938)	(14,996,878)	(1,427,735)	(32,125,551)
Total capital assets, net	<u>15,126,460</u>	<u>9,471,613</u>	<u>9,980,524</u>	<u>34,578,597</u>
Total assets	<u>23,890,740</u>	<u>9,981,719</u>	<u>11,698,597</u>	<u>45,571,056</u>
LIABILITIES				
Current liabilities:				
Accounts payable	458,059	121,227	33,630	612,916
Accrued expenses		14,100		14,100
Rental deposits and advances		153,325	9,900	163,225
Deferred revenue from reclaimed water sales	8,321,198			8,321,198
Total liabilities	<u>8,779,257</u>	<u>288,652</u>	<u>43,530</u>	<u>9,111,439</u>
NET POSITION				
Invested in capital assets	15,126,460	9,471,613	9,980,524	34,578,597
Unrestricted	(14,977)	221,454	1,674,543	1,881,020
Total net position	<u>\$ 15,111,483</u>	<u>\$ 9,693,067</u>	<u>\$ 11,655,067</u>	<u>\$ 36,459,617</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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, 2014
OPERATING REVENUES				
Charges for sales and services				
Water sales and service	\$ 1,455,820	\$	\$	\$ 1,455,820
Electric and solar energy sales	4,422,163			4,422,163
Event and rental revenues		1,433,242	208,400	1,641,642
Total operating revenues	<u>5,877,983</u>	<u>1,433,242</u>	<u>208,400</u>	<u>7,519,625</u>
OPERATING EXPENSES				
Current:				
General administration	1,577,243	1,220,862		2,798,105
Purchased electricity	2,351,433			2,351,433
Cost of expo center operations		1,185,308		1,185,308
Cost of housing authority operations			274,500	274,500
Depreciation	695,016	751,458	96,346	1,542,820
Total operating expenses	<u>4,623,692</u>	<u>3,157,628</u>	<u>370,846</u>	<u>8,152,166</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,254,291</u>	<u>(1,724,386)</u>	<u>(162,446)</u>	<u>(632,541)</u>
NON-OPERATING REVENUES				
Interest income	11,988	8,232	4,484	24,704
Other income	94,706			94,706
Total non-operating revenues	<u>106,694</u>	<u>8,232</u>	<u>4,484</u>	<u>119,410</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,360,985</u>	<u>(1,716,154)</u>	<u>(157,962)</u>	<u>(513,131)</u>
TRANSFERS				
Transfers in from other government funds	43,014	1,080,000	10,776	1,133,790
Total transfers	<u>43,014</u>	<u>1,080,000</u>	<u>10,776</u>	<u>1,133,790</u>
Changes in net position	1,403,999	(636,154)	(147,186)	620,659
Net position, beginning of year	<u>13,707,484</u>	<u>10,329,221</u>	<u>11,802,253</u>	<u>35,838,958</u>
Net position, end of year	<u>\$ 15,111,483</u>	<u>\$ 9,693,067</u>	<u>\$ 11,655,067</u>	<u>\$ 36,459,617</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, 2014

	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, 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash inflows:				
Receipts from customers and users	\$ 5,076,172	\$ 1,436,148	\$ 210,500	\$ 6,722,820
Total cash inflows from operating activities	<u>5,076,172</u>	<u>1,436,148</u>	<u>210,500</u>	<u>6,722,820</u>
Cash outflows:				
Payments to suppliers and employees	3,853,128	2,387,966		6,241,094
Payments for general and administrative expenses			298,977	298,977
Total cash outflows from operating activities	<u>3,853,128</u>	<u>2,387,966</u>	<u>298,977</u>	<u>6,540,071</u>
Net cash provided by (used in) operating activities	<u>1,223,044</u>	<u>(951,818)</u>	<u>(88,477)</u>	<u>182,749</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers to other funds				
Transfers from other funds	43,014	1,080,000	10,776	1,133,790
Net cash provided by non-capital financing activities	<u>43,014</u>	<u>1,080,000</u>	<u>10,776</u>	<u>1,133,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets	(489,535)		(138,774)	(628,309)
Purchase of investments	(754,169)			(754,169)
Proceeds from investment maturities			220,516	220,516
Interest income received	106,694	8,232	4,484	119,410
Net cash used in investing activities	<u>(1,137,010)</u>	<u>8,232</u>	<u>86,226</u>	<u>(1,042,552)</u>
Net increase (decrease) in cash	129,048	136,414	8,525	273,987
Cash, July 1, 2013	<u>515,070</u>	<u>281,768</u>	<u>26,254</u>	<u>823,092</u>
Cash, June 30, 2014	<u>\$ 644,118</u>	<u>\$ 418,182</u>	<u>\$ 34,779</u>	<u>\$ 1,097,079</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,254,291	\$ (1,724,386)	\$ (162,446)	\$ (632,541)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	695,016	751,458	96,346	1,542,820
(Increase) decrease in assets				
Accounts receivable	(77,086)	(14,263)	2,100	(89,249)
Other receivable	(212,782)			(212,782)
Inventory		5,821		5,821
Due from other government funds			(6,744)	(6,744)
Increase (decrease) in liabilities				
Accounts payable	96,206	(1,717)	(17,733)	76,756
Accrued expenses		14,100		14,100
Rental deposits and advances		17,169		17,169
Due to other government funds	(20,658)			(20,658)
Deferred revenue	(511,943)			(511,943)
Net cash provided by (used in) operating activities	<u>\$ 1,223,044</u>	<u>\$ (951,818)</u>	<u>\$ (88,477)</u>	<u>\$ 182,749</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2014

	PRIVATE - PURPOSE TRUST FUND	ASSESSMENT DISTRICTS	DEFERRED COMPENSATION PLAN	TOTALS JUNE 30, 2014
ASSETS				
Cash	\$ 330,031	\$ 324,356	\$ -	\$ 654,387
Investments	71,539,781	1,394,581	1,678,039	74,612,401
Investments with fiscal agent - restricted	56,224,739	518,721		56,743,460
Notes receivable	18,231,784			18,231,784
Other receivables	1,446,037			1,446,037
Property held for sale or disposition	418,516,083			418,516,083
Total assets	<u>566,288,455</u>	<u>2,237,658</u>	<u>1,678,039</u>	<u>570,204,152</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	<u>1,075,452</u>			<u>1,075,452</u>
Total deferred outflows of resources	<u>1,075,452</u>	<u>-</u>	<u>-</u>	<u>1,075,452</u>
Total assets and deferred outflows of resources	<u>567,363,907</u>	<u>2,237,658</u>	<u>1,678,039</u>	<u>571,279,604</u>
LIABILITIES				
Accounts payable	3,996,753			3,996,753
Interest payable	9,483,517			9,483,517
Other liabilities	798,739	2,220,512	1,678,039	4,697,290
Due to City of Industry	14,596,862	17,146		14,614,008
Bonds payable, net	<u>527,374,699</u>			<u>527,374,699</u>
Total liabilities	<u>556,250,570</u>	<u>2,237,658</u>	<u>1,678,039</u>	<u>560,166,267</u>
 NET POSITION	 <u>\$ 11,113,337</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,113,337</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

		PRIVATE - PURPOSE TRUST FUND
ADDITIONS		
Taxes, net	\$	55,023,757
Revenues from use of money and property		13,313,542
Other sources-debt service paid by tax override		<u>31,181,110</u>
Total additions		<u>99,518,409</u>
 DEDUCTIONS		
Bond interest expense		41,101,375
General administration		1,329,788
Loss on sale and write down of property		7,619,529
Transfers out to City of Industry		<u>407,567</u>
Total deductions		<u>50,458,259</u>
 Changes in net assets		 49,060,150
 NET POSITION, beginning of year		 (33,940,340)
Prior period adjustment-see note 1		<u>(4,006,473)</u>
NET POSITION, beginning of year as restated		<u>(37,946,813)</u>
 NET POSITION, end of year	\$	 <u>11,113,337</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Summary of significant accounting policies**

Description of the reporting entity

The City of Industry (referred to as the "City") is a municipal corporation governed by an elected five-member council of which the mayor is appointed by the members of the city council. The accompanying financial statements present the financial activities of the City, which is the primary government and the financial activities of its component units, which are entities for which the City is financially accountable. Although legally separate entities, blended component units are in substance, part of the City's operations and are reported as an integral part of the City's financial statements. Blended component units, which include the Civic-Recreational-Industrial Authority (referred to as "CRIA"), the Industry Public Utilities Commission (referred to as "IPUC"), the Industry Public Facilities Authority (referred to as the "PFA") and the Industry Property and Housing Authority (referred to as the "Housing Authority"). The Successor Agency to the Industry Urban-Development Agency (referred to as the "SA to IUDA") is a fiduciary component unit.

Blended Component Units

CRIA was established to develop and finance projects within the City and is governed by a commission of five members. Four members are appointed by the City Council and one member by the Council of the City of La Puente. The City transfers funds to CRIA to fund operations and capital projects. CRIA is represented by Capital Projects and Proprietary funds.

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

PFA was established for the purpose of establishing a vehicle to reduce local borrowing costs, accelerate construction, repair and maintenance of needed public capital improvements. The Board consists of all members of the City Council. PFA receives all of its funding from payments received on bonds issued by the City and SA to IUDA which PFA owns. PFA is represented by a Debt Service and Capital Projects fund.

The Housing Authority was established to manage the property and housing rental activity in the City. The Board consists of three members who are appointed by the City Council. The Housing Authority is represented by a Proprietary Fund.

Fiduciary Component Unit

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Basis of accounting and measurement focus

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

Government-wide financial statements

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

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

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

Certain indirect costs are included in program expenses.

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Fund financial statements

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

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

Governmental funds

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

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

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

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Governmental funds (continued)

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

The City reports the following major governmental funds:

General Fund

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs. On September 26, 2013 pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA to IUDA of the debt service shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the debt service shortfall. So long as the IUDA bonds remain outstanding, the City shall make withdrawals from the Agency Override Fund solely for the purpose of covering debt service shortfalls, see note 5 for further discussion.

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).

The City reports the following non-major governmental funds:

Special Revenue Funds

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Inventories are stated at lower of cost (first-in, first-out method) or market value. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus.

Accordingly, all assets and liabilities (whether current or non-current) associated with their activity are included on their statements of Net Position.

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

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

The City reports the following major proprietary funds:

Industry Public Utilities Commission

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

Industry Hills Expo Center

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

Industry Property and Housing Authority

This fund accounts for property and housing rental activity.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Fiduciary fund types

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

Agency Funds

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

Private-Purpose Trust Fund

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

Capital assets and depreciation

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

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

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

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Property held for sale or disposition

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

In the year ended June 30, 2006, the SA to the IUDA transferred land with a fair value of \$21,283,484 to the City as a partial reimbursement payment to the City. The book value of this land amounted to \$5,346,775 and no gain or loss was recognized on this transaction. The land is recorded in the capital projects fund as "Land held for sale" in the amount of \$21,283,484 in the governmental fund statement. In the statement of net position under the governmental activities column the land has been recorded at its original cost basis of \$5,346,774. The difference of \$15,936,710 is shown on the statement "Reconciliation of the balance sheet – governmental funds to the statement of net position" as a reconciling item.

Cash and investments

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

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

New Accounting Standard

During the year ended June 30, 2014, the City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required bond issuance costs and deferred charges that were previously reported as an asset to be shown as an expense or expenditure. The effect of this statement has been retroactively applied by reporting the cumulative effect of the application as a restatement of beginning net position. The change resulted in a restatement in beginning net position of \$4,494,109 and 4,006,473 in the government-wide governmental activities and fiduciary net position, respectively. The adoption had no effect on the governmental fund financial statements.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Net Position

Net position in the government-wide financial statements is classified as invested in capital assets, net of related debt, restricted and unrestricted. Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consist of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Position.

Fund balance

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

Nonspendable – items that cannot be spent because they are not in spendable form or items that are legally or contractually required to be maintained intact.

Restricted – restricted fund balances are amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law by constitutional provisions or enabling legislation.

Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the City imposes upon itself at its highest level of decision making authority (the City Council) through resolution and that remain binding unless removed in the same manner. The City has \$69,064,917 of committed fund balances at June 30, 2014.

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 spendable balances that have not been restricted, committed, or assigned to specific purposes.

Retirement plan

The City, under a contract with the California Public Employees' Retirement System of California, provides a retirement plan covering all full-time and certain part-time employees of the City.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Cash equivalents

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

Estimates

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

Property taxes

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

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

Accounts receivable

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

Inventories

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

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Bond issuance costs and premiums/discounts

Bond premiums and discounts in the government-wide and fiduciary funds financial statements are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an outflow of resources in the period incurred on the statement of changes in net position. In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, at the time the bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred revenue

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

2. **Cash and investments**

Cash and investments for governmental and business-type activities at June 30, 2014 consisted of the following:

Statement of net position:

	Amount
Cash	\$ 5,261,439
Cash and investments with fiscal agent	179,033,279
Investments	201,396,980
Investments with fiscal agent - restricted	37,822,471
Investments in IUDA bonds	397,647,204

Fiduciary funds:

Cash	654,387
Investments	74,612,401
Investments with fiscal agent - restricted	56,743,460

Total cash and investments	\$ 953,171,621
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Cash	5,915,826
Investments	947,255,795
Total cash and investments	\$ 953,171,621

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the City's deposits exceeded federally insured limits by \$6,532,110; however, such amounts are secured by the financial institutions that hold such deposits for the City.

As of June 30, 2014, SA to IUDA's deposits exceeded federally insured limits by \$460,298.

Investments authorized by the City's investment policy

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

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

The City's Investment Policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration risk other than those specified in the California Government Code.

Investments authorized by debt agreements

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. Cash and investments (continued)

Investments authorized by debt agreements (continued)

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

Custodial credit risk

Custodial credit risk is the risk that, in the event of a failure by the counterparty, the City will not be able recover the value of its investments or collateral security that are in the possession of an outside party. Under section 53652 of the California Government Code, it is required that the depository secure active or inactive deposits with eligible securities having a fair market value of at least 10% in excess of the total amount of all deposits. As of June 30, 2014, the financial institutions that hold collateral for the City of Industry had satisfied this requirement.

Interest rate risk

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Interest rate risk (continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in months)</u>
Commercial paper	\$ 41,554,263	3.97
Annuities	1,678,039	N/A
Federal home loan notes	44,726,812	2.93
Treasury notes	53,381,318	13.44
Mortgage backed securities	18,502,167	4.88
LAIF	114,844,129	9.36
Held by bond trustee:		
International government securities	906,093	30.97
Treasury obligations	53,137,698	N/A
Treasury notes	19,672,407	65.80
Government obligations	26,443,135	N/A
Money Market Funds	12,967,114	N/A
Mortgage backed securities	24,566,061	86.46
Asset backed securities	6,541,978	26.88
Foreign issued securities	1,005,360	24.77
Municipal securities	7,310,203	102.18
Corporate securities	119,856,424	60.80
Investment contracts	2,515,390	119.77
Investment in IUDA bonds	397,647,204	180.92
	<u>\$ 947,255,795</u>	

Credit risk

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. Cash and investments (continued)

Credit risk (continued)

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End				
			Aaa/P-1	AA/Aa - A/A	BBB/Baa - B/B	CCC/Caa - C/C	Not Rated
Commercial paper	\$ 41,554,263	Aaa/P-1	\$ 41,554,263	\$	\$	\$	\$
Annuities	1,678,039	N/A	-				1,678,039
Federal home loan notes	44,726,812	Aaa/P-1	44,726,812				
Treasury notes	53,381,318	Aaa/P-1	53,381,318				
Mortgage backed securities	18,502,167	AA/Aa-A/A	18,502,167				
LAIF	114,844,129	N/A					114,844,129
Held by bond trustee:							
International government securities	906,093	Aaa/P-1		906,093			
Treasury obligations	53,137,698	Aaa/P-1	53,137,698				
Treasury notes	19,672,407	Aaa/P-1	19,672,407				
Government obligations	26,443,135	Aaa/P-1	26,443,135				
Money market funds	12,967,114	Aaa/P-1	12,967,114				
Mortgage backed securities	24,566,061	AA/Aa-A/A	11,619,108	10,931,147	1,770,601	245,205	
Asset backed securities	6,541,978	Aaa/P-1		3,789,804	2,752,174		
Foreign issued securities	1,005,360	AA/Aa-A/A		1,005,360			
Municipal securities	7,310,203	AA/Aa-A/A		6,284,173	1,026,030		
Corporate securities	119,856,424	AA/Aa-A/A		52,505,710	66,556,617	794,097	
Investment contracts	2,515,390	N/A			2,515,390		
Investment in IUDA bonds	397,647,204	N/A					397,647,204
Total investments	\$ 947,255,795		\$ 282,004,022	\$ 75,422,287	\$ 74,620,812	\$ 1,039,302	\$ 514,169,372

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, 2014, the carrying amount of the investments in LAIF amounted to \$114,844,129 and its fair value amounted to \$114,878,439.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. Cash and investments (continued)

Investment in IUDA Bonds

The City and the Public Facilities Authority have investments in IUDA bonds. As of June 30, 2014, the City has an investment balance of \$306,727,204 and the Public Facilities Authority has an investment balance of \$90,920,000.

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, 2014, is \$1,678,039.

3. Interfund receivables/payables and transfers in/out

Interfund transactions

Interfund receivables and (payables) consisted of the following at June 30, 2014:

<u>DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>FIDUCIARY FUNDS</u>
Capital Projects Fund - reimbursements	\$ 1,146,500	\$ (1,146,500)	\$ -	\$	\$
Successor Agency					
Reimbursements	175,555				(175,555)
Loan Fund, see note 5	14,421,307				(14,421,307)
Assessment District 91-1	17,146				(17,146)
Other Governmental Funds	437,308			(437,308)	
Debt Service Fund- Tax Override	(8,784,802)		8,784,802		
Other Governmental Funds	(124,531)			124,531	
Totals	<u>\$ 7,288,483</u>	<u>\$ (1,146,500)</u>	<u>\$ 8,784,802</u>	<u>\$ (312,777)</u>	<u>\$ (14,614,008)</u>

The majority of the interfund balances were a result of routine interfund transactions due for reimbursement of expenditures. The \$14,421,307 due from the Successor Agency relates to the loan fund as described in note 5. The \$8,784,802 is an overpayment between the tax override fund and general fund which will be reimbursed in the next fiscal year.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Interfund transactions (continued)

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

Interest income/expense paid from City to PFA on City bonds	\$ 1,887,847
Site lease prepayment between PFA and City	\$ 5,970,300
Lease income/expense paid from PFA to City on site lease prepayment between PFA and City	\$ 373,145
Lease income/expense paid from City to PFA on lease-back between PFA and City	\$ 939,763

Interfund transfers

The City of Industry reports interfund transfers between many of its funds. For the year ended June 30, 2014, the sum of all the transfers are presented in the table is as follows:

<u>Transfers</u>	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	ENTERPRISE FUNDS	FIDUCIARY FUNDS	TOTALS
Transfers for future capital projects	\$ 29,791,855	\$	\$ (29,791,855)	\$	\$	\$	\$
PFA net excess investment earnings	428,993		(428,993)				
Capital project expenditures	(6,989,801)	6,989,801					
Net project reimbursements	1,968,196			(1,968,196)			
Transfers operating expenses	(53,790)				53,790		
Transfers to CRIA	(1,325,441)			1,325,441			
Expo Center Operations				(1,080,000)	1,080,000		
Project costs						(407,567)	(407,567)
Total transfers	<u>\$ 23,820,012</u>	<u>\$ 6,989,801</u>	<u>\$ (30,220,848)</u>	<u>\$ (1,722,755)</u>	<u>\$ 1,133,790</u>	<u>\$ (407,567)</u>	<u>\$ (407,567)</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt

City of Industry

General obligation bonds

In May 2014, the City issued \$28,985,000 of General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Refunding Bonds"). Proceeds from the 2014 GO Refunding Bonds, along with other funds, were used to refund the \$35,000,000 Taxable General Obligation Bonds, Issue of 2002. In addition to the funds received, the City used approximately \$1,764,000 from other funds to fund the redemption of the 2002 bonds. The refunding provided for a cumulative savings of \$16,720,175 over the life of the bonds resulting in a net present value savings of \$11,083,855 or 37.28% of refunded principal.

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 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.

All the general obligation bonds are secured by property taxes received by the City and monies received from the SA to IUDA related to loans between the City and SA to IUDA. The general obligation bonds will be paid off through the fiscal year ending 2030. Principal and interest payments outstanding at June 30, 2014 on the bonds amounted to \$154,984,570. Annual principal and interest payments on the general obligation bonds are expected to require 31% of the property taxes and subordinate bond payments received from the SA to IUDA. For the year ended June 30, 2014, total monies received to pay for these bonds amounted to \$58,132,159. Principal and interest paid on the bonds during the year ended June 30, 2014 amounted to \$17,763,948.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

Sales tax revenue bonds

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

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

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

The sales tax revenue bonds are secured by sales tax revenues received by the City until the bonds are paid off in fiscal year 2027. Principal and interest payments outstanding at June 30, 2014 on the bonds amounted to \$252,181,544. Annual principal and interest payments on the sales tax revenue bonds are expected to require 49% of the sales tax revenues. For the year ended June 30, 2014, total sales tax revenues received to pay for these bonds amounted to \$40,619,729. Principal and interest paid on the bonds during the year ended June 30, 2014 amounted to \$20,088,171.

Special bond issues

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

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

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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
2015	\$ 14,185,448	20,535,000	34,720,448
2016	13,666,808	21,405,000	35,071,808
2017	12,693,882	22,320,000	35,013,882
2018	11,649,338	23,350,000	34,999,338
2019	10,535,100	24,455,000	34,990,100
2020-2024	34,821,873	125,405,000	160,226,873
2025-2029	6,616,466	63,740,000	70,356,466
2030-2034	37,188	1,750,000	1,787,188
Totals	\$ <u>104,206,103</u>	\$ <u>302,960,000</u>	\$ <u>407,166,103</u>

Public Facilities Authority

Project Funding Agreement and City of Industry Public Facilities Authority Bonds

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

Public Facilities Authority (continued)

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

2002 ("2002 City Bonds"), PFA has transferred and assigned its rights, title and interest in the 2002 City Bonds to the Trustee as security for PFA Bonds. The 2002 City Bonds are registered in the name of the Trustee. In addition, PFA has agreed that all revenues received by it from the ownership of the 2002 City Bonds, to the extent not required to pay debt service on PFA bonds, shall be remitted to the City and applied to reimburse the City for payments of debt service made by the City on the 2002 City Bonds.

On May 28, 2014 the City issued \$28,985,000 of General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Refunding Bonds"). Proceeds from the 2014 GO Refunding Bonds were used to refund the \$35,000,000 of Taxable General Obligation Bonds Issue of 2002 (the "2002 City Bonds"). PFA received proceeds from the City's redemption of the 2002 City Bonds in the amount of \$30,124,753. The PFA used the proceeds from the redemption of the 2002 GO Bonds to pay in full the outstanding principal balance of the 2005 GO bonds in the amount of \$29,105,000 on June 13, 2014.

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, PFA 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

Public Facilities Authority (continued)

Lease Refunding/City Certificates of Participation (continued)

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

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

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

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>
2015	\$ 373,144
2016	373,144
2017	373,144
2018	373,144
2019	373,144
Thereafter	4,104,580

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>
2015	\$ 937,658
2016	937,658
2017	937,658
2018	937,658
2019	937,658
Thereafter	1,875,316

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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>
2015	\$ 4,110,824	\$ 12,965,000	\$ 17,075,824
2016	3,626,062	13,340,000	16,966,062
2017	3,091,863	13,770,000	16,861,863
2018	2,475,513	14,360,000	16,835,513
2019	1,900,414	14,915,000	16,815,414
2020-2021	1,956,594	31,450,000	33,406,594
Totals	\$ <u>17,161,270</u>	\$ <u>100,800,000</u>	\$ <u>117,961,270</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

Summary of bond transactions

The following is a summary of bond transactions for the year ended June 30, 2014:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2013</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2014</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
CITY OF INDUSTRY:					
GENERAL OBLIGATION BONDS:					
\$35,000,000 Taxable General Obligation Bonds Issue of 2002					
\$675,000 to \$2,865,000 principal payments due annually through July 1, 2032	6.13% to 7.13%	\$ 30,410,000	\$ (30,410,000)	\$	\$
\$37,860,000 General Obligation Refunding Bonds Issue of 2009					
\$3,675,000 to \$4,545,000 principal payment due annually through July 1, 2019	2.62% to 3.80%	27,990,000	(3,550,000)	24,440,000	3,675,000
\$50,975,000 2009 General Obligation Refunding Bonds, Series B					
\$4,390,000 to \$5,640,000 principal payment due annually July 1, 2020	4.00% to 5.25%	39,115,000	(4,200,000)	34,915,000	4,390,000
\$43,340,000 2010 General Obligation Refunding Bonds					
\$1,550,000 to \$3,240,000 principal payment due annually July 1, 2029	3.00% to 5.00%	39,130,000	(1,955,000)	37,175,000	2,025,000
\$28,985,000 2014 General Obligation Refunding Bonds					
\$4,470,000 to \$6,395,000 principal payment due annually beginning July 1, 2020 through July 1, 2024	2.50% to 3.13%		28,985,000	28,985,000	
Total general obligation bonds		\$ 136,645,000	\$ (11,130,000)	\$ 125,515,000	\$ 10,090,000

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

Summary of bond transactions (continued)

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2013</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2014</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) \$4,805,000 to \$8,485,000 principal payments due annually through January 1, 2026	5.10% to 5.50%	\$ 82,120,000	\$ (4,580,000)	\$ 77,540,000	\$ 4,805,000
\$77,540,000 Sales Tax Revenue Bonds Issue of 2008 (taxable) \$3,645,000 to \$6,095,000 principal payments due annually through January 1, 2027	3.40% to 5.00%	64,775,000	(3,530,000)	61,245,000	3,645,000
\$45,380,000 Sales Tax Revenue Bonds issue of 2010 (Taxable) \$1,995,000 to \$4,385,000 principal payments due annually through January 1, 2027	5.00% to 8.00%	40,560,000	(1,900,000)	38,660,000	1,995,000
Total sales tax revenue bonds		<u>187,455,000</u>	<u>(10,010,000)</u>	<u>177,445,000</u>	<u>10,445,000</u>
Grand Total City bonds		<u>\$ 324,100,000</u>	<u>\$ (21,140,000)</u>	<u>\$ 302,960,000</u>	<u>\$ 20,535,000</u>

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2013</u>	<u>(DECREASES)</u>	<u>BALANCE JUNE 30, 2014</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Public Facilities Authority					
\$35,190,000 2005 General Obligation Revenue Bonds, due in annual principal installments of \$965,000 to \$2,220,000 through July 1, 2032	3.50% to 4.88%	\$ 30,070,000	\$ (30,070,000)	\$	\$
\$169,695,000 2007 Tax Allocation Revenue Bonds, due in annual principal installments of \$12,235,000 to \$15,085,000 through May 1, 2021	3.75% to 4.50%	107,010,000	(11,920,000)	95,090,000	12,235,000
\$8,460,000 2010 Refunding Lease Revenue Bonds, due in annual principal installments of \$730,000 to \$915,000 through August 1, 2020	3.00% to 4.25%	6,415,000	(705,000)	5,710,000	730,000
Total		<u>\$ 143,495,000</u>	<u>\$ (42,695,000)</u>	<u>\$ 100,800,000</u>	<u>\$ 12,965,000</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

4. Long-term debt (continued)

The annual debt service requirements for all bonded long-term debt as of June 30, 2014 for City and PFA are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2015	\$ 18,296,272	\$ 33,500,000	\$ 51,796,272
2016	17,292,870	34,745,000	52,037,870
2017	15,785,745	36,090,000	51,875,745
2018	14,124,851	37,710,000	51,834,851
2019	12,435,514	39,370,000	51,805,514
2020-2024	36,778,467	156,855,000	193,633,467
2025-2029	6,616,466	63,740,000	70,356,466
2030-2034	37,188	1,750,000	1,787,188
Totals	<u>\$ 121,367,373</u>	<u>\$ 403,760,000</u>	<u>\$ 525,127,373</u>

Long-term liability activity for the year ended June 30, 2014, is summarized as follows:

Governmental activities:	Balance June 30, 2013	Additions	Decreases	Balance June 30, 2014	Amounts due within one year
Bonds payable:					
General obligation bonds	\$ 166,715,000	\$ 28,985,000	\$ (70,185,000)	\$ 125,515,000	\$ 10,090,000
Tax allocation bonds	107,010,000		(11,920,000)	95,090,000	12,235,000
Sales tax revenue bonds	187,455,000		(10,010,000)	177,445,000	10,445,000
Refunding lease revenue bonds	6,415,000		(705,000)	5,710,000	730,000
Deferred amounts:					
Unamortized premiums/ discounts on refunding	4,786,848	(453,349)	(727,642)	3,605,857	724,360
	<u>472,381,848</u>	<u>28,531,651</u>	<u>(93,547,642)</u>	<u>407,365,857</u>	<u>34,224,360</u>
Other liabilities:					
OPEB contribution payable	7,256,842	929,000		8,185,842	
Compensated absences	128,038		(6,087)	121,951	
	<u>479,766,728</u>	<u>29,460,651</u>	<u>(93,553,729)</u>	<u>415,673,650</u>	<u>34,224,360</u>
Inter-debt eliminations:					
City bonds owned by the PFA	(30,410,000)		30,410,000	-	
Totals	<u>\$ 449,356,728</u>	<u>\$ 29,460,651</u>	<u>\$ (63,143,729)</u>	<u>\$ 415,673,650</u>	<u>\$ 34,224,360</u>
Portion due or payable after one year					<u>381,449,290</u>
Total					<u>\$ 415,673,650</u>

At June 30, 2014, compensated absences totaled \$121,951 for governmental funds, which will be paid by the General Fund.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable

2003 Tax Allocation Bonds (Taxable)

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

As part of the aforementioned bond issuances the IUDA and City entered into a loan agreement in order to enhance the security of the IUDA bonds and thereby reduce the overall borrowing costs. The City agreed to loan IUDA \$14,019,840 to secure the aforementioned IUDA bonds and to provide an additional source of funding for the bonds. IUDA agreed to repay all advances with interest at 8% per annum. In accordance with the loan agreement, the City deposited with U.S. Bank (the "Trustee") \$14,019,840, hereinafter referred to as the "Loan Fund". The monies are held in trust for the benefit of the City and the bond owners. IUDA has assigned all of its rights to these proceeds to the Trustee as security for the bonds and their owners. As of June 30, 2014, 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 \$14,421,307 and a liability due to the City in the fiduciary fund. Upon the payment or discharge of all the outstanding bonds all amounts then held in the Loan fund will be transferred to the City.

2003 Subordinate Lien Tax Allocation Refunding Bonds

On December 30, 2003, IUDA and the City entered into the "Bond Exchange Agreement". IUDA incurred debt to the City in the amount of approximately \$213,200,000 including accrued interest of \$17,654,981 from loans from the City's Redevelopment Revolving Fund. In December 2003, the IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 \$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 \$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, and Project No. 3 \$9,726,529 2003 Subordinate Lien Tax Allocation Refunding Bonds.

2005 Subordinate Lien Tax Allocation Refunding Bonds

On April 20, 2005, the City and IUDA entered into the "2005 Revolving Fund Loan Agreement". The City issued its 2005 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of \$113,420,000 and deposited the net proceeds of approximately \$102,200,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2005, IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 \$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 \$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds and Project No. 3 \$12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bonds.

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

2008 Subordinate Lien Tax Allocation Refunding Bonds

On April 1, 2008, IUDA and City entered into the "2008 Revolving Fund Loan Agreement". The City issued its 2008 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of \$77,540,000 and deposited the net proceeds of approximately \$69,900,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2008, IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: \$33,673,437 2008 Project No.1 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 8.25%; \$31,083,173 2008 Project No. 2 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 5.75%; \$5,120,288 2008 Project No. 3 Subordinate Lien Tax Allocation Refunding Bonds with average interest of 10%.

2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable)

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

Civic-Recreational-Industrial Redevelopment Project No. 1

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

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

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

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

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

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

Transportation-Distribution-Industrial Redevelopment Project No. 2

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

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

Transportation-Distribution-Industrial Redevelopment Project No. 3

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

Revenue pledged

All of the bonds described in this note are secured by a pledge of all future tax increment revenues until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2014 amounted to \$1,027,931,055. With the dissolution of the redevelopment agency, tax increment is no longer received and instead the SA receives payments from the RPTTF fund. Annual principal and interest payments on the bonds are expected to require 100% of the RPTTF funds. For the year ended June 30, 2014, total tax increment revenues calculated by the Los Angeles Auditor-Controller amounted to \$59,878,794, which the SA received \$55,023,757 after deductions.

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

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

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

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

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

The SA to IUDA received RPTTF Funds for the year ending June 30, as follows:

	<u>2014</u>	<u>2013</u>
RPTTF Funds	\$ 59,878,794	\$ 58,679,839
Less: Administrative expenses	(1,075,629)	(1,110,583)
Pass through payments	(3,779,408)	(6,253,892)
HACOLA Withholding		(19,130,100)
Net	<u>\$ 55,023,757</u>	<u>\$ 32,185,264</u>

For the year ending June 30, 2014 principal and interest on the bonds amounted to \$81,685,617 which resulted in a debt service shortfall of \$31,181,110. The debt service shortfall was paid directly to the bank trustee or bond holder by the City of Industry from the Agency Override Fund. This amount is shown as "Additions" on the statement of changes in fiduciary net position.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

As of June 30, 2014, details of bonds payable are as follows:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE, 30 2013</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2014</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Urban-Development					
Agency Project No. 1:					
\$197,000,000 2002 Tax Allocation Refunding Bonds Series B, due in annual principal installments of \$11,260,000 to \$14,915,000 through May 1, 2021					
	5.00% to 5.50%	\$ 101,705,000	\$ (10,785,000)	\$ 90,920,000	\$ 11,260,000
\$78,720,000 2003 Tax Allocation Bonds, Series A (Taxable), due in annual principal installments of \$4,725,000 to \$6,660,000 through May 1, 2021					
	5.30% to 6.00%	43,940,000	(4,490,000)	39,450,000	4,725,000
\$68,090,000 2003 Tax Allocation Bonds, Series B (Taxable), due in annual principal installments of \$2,110,000 to \$3,180,000 through May 1, 2021					
	3.88% to 5.00%	20,305,000	(1,920,000)	18,385,000	2,110,000
\$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$5,375,000 to \$9,525,000 through December 1, 2020					
	10.00%	55,890,000	(4,885,000)	51,005,000	5,375,000
\$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$2,920,000 to \$5,900,000 through December 1, 2025					
	6.30% to 6.80%	53,570,000	(2,750,000)	50,820,000	2,920,000
\$16,038,957 2007 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,235,000 to \$2,115,000 from December 1, 2011 through December 1, 2021					
	8.00%	14,275,000	(1,140,000)	13,135,000	1,235,000
\$33,673,437 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,810,000 to \$3,695,000 through December 1, 2024					
	8.25%	<u>28,209,000</u>	<u>(1,672,000)</u>	<u>26,537,000</u>	<u>1,810,000</u>
Totals - Project No. 1		<u>\$ 317,894,000</u>	<u>\$ (27,642,000)</u>	<u>\$ 290,252,000</u>	<u>\$ 29,435,000</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

As of June 30, 2014, details of bonds payable are as follows (continued):

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE, 30 2013</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2014</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 \$795,000 to \$1,190,000 through May 1, 2024	4.25% to 4.75%	\$ 10,540,000	\$ (765,000)	\$ 9,775,000	\$ 795,000
\$39,730,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,865,000 to \$3,125,000 through May 1, 2024	5.50% to 6.10%	26,135,000	(1,765,000)	24,370,000	1,865,000
\$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$5,552,646 to \$10,901,284 through December 1, 2023	10.00%	84,942,938	(5,148,023)	79,794,915	5,552,646
\$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$720,000 to \$1,460,000 through December 1, 2025	6.30% to 6.80%	13,265,000	(685,000)	12,580,000	720,000
\$31,083,172 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$805,000 to \$6,050,000 through December 1, 2026	5.75%	28,435,000	(760,000)	27,675,000	805,000
\$40,000,000 2010 Subordinate Tax Allocation Refunding Bonds (Taxable), due in annual principal installments of \$1,515,000 to \$4,335,000 through December 1, 2026	9.15%	<u>36,585,000</u>	<u>(1,390,000)</u>	<u>35,195,000</u>	<u>1,515,000</u>
Totals - Project No. 2		<u>\$ 199,902,938</u>	<u>\$ (10,513,023)</u>	<u>\$ 189,389,915</u>	<u>\$ 11,252,646</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

As of June 30, 2014, details of bonds payable are as follows (continued):

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE, 30 2013</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2014</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 \$805,000 to \$1,200,000 through May 1, 2024	4.25% to 5.00%	\$ 10,630,000	\$ (770,000)	\$ 9,860,000	\$ 805,000
\$44,585,000 2003 Tax Allocation Bonds					
(Taxable), due in annual principal installments of \$2,090,000 to \$3,510,000 through May 1, 2024	5.50% to 6.10%	29,315,000	(1,980,000)	27,335,000	2,090,000
\$9,726,529 2003 Subordinate Lien Tax					
Allocation Refunding Bonds, due in annual principal installments of \$800,000 to \$1,165,000 through December 1, 2018	10.00%	5,590,000	(725,000)	4,865,000	800,000
\$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	10.00%	5,120,289		5,120,289	
Totals - Project No. 3		<u>50,655,289</u>	<u>(3,475,000)</u>	<u>47,180,289</u>	<u>3,695,000</u>
Combined totals		<u>\$ 568,452,227</u>	<u>\$ (41,630,023)</u>	<u>\$ 526,822,204</u>	<u>\$ 44,382,646</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

Annual debt service requirements to maturity are as follows:

YEAR ENDED JUNE 30

<u>PROJECT AREA NO. 1</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2015	19,273,298	29,435,000	48,708,298
2016	17,306,079	31,364,000	48,670,079
2017	15,163,970	33,461,000	48,624,970
2018	12,924,376	35,636,000	48,560,376
2019	10,516,741	37,986,000	48,502,741
2020-2024	18,060,090	110,950,000	129,010,090
2025-2026	789,480	11,420,000	12,209,480
Total	\$ 94,034,034	\$ 290,252,000	\$ 384,286,034

<u>PROJECT AREA NO. 2</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2015	\$ 18,000,825	\$ 11,252,646	\$ 29,253,471
2016	20,232,859	12,062,697	32,295,556
2017	22,982,554	12,928,357	35,910,911
2018	26,338,898	13,865,155	40,204,053
2019	30,433,853	14,881,061	45,314,914
2020-2024	251,338,975	92,439,999	343,778,974
2025-2027	3,417,866	31,960,000	35,377,866
Total	\$ 372,745,830	\$ 189,389,915	\$ 562,135,745

<u>PROJECT AREA NO. 3</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2015	\$ 2,538,276	\$ 3,695,000	\$ 6,233,276
2016	2,305,364	3,915,000	6,220,364
2017	2,055,558	4,165,000	6,220,558
2018	2,096,516	4,644,792	6,741,308
2019	1,853,923	4,936,985	6,790,908
2020-2024	6,445,174	22,132,688	28,577,862
2025-2027	17,034,176	3,690,824	20,725,000
Total	\$ 34,328,987	\$ 47,180,289	\$ 81,509,276

YEAR ENDED JUNE 30

<u>TOTALS</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2015	\$ 39,812,399	\$ 44,382,646	\$ 84,195,045
2016	39,844,302	47,341,697	87,185,999
2017	40,202,082	50,554,357	90,756,439
2018	41,359,790	54,145,947	95,505,737
2019	42,804,517	57,804,046	100,608,563
2020-2024	275,844,239	225,522,687	501,366,926
2025-2027	21,241,522	47,070,824	68,312,346
Total	\$ 501,108,851	\$ 526,822,204	\$ 1,027,931,055

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Successor Agency Bonds Payable (continued)

Long-term liability activity for the year ended June 30, 2014, is summarized as follows:

	June 30, 2013	Increases	Decreases	June 30, 2014	Amounts due within one year
Bonds payable:					
Tax allocation	\$ 568,452,227	\$	\$ (41,630,023)	\$ 526,822,204	\$ 44,382,646
Less deferred amounts:					
Unamortized premiums on refundings	734,905		(182,410)	552,495	159,811
Total bonds payable	<u>\$ 569,187,132</u>	<u>\$ -</u>	<u>\$ (41,812,433)</u>	<u>\$ 527,374,699</u>	<u>\$ 44,542,457</u>

At June 30, 2014 the City owns \$306,727,204 and PFA owns \$90,920,000 of the \$526,822,204 outstanding bonds of the SA to the IUDA.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 was \$300,000 with nothing due for the first year. Rent will be increased \$20,000 per year from the initial period of the lease. This lease is accounted for in the general fund of the City.

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

7. Defined benefit pension plan

Plan description

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

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

Funding policy

Active plan members in the Plan are required to contribute 8% of their annual covered salary. The City makes contributions required of the employees on their behalf. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate of covered payroll for the years ended June 30, 2014, 2013 and 2012 were 17.889%, 15.966%, and 27.940% respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

7. Defined benefit pension plan (continued)

Annual pension cost

For the year ended June 30, 2014, the City's annual employer pension cost amounted to \$461,038. The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.30% to 14.20%, which vary depending on age, duration of service and type of employment. Both (a) and (b) include an inflation component of 2.75% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smooths 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)
2012	718,818	100.00%	(15,288)
2013	407,345	80.90%	62,515
2014	461,038	114.31%	(3,482)

8. Deferred compensation plan

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

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

9. Commitments and contingencies

The City has determined that some of the proceeds from the 1995 and 2000 General Obligations bonds were not spent in accordance with the bond indenture. The City has entered into the voluntary correction program with the Internal Revenue Service to correct this matter. The City and the Internal Revenue Service are at the early stages of the review of this matter and the ultimate resolution as to the amount of the penalty and other steps to correct this matter cannot be determined at this point. No liability has been provided for in the accompanying financial statements at June 30, 2014.

10. Capital assets

Primary government

Capital asset activity for the year ending June 30, 2014 is as follows:

CAPITAL ASSETS	BALANCE June 30, 2013	ADDITIONS	RECLASSES	RETIREMENTS	TRANSFERS	BALANCE June 30, 2014
PRIMARY GOVERNMENT						
Governmental activities:						
Capital assets, not being depreciated						
Land	\$ 51,335,846	\$ -	\$ -	\$ -	\$ -	\$ 51,335,846
Construction in progress	13,034,548	4,953,014	(4,993,352)			12,994,210
Totals	<u>64,370,394</u>	<u>4,953,014</u>	<u>(4,993,352)</u>			<u>64,330,056</u>
Capital assets being depreciated						
Buldings and improvements	117,744,914		23,936		451,826	118,220,676
Machinery and equipment	1,916,189					1,916,189
Furniture and fixture	4,574,568			(112,624)		4,461,944
Infrastructure	127,703,612		4,969,416			132,673,028
Totals	<u>251,939,283</u>		<u>4,993,352</u>	<u>(112,624)</u>	<u>451,826</u>	<u>257,271,837</u>
Less accumulated depreciation						
Personal property	3,779,814	673,948		(97,863)	-	4,355,899
Real property	102,936,638	5,857,886			44,259	108,838,783
Totals	<u>106,716,452</u>	<u>6,531,834</u>		<u>(97,863)</u>	<u>44,259</u>	<u>113,194,682</u>
Net capital assets being depreciated	145,222,831	(6,531,834)	4,993,352	(14,761)	407,567	144,077,155
Governmental activities capital assets, net	<u>\$ 209,593,225</u>	<u>\$ (1,578,820)</u>		<u>\$ (14,761)</u>	<u>\$ 407,567</u>	<u>\$ 208,407,211</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

10. Capital assets (continued)

Business-type activities

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> June 30, 2013	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,764,880	\$ -	\$ -	\$ 6,764,880
Water rights	441,200			441,200
Source of supply-Water	441,687			441,687
Source of supply-Electric	4,053,806			4,053,806
Construction in progress				-
Totals	<u>11,701,573</u>			<u>11,701,573</u>
Capital assets being depreciated				
Buildings and improvements	53,098,016	628,308		53,726,324
Equipment, furniture and fixtures	1,276,251			1,276,251
Totals	<u>54,374,267</u>	<u>628,308</u>		<u>55,002,575</u>
Less: accumulated depreciation				
Personal property	747,378	54,172		801,550
Real property	29,835,353	1,488,648		31,324,001
Totals	<u>30,582,731</u>	<u>1,542,820</u>		<u>32,125,551</u>
Capital assets being depreciated, net	<u>23,791,536</u>	<u>(914,512)</u>		<u>22,877,024</u>
Business-type activities capital assets, net	<u>\$ 35,493,109</u>	<u>\$ (914,512)</u>		<u>\$ 34,578,597</u>

Depreciation expense was charged to the primary government in the governmental activities-general government expenses in the amount of \$6,531,834 and for business activities in the amount of \$1,542,820. Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,076,540
Support services	1,121,722
Community development	118,000
Community services	538,554
Public safety	1,493,158
Public works	2,183,860
Total depreciation expense	<u>\$ 6,531,834</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

10. Capital assets (continued)

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

PROPERTY HELD FOR SALE OR DISPOSITION	BALANCE June 30, 2013	ADDITIONS	RETIREMENTS	TRANSFERS	BALANCE June 30, 2014
Capital Assets Not Being Depreciated:					
Land	\$ 193,052,910	\$	\$ (8,686,290)	\$	\$ 184,366,620
Construction in progress	48,993,057	18,096,641		(11,309,198)	55,780,500
Infrastructure	176,307,352			11,309,198	187,616,550
Buildings and improvements	17,764,404		(1,614,852)		16,149,552
Furniture and fixtures	676,222				676,222
Vehicles	65,807	-	(32,495)		33,312
Totals	<u>436,859,752</u>	<u>18,096,641</u>	<u>(10,333,637)</u>	<u>-</u>	<u>444,622,756</u>
Less: Accumulated depreciation	<u>26,182,233</u>		<u>(75,560)</u>		<u>26,106,673</u>
Capital assets, net	<u>\$ 410,677,519</u>	<u>\$ 18,096,641</u>	<u>\$ (10,258,077)</u>	<u>\$ -</u>	<u>\$ 418,516,083</u>

The SA to IUDA sold one property for \$2,230,982 and recognized a loss of \$4,119,529. In addition the SA to IUDA has written down certain of its capital assets to their net realizable value and has recognized a loss of \$3,500,000. Additions include \$11,309,198 of infrastructure transferred in from construction in progress. On June 3, 2014, pursuant to resolutions no. OB 2014-12 and OB 2014-13, certain parcels of property listed on the Long-Range Property Management Plan were transferred to the City of Industry. The net book value of the property transferred to the City amounted to \$407,567.

11. Transactions with related parties

A company that provides auto body and towing services to the City is a related party to a board member of CRIA. For the year ended June 30, 2014, total expenses amounted to \$65,743. As of June 30, 2014, included in accounts payable is \$6,627 that is owed to this company.

A company that provides contracted management services for the Homestead Museum for the City employs the Mayor Pro Tem.

Companies that provide maintenance, landscaping and trash collection services to the City are related parties to members of the Planning Commission through family ownership. Total landscaping expenses of \$702,195, maintenance expenses of \$5,235,134, and trash collections expenses of \$13,871,742 were incurred during the current year with these companies. As of June 30, 2014, included in accounts payable is \$532,292 that is owed to these companies.

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
JUNE 30, 2014

12. Self-insurance plan (continued)

As of June 30, 2014, there are \$72,410 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. 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 denied these ROPS items, arguing that the HACoLA Payments were no longer enforceable obligations after the dissolution of IUDA pursuant to AB X1 26.

The matter is the subject of a pending lawsuit, *Southern California Association of Non-Profit Housing v. State of California Department of Finance et al.* (Sacramento County Superior Court Case No. 34-2012-80001355; Court of Appeal Case No. C075705). In November 2013, the Superior Court of the State of California for the County of Sacramento entered judgment in favor of DOF, finding that the HACoLA Payments were no longer enforceable obligations. Petitioner, a non-profit housing association, has appealed the judgment. The opening brief on appeal was filed in November 2014. Opposition and reply briefs have yet to be filed but can be expected in the next several months. It is anticipated that a decision from the Court of Appeal will issue within the next year.

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.

14. Other post employment benefits (OPEB)

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

14. 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, 2014, there were eighteen individuals receiving post-retirement benefits from the City. For the year ended June 30, 2014, the City and its component units paid \$354,097 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	\$ 630,920
Amortization of initial unfunded actuarial accrued liability (UAAL)	749,046
Residual UAAL amortization	(65,512)
Total ARC	\$ 1,314,454

NET OPEB OBLIGATION:

		AMOUNT
Balance as of July 1, 2013	\$	7,256,842
ARC		1,314,454
Interest on net pension obligation		326,558
Amortization adjustment		(357,915)
Retiree costs paid		(354,097)
Balance as of June 30, 2014	\$	8,185,842

(c) Funded Status

The UAAL as of September 1, 2014 amounted to \$14,741,274.

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)	\$	14,741,274
Unfunded actuarial accrued liability (UAAL)	\$	14,741,274
Funded ratio		0%
Covered payroll	\$	1,661,041
UAAL as a percentage of covered payroll		887%

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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

(d) Actuarial Methods and Assumptions

The entry age normal actuarial cost method was used to estimate the actuarial accrued liability and normal cost. The level percentage of payroll method was used to allocate amortization cost by year over a 30-year amortization period. The actuarial assumptions included a 2.75% annual inflation rate, a 4.5% investment rate of return, projected salary increases of 2.75% and annual health care cost inflation of 6.5%.

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

Preceding years trend information

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	1,415,232	23.61%	(6,101,514)
2013	1,450,539	20.35%	(7,256,842)
2014	1,283,097	27.60%	(8,185,842)

15. Industry Convalescent Hospital

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, 2014 the unpaid note balance amounted to \$20,060,000 and accrued interest amounted to \$20,953,840. As the collectability of this note and accrued interest is uncertain, the loan amounts have been shown as General Fund expenditures in the financial statements; and the City will recognize the collections on the note receivable as revenue as the amounts are collected.

The Hospital leases property from SA to IUDA for \$1 a year, which is renewed annually, and at the time of renewal the lease may be terminated or the lease payment renegotiated by SA to IUDA. During the fiscal year ended 2014, the City incurred expenses on behalf of the Hospital totaling \$326,944 relating to contract labor, security and repairs and maintenance and capital asset additions.

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

16. Notes receivable – fiduciary fund

Developer notes receivable - construction loan

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

	Amount June 30, 2014	Principal Amounts due in one year	Non-current Principal
Due June, 2022, payable in monthly payments of \$78,171 including interest at 4.00% per annum beginning July 2002	\$ 6,413,135	\$ 694,167	\$ 5,718,968
Due June, 2022, payable in monthly payments of \$66,658 including interest at 4.00% per annum beginning July 2002	5,468,564	591,925	4,876,639
Due June, 2022, payable in monthly payments of \$22,441 including interest at 4.00% per annum beginning July 2002	1,841,056	199,279	1,641,777
Totals	\$ 13,722,755	\$ 1,485,371	\$ 12,237,384

Total interest received on these loans during the year ended June 30, 2014, amounted to \$580,022.

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, 2014.

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

16. Notes receivable – fiduciary fund (continued)

Developer notes receivable – Nissan Auto Mall (continued)

	Amount June 30, 2014	Principal Amounts due in one year	Non-current Principal
Due May, 2022, payable in monthly payments of \$25,069 and a final balloon payment of \$3,427,959 including interest at 4.00% per annum beginning May 2012	\$ 4,509,029	\$ 122,704	\$ 4,386,325
	\$ 4,509,029	\$ 122,704	\$ 4,386,325

Total interest received on this loan during the year ended June 30, 2014, amounted to \$182,930.

17. Receivables - current

As of June 30, 2014, 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	\$ 1,674,889		\$ 22,657		\$ 1,697,546
Accrued interest receivable Successor agency bonds			7,520,963		7,520,963
Sales tax receivable - LA County	3,972,700				3,972,700
Property tax receivable	93,633		768,819		862,452
Project reimbursement receivable-LA County		1,146,500			1,146,500
Other	1,122,403			14,829	1,137,232
<u>Industry Public Facilities Authority</u>					
Accrued interest receivable Successor agency bonds			794,747		794,747
Totals	\$ 6,863,625	\$ 1,146,500	\$ 9,107,186	\$ 14,829	\$ 17,132,140

18. Rental property

The City and its component units rent land, buildings and housing to others through non-cancelable rental agreements. Rental income for the year ended June 30, 2014 amounted to \$12,963,465. Rental income of \$680,889 is reported in the Governmental Fund statements, \$208,400 in the Enterprise Fund statements, and \$12,074,176 in the Fiduciary Fund Statements.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

18. Rental property (continued)

Future minimum rental income payments based on terms in effect at June 30, 2014 are as follows:

YEAR ENDING JUNE 30	AMOUNT
2015	\$ 8,866,503
2016	7,886,225
2017	7,605,905
2018	7,260,161
2019	7,662,138
2020-2024	34,730,072
2025-2029	33,681,649
2030-2034	33,377,718
Thereafter	167,608,132

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. SA to 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 SA to 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 SA to 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 SA to IUDA.

19. Lease commitments

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

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

20. School district agreement

In 1971, IUDA entered into an agreement with two school districts and a community college district, which serve the City, under which IUDA agreed to pay the school districts and the community college district, out of IUDA's tax increment revenues, an amount up to \$436,000 per year plus additional sums when the assessed value of taxed property in the included area exceeded \$120,000,000, so that the districts would not lose tax revenues as a result of the redevelopment plan.

Subsequent to the execution of the agreement, the State of California adopted legislation that restructured the manner in which public schools were financed, including provisions for reimbursement by the State to the districts for tax revenues lost as a result of redevelopment. In addition, California voters approved Proposition 13 which, among other things, eliminated locally imposed property taxes and further transferred responsibility for funding schools to the State. IUDA, therefore, has made no payments to the districts since July 1, 1973.

In June 2012, a settlement was reached under which the City of Industry paid \$5,000,000 to the community college district and the community college district is now barred from any future claims against IUDA or its Successor Agency pursuant to the agreement. In August 2012, the two school districts filed suit against the City of Industry and the Successor Agency seeking to recover past and future payments the two school districts claim are owed under the agreement. See Note 22 below for further information.

21. Budgetary expenditures in excess of appropriations

During fiscal year ended June 30, 2014, the General Fund experienced budgetary expenditures that were in excess of appropriations related to general increase of expenditures in many departments.

22. Subsequent events

School district litigation

On November 1, 2014, the City of Industry, the City, as assignee of Mount San Antonio Community College District's interest, the Successor Agency to the IUDA, County of Los Angeles, the Auditor-Controller of the County of Los Angeles, Hacienda La Puente Unified School District ("Hacienda") and Rowland Unified School District ("Rowland") entered into a settlement and release agreement. The City, within 15 days business days of the effective date of the Agreement shall make a \$15,000,000 initial payment of which \$8,250,000 will be paid to Rowland and \$6,750,000 will be paid to Hacienda. Within 15 business days of the effective date of the Agreement the City will deposit \$27,500,000 into an escrow account of which \$15,125,000 will be held for Rowland and \$12,375,000 will be held for Hacienda. These amounts will be released no later than December 31, 2016 or within 24 hours after a payment event notice has been filed by the City with the escrow holder. For the purposes of the Agreement, a "Payment Event" shall mean the first refunding by the Successor Agency to the IUDA of its bonds in a single or multiple transactions.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

22. Subsequent event (continued)

School district litigation (continued)

The County of Los Angeles and the Auditor-Controller of the County of Los Angeles shall make statutory pass-through payments to Hacienda and Rowland as provided by the California Health and Safety Code including ABx1 26 and subsequent amendments. Once the \$42,500,000 payments are made to Hacienda and Rowland and deposited into the escrow account, Hacienda and Rowland will release all claims against the defendants arising out of the Original Action, the 1971 settlement agreement, the Dibble Home Agreement, the Pending Action, adoption of the Redevelopment Plan or the adoption of the prior amendments to the Redevelopment Plan.

No liability for the \$42,500,000 settlement payment has been accrued on the SA to the IUDA's financial statements as it is the liability of the City of Industry.

Advance/loan agreement

In August 2014, the City of Industry and the SA to the IUDA entered into "Agreement for Advance and Reimbursement of Costs for Construction Contracts Constituting Enforceable Obligations", the City has agreed to advance money from time to time as may be required to enable the SA to the IUDA to make timely payment of the Contract Costs, and in an aggregate amount not to exceed \$50,000,000. These advances will constitute the Loan under the Agreement and the advances shall bear no interest.

The SA to the IUDA will include the repayment of the Loan as an enforceable obligation on its Recognized Obligations Payment Schedule (ROPS) in the appropriate ROPS period. The Loan will be repaid from the sale of land proceeds account as promptly as possible. In November 2014 the City advanced the SA to the IUDA, \$34,139,469 under this agreement.

Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 2003 Subordinate Lien Tax Allocation Refunding Bonds

On November 25, 2014 the Successor Agency to the Industry Urban-Development Agency redeemed \$15,516,634 in principal of the Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 2003 Subordinate Lien Tax Allocation Refunding Bonds for a total amount of \$51,592,265. Included in this amount was \$29,445,691 of compounded interest redeemed and \$6,629,940 in redemption premium. The \$51,592,265 was paid using funds from the City's Agency Tax Override Fund.

Required Supplementary Information

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2014

I. Budgetary information

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

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

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

II. Summary of Expenditures Budget to Actual

Below is a summary of expenditures compared to budget of the general fund for the year ended June 30, 2014:

General Fund Budget to Actual Comparison				
	Original Budget	Revised Budget	Actual	Variance
Legislative	\$ 344,500	\$ 359,600	\$ 357,373	\$ 2,227
General administration	3,427,350	6,097,250	5,936,313	160,937
Community development	574,200	587,400	689,857	(102,457)
Community services	3,762,400	3,133,246	3,148,503	(15,257)
Public safety	9,328,600	9,302,600	8,729,322	573,278
Public works	12,193,400	12,527,254	12,752,783	(225,529)
Support services	6,545,510	6,796,510	6,557,824	238,686
Total expenditures	\$ 36,175,960	\$ 38,803,860	\$ 38,171,975	\$ 631,885

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES				
Sales tax	\$ 37,000,500	\$ 41,050,500	\$ 40,619,729	\$ (430,771)
Tax increment pass through payments	132,000	132,000	1,923,205	1,791,205
Franchise tax	1,370,000	1,370,000	1,515,773	145,773
Documentary transfer tax	100,000	100,000	189,766	89,766
Transient occupancy tax	931,000	931,000	1,011,865	80,865
Property tax	1,700,000	1,700,000	1,531,894	(168,106)
PSAF/COPS	107,200	107,200	107,406	206
Total taxes	<u>41,340,700</u>	<u>45,390,700</u>	<u>46,899,638</u>	<u>1,508,938</u>
LICENSES AND PERMITS				
Salvage fees and licenses	205,000	205,000	171,508	(33,492)
Inspection fees and plans	749,000	749,000	1,394,552	645,552
Refuse collection	1,230,000	1,230,000	910,464	(319,536)
Motor vehicles license fees	62,000	62,000	62,702	702
Total licenses and permits	<u>2,246,000</u>	<u>2,246,000</u>	<u>2,539,226</u>	<u>293,226</u>
FINES AND FORFEITURES				
Vehicle impound and storage fees	40,000	40,000	23,350	(16,650)
Bin impound fees	3,000	3,000	10,540	7,540
Fines and forfeitures	325,000	325,000	268,735	(56,265)
Parking citations	115,000	115,000	113,187	(1,813)
Total Fines & Forfeitures	<u>483,000</u>	<u>483,000</u>	<u>415,812</u>	<u>(67,188)</u>
REVENUE FROM USE OF MONEY AND PROPERTY				
Interest income	10,192,500	10,192,500	8,390,951	(1,801,549)
Rental income	675,000	675,000	680,889	5,889
Change in fair market value of investments			2,610,919	2,610,919
Other income	603,150	603,150	1,123,483	520,333
Total revenue from use of money and property	<u>11,470,650</u>	<u>11,470,650</u>	<u>12,806,242</u>	<u>1,335,592</u>
Total general fund revenues	<u>\$ 55,540,350</u>	<u>\$ 59,590,350</u>	<u>\$ 62,660,918</u>	<u>\$ 3,070,568</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	23,850,000	17,647,000	32,368,859	14,721,859
Other income			1,000,000	1,000,000
Prop A Exchange		(2,306,000)	(2,906,000)	(600,000)
Litigation settlement			(42,500,000)	(42,500,000)
Transfers (out)	(22,830,000)	(16,175,000)	(8,548,847)	7,626,153
Total transfers in, net	<u>\$ 1,020,000</u>	<u>\$ (834,000)</u>	<u>\$ (20,585,988)</u>	<u>\$ (19,751,988)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE				
City council:				
Salaries	\$ 114,000	\$ 114,000	\$ 115,886	\$ (1,886)
Services and supplies:				
Office supplies	200	200	64	136
Travel and meetings	4,100	4,100	8,197	(4,097)
Telephone	1,200	1,200	2,958	(1,758)
Dues and subscriptions	20,600	20,600	19,738	862
Totals - City council	<u>140,100</u>	<u>140,100</u>	<u>146,843</u>	<u>(6,743)</u>
City clerk:				
Salaries	179,300	179,300	179,443	(143)
Services and supplies:				
Office supplies	100	100	128	(28)
Travel and meetings	1,000	1,000	784	216
Advertising and printing	15,000	30,100	23,275	6,825
Election expense	500	500	500	500
Dues and subscriptions	8,000	8,000	6,900	1,100
Telephone	400	400	400	400
Miscellaneous	100	100	100	100
Totals- City clerk	<u>204,400</u>	<u>219,500</u>	<u>210,530</u>	<u>8,970</u>
Totals - Legislative	<u>344,500</u>	<u>359,600</u>	<u>357,373</u>	<u>2,227</u>
GENERAL ADMINISTRATION				
City attorney:				
Services and supplies:				
Legal services	<u>2,534,500</u>	<u>2,534,500</u>	<u>1,998,859</u>	<u>535,641</u>
Totals - City attorney	<u>\$ 2,534,500</u>	<u>\$ 2,534,500</u>	<u>\$ 1,998,859</u>	<u>\$ 535,641</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL ADMINISTRATION, continued				
City manager:				
Salaries	\$ 399,500	\$ 399,500	\$ 399,616	\$ (116)
Services and supplies:				
Professional services	65,000	65,000	566,703	(501,703)
Office supplies	2,250	2,250	1,700	550
Travel and meetings	10,000	10,000	13,381	(3,381)
Vehicle expense	3,000	3,000	2,651	349
Dues and subscriptions	45,000	65,000	69,005	(4,005)
Telephone	800	800	1,004	(204)
Miscellaneous	1,000	1,000		1,000
Legal	65,000	164,500	220,655	(56,155)
Legislative expenses	165,000	125,000	60,180	64,820
Totals - City manager	<u>756,550</u>	<u>836,050</u>	<u>1,334,895</u>	<u>(498,845)</u>
Human resources:				
Salaries	134,500	134,500	134,204	296
Services and supplies:				
Office supplies	200	200		200
Dues and subscriptions	1,200	1,200	1,074	126
Repairs and maintenance	300	300	312	(12)
Telephone	100	100	52	48
Totals - Human Resources	<u>136,300</u>	<u>136,300</u>	<u>135,642</u>	<u>658</u>
Successor Agency Administration:				
Services and supplies:				
Professional services		1,165,900	814,463	351,437
Legal		1,390,100	1,607,656	(217,556)
Office supplies		20,000	5,334	14,666
Dues and subscriptions		200	444	(244)
Miscellaneous		6,600	23,746	(17,146)
Miscellaneous engineering		7,600	15,274	(7,674)
Totals - IUDA Administration		<u>2,590,400</u>	<u>2,466,917</u>	<u>123,483</u>
Totals - General Administration	<u>3,427,350</u>	<u>6,097,250</u>	<u>5,936,313</u>	<u>160,937</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
COMMUNITY DEVELOPMENT				
Engineering:				
Salaries	\$ 133,900	\$ 133,900	\$ 133,846	\$ 54
Services and supplies:				
Miscellaneous engineering	24,600	31,700	28,737	2,963
Totals - Engineering	<u>158,500</u>	<u>165,600</u>	<u>162,583</u>	<u>3,017</u>
Planning:				
Salaries	257,600	257,600	270,357	(12,757)
Services and supplies:				
Offices supplies	50	50	74	(24)
Travel and meetings			4,284	(4,284)
Legal advertising/printing	1,000	2,000		2,000
Dues and subscription		5,100	2,525	2,575
Telephone	400	400	406	(6)
Miscellaneous	50	50	3,975	(3,925)
Filing fees	25,000	25,000	23,443	1,557
Professional services	131,600	131,600	222,210	(90,610)
Totals- Planning	<u>415,700</u>	<u>421,800</u>	<u>527,274</u>	<u>(105,474)</u>
Totals - Community Development	<u>574,200</u>	<u>587,400</u>	<u>689,857</u>	<u>(102,457)</u>
COMMUNITY SERVICES				
Community promotion:				
Services and supplies:				
Community promotion	1,606,500	1,581,500	1,583,471	(1,971)
Telephone	150	150	287	(137)
Totals - Community promotion	<u>\$ 1,606,650</u>	<u>\$ 1,581,650</u>	<u>\$ 1,583,758</u>	<u>\$ (2,108)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
COMMUNITY SERVICES, continued				
El Encanto Hospital:				
Services and supplies				
Professional fees	\$ 400	\$	280	\$ (280)
Telephone			22	(22)
Utilities			38	(38)
Repairs and maintenance	23,700	23,700	24,576	(876)
Property maintenance	224,300	225,000	224,841	159
Security	61,500	71,600	61,839	9,761
Capital outlay			9,908	(9,908)
Totals - El Encanto Hospital	<u>309,900</u>	<u>320,300</u>	<u>321,504</u>	<u>(1,204)</u>
Workman Temple Homestead Museum:				
Services and supplies:				
Museum agreement	1,061,100	1,061,100	1,038,451	22,649
Utilities	29,800	46,900	31,072	15,828
Property maintenance	662,000	28,446	(16,693)	45,139
General engineering		1,200	398	802
Janitorial services		13,900	11,100	2,800
Miscellaneous	80,350	33,950	93,040	(59,090)
Capital outlay	12,600	45,500	58,634	(13,134)
Totals - Workman Temple Museum	<u>1,845,850</u>	<u>1,230,996</u>	<u>1,216,002</u>	<u>14,994</u>
Tres Hermanos:				
Services and supplies:				
Telephone		200	316	(116)
Utilities		100	948	(848)
Security			25,975	(25,975)
Totals - Tres Hermanos		<u>300</u>	<u>27,239</u>	<u>(26,939)</u>
Totals - Community Services	<u>3,762,400</u>	<u>3,133,246</u>	<u>3,148,503</u>	<u>(15,257)</u>
PUBLIC SAFETY				
Law enforcement:				
Services and supplies:				
Printing and photography	2,350	2,350	1,769	581
Professional services	500	500		500
Vehicle expenses	36,000	10,000	10,789	(789)
Telephone	2,600	2,600	2,635	(35)
Miscellaneous			3,267	(3,267)
General law and traffic enforcement	8,824,000	8,824,000	8,337,821	486,179
Other law enforcement	10,150	10,150	10,182	(32)
Animal control	33,500	33,500	31,805	1,695
Security	346,000	346,000	264,040	81,960
Building lease and storage payments	73,500	73,500	67,014	6,486
Totals - Public Safety	<u>\$ 9,328,600</u>	<u>\$ 9,302,600</u>	<u>\$ 8,729,322</u>	<u>\$ 573,278</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC WORKS				
Community facilities and ground				
Services and supplies:				
Professional services	\$ 293,000	\$ 327,000	\$ 345,206	\$ (18,206)
Office supplies				
Repairs and maintenance	3,000	3,000	36,947	(33,947)
Vehicle expenses	109,000	109,000	89,069	19,931
Telephone	15,500	15,500	13,426	2,074
Building lease	933,550	970,450	1,115,025	(144,575)
Miscellaneous	14,350	14,350	6,988	7,362
Utilities	487,000	506,400	601,089	(94,689)
Property maintenance	4,956,200	4,928,654	4,463,054	465,600
Printing and photography	2,200	2,200	36,658	(34,458)
Security	749,000	749,000	649,987	99,013
Totals - Community facilities	<u>7,562,800</u>	<u>7,625,554</u>	<u>7,357,449</u>	<u>268,105</u>
Public Works Administration:				
Salaries	133,900	133,900	133,846	54
Services and supplies:				
Dues and subscriptions	600	600	1,019	(419)
Streets and roads	4,496,100	4,767,200	5,260,469	(493,269)
Totals - Public Works	<u>4,630,600</u>	<u>4,901,700</u>	<u>5,395,334</u>	<u>(493,634)</u>
Totals - Public Works	<u>12,193,400</u>	<u>12,527,254</u>	<u>12,752,783</u>	<u>(225,529)</u>
SUPPORT SERVICES				
Central services:				
Salaries	157,300	172,300	171,751	549
Services and supplies:				
Professional services	455,000	683,600	631,963	51,637
Office supplies	37,200	37,200	38,871	(1,671)
Repairs and maintenance	15,500	15,500	15,433	67
Equipment rentals	31,500	31,500	32,508	(1,008)
Printing and photographs	2,000	2,000	3,863	(1,863)
Storage expense	46,000	46,000	40,750	5,250
Travel and meetings	2,000	2,000	461	1,539
Vehicle expenses	32,000	32,000	28,615	3,385
Dues and subscription	6,600	6,600	5,342	1,258
Computer services	220,000	220,000	236,768	(16,768)
Building maintenance	212,500	222,500	185,183	37,317
Telephone	15,000	15,000	15,273	(273)
Utilities	58,200	58,200	68,435	(10,235)
Miscellaneous	13,050	13,050	21,319	(8,269)
Refuse disposal - residents	31,200	31,200	23,621	7,579
Totals - Central services	<u>\$ 1,335,050</u>	<u>\$ 1,588,650</u>	<u>\$ 1,520,156</u>	<u>\$ 68,494</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPORT SERVICES, continued				
City treasurer:				
Salaries	\$ 278,900	\$ 278,900	\$ 278,863	\$ 37
Services and supplies:				
Office supplies	100	100		100
Repairs and maintenance	1,000	1,000	140	860
Miscellaneous	200	1,100	659	441
Totals - City treasurer	<u>280,200</u>	<u>281,100</u>	<u>279,662</u>	<u>1,438</u>
Finance department:				
Services and supplies:				
Office supplies			117	(117)
Repairs and maintenance	17,000	17,000	13,490	3,510
Equipment Rental/Lease	8,700	8,700	7,627	1,073
Dues and subscriptions			390	(390)
Accounting	800,000	800,000	770,855	29,145
Audit Services	200,000	200,000	634,615	(434,615)
Totals - Finance department	<u>1,025,700</u>	<u>1,025,700</u>	<u>1,427,094</u>	<u>(401,394)</u>
Non-departmental:				
Services and supplies:				
Insurance and bonds	440,000	440,000	321,678	118,322
Employees insurance	106,000	106,000	128,008	(22,008)
Group and medical insurance	1,456,560	1,456,560	1,656,615	(200,055)
PERS	430,000	430,000	493,508	(63,508)
Miscellaneous	30,500	27,000	24,681	2,319
Tuition reimbursement	3,200	3,200	11,971	(8,771)
Taxes and assessments	360,000	360,000	302,828	57,172
Payroll taxes	38,300	38,300	50,915	(12,615)
Insurance claims	49,000	49,000	(643,757)	692,757
Parking citation	50,000	50,000	44,702	5,298
Lease obligation	941,000	941,000	939,763	1,237
Total Non-departmental	<u>3,904,560</u>	<u>3,901,060</u>	<u>3,330,912</u>	<u>570,148</u>
Totals - Support Services	<u>6,545,510</u>	<u>6,796,510</u>	<u>6,557,824</u>	<u>238,686</u>
 Total expenditures	 <u>\$ 36,175,960</u>	 <u>\$ 38,803,860</u>	 <u>\$ 38,171,975</u>	 <u>\$ 631,885</u>

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN
JUNE 30, 2014

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 employer.

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability/ (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 435,764,641	116.0%
6/30/2012	\$ 2,680,181,441	\$ 2,178,799,790	\$ 501,381,651	81.3%	\$ 437,458,163	114.6%

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
OPEB PLAN
JUNE 30, 2014

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%
9/1/2014	14,741,274		14,741,274	0.0%	1,661,041	887%

Other Supplementary Information

CITY OF INDUSTRY
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2014

	CITY OF INDUSTRY DEBT SERVICE	CITY OF INDUSTRY TAX OVERRIDE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
ASSETS				
Cash	\$ 56,212	\$ 88,748	\$	\$ 144,960
Accrued interest and other receivables	7,908,279	404,160	794,747	9,107,186
Investments	53,633,391	42,305,711		95,939,102
Investments with fiscal agent - restricted	36,976,343		846,128	37,822,471
Investments in City and IUDA bonds	306,727,204		90,920,000	397,647,204
Site lease prepayment			5,970,300	5,970,300
Due from general fund		8,784,802		8,784,802
Due from debt service fund-City	(17,481,496)	17,481,496		
Total assets	\$ 387,819,933	\$ 69,064,917	\$ 98,531,175	\$ 555,416,025
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 33,756	\$	\$	\$ 33,756
Total liabilities	33,756			33,756
FUND BALANCES				
Nonspendable				
Investment in bonds with a future maturity date	306,727,204		90,920,000	397,647,204
Prepayment of site lease			5,970,300	5,970,300
Restricted for debt service	36,976,343		1,640,875	38,617,218
Committed for debt service		69,064,917		69,064,917
Assigned for debt service	44,082,630			44,082,630
Total fund balances	387,786,177	69,064,917	98,531,175	555,382,269
Total liabilities and fund balances	\$ 387,819,933	\$ 69,064,917	\$ 98,531,175	\$ 555,416,025

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	CITY OF INDUSTRY DEBT SERVICE	CITY OF INDUSTRY TAX OVERRIDE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
REVENUES				
Taxes				
Property taxes	\$ 12,130,419	\$ 42,489,766	\$	\$ 54,620,185
Net taxes	12,130,419	42,489,766		54,620,185
Interest income - Industry Urban Development Agency	28,001,548		3,400,077	31,401,625
Interest income - City of Industry			2,947,448	2,947,448
Lease income - City of Industry			939,763	939,763
Other revenues from use of money and property	117,911	15,217		133,128
Total revenues	<u>40,249,878</u>	<u>42,504,983</u>	<u>7,287,288</u>	<u>90,042,149</u>
EXPENDITURES				
Current:				
General administration	17,330		392,783	410,113
Debt service:				
Principal retirement - long term debt	19,715,000		13,590,000	33,305,000
Principal retirement - long term debt - Public Facilities Authority	675,000			675,000
Interest	14,514,670		6,497,137	21,011,807
Interest - Public Facilities Authority	2,947,448			2,947,448
Bond issuance costs	628,933		21,500	650,433
Total expenditures	<u>38,498,381</u>	<u>-</u>	<u>20,501,420</u>	<u>58,999,801</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,751,497</u>	<u>42,504,983</u>	<u>(13,214,132)</u>	<u>31,042,348</u>
OTHER FINANCING SOURCES (USES)				
Redemption of 2002 GOB Bond	(28,823,482)			(28,823,482)
Redemption of 2005 GOB Bond			(29,530,381)	(29,530,381)
Proceeds from 2014 GOB Refunding Bonds	28,531,651			28,531,651
Other uses-fiduciary fund debt service		(31,181,125)		(31,181,125)
Transfer in from General fund	102,099		47,639	149,738
Transfers out to other governmental funds	(57,741,059)	57,741,059		
Transfers out to General fund	(29,893,954)		(476,632)	(30,370,586)
Total other financing uses	<u>(87,824,745)</u>	<u>26,559,934</u>	<u>(29,959,374)</u>	<u>(91,224,185)</u>
Change in fund balances	(86,073,248)	69,064,917	(43,173,506)	(60,181,837)
FUND BALANCES, July 1, 2013	<u>473,859,425</u>	<u></u>	<u>141,704,681</u>	<u>615,564,106</u>
FUND BALANCES, June 30, 2014	<u>\$ 387,786,177</u>	<u>69,064,917</u>	<u>\$ 98,531,175</u>	<u>\$ 555,382,269</u>

CITY OF INDUSTRY
 COMBINING BALANCE SHEET - NON MAJOR FUNDS
 JUNE 30, 2014

	CITY OF INDUSTRY							CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	AQMD GRANT	GRANT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND	
ASSETS									
Cash	\$	\$	\$ 841,949	\$ 417,267	\$	\$	\$	\$ 24,593	\$ 1,283,809
Investments			2,415,695					145,330	2,561,025
Receivables - current	14,572						257		14,829
Due from general fund					124,531				124,531
Total assets	\$ 14,572	\$	\$ 3,257,644	\$ 417,267	\$ 124,531	\$	\$	\$ 170,180	\$ 3,984,194
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$	\$	\$ 224,740	\$	\$ 7,657	\$	\$	\$ 106,720	\$ 339,117
Due to general fund			45,755	391,553					437,308
Total liabilities			270,495	391,553	7,657			106,720	776,425
FUND BALANCES									
Restricted for									
Public transportation and road improvement	14,572		2,987,149	25,714	116,874				3,144,309
Capital projects							145,330		145,330
Unassigned							(81,870)		(81,870)
Total fund balances	14,572		2,987,149	25,714	116,874		63,460		3,207,769
Total liabilities and fund balances	\$ 14,572	\$	\$ 3,257,644	\$ 417,267	\$ 124,531	\$	\$ 170,180	\$	\$ 3,984,194

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NON MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	CITY OF INDUSTRY							CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	AQMD GRANT	GRANT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES									
Taxes	\$ 25,174	\$ 4,591	\$ 2,807,417	\$ 6,508					\$ 2,843,690
Revenues from use of money and property	4,700		1,701	5				361	6,767
Grant income					319,086	5,000			324,086
Total revenues	<u>\$ 29,874</u>	<u>\$ 4,591</u>	<u>\$ 2,809,118</u>	<u>\$ 6,513</u>	<u>\$ 319,086</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 361</u>	<u>\$ 3,174,543</u>
EXPENDITURES									
Current:									
General administration					26,754			273,644	300,398
Community development					205,536				205,536
Public safety			871,352						871,352
Public works		31,376		14,535		5,000			50,911
Total expenditures		<u>31,376</u>	<u>871,352</u>	<u>14,535</u>	<u>232,290</u>	<u>5,000</u>		<u>273,644</u>	<u>1,428,197</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>29,874</u>	<u>(26,785)</u>	<u>1,937,766</u>	<u>(8,022)</u>	<u>86,796</u>			<u>(273,283)</u>	<u>1,746,346</u>
OTHER FINANCING (USES) SOURCES									
Transfer in from General Fund								1,325,441	1,325,441
Transfers out to enterprise and fiduciary funds								(1,080,000)	(1,080,000)
Transfer out to General Fund	(431,045)			-	(1,537,151)				(1,968,196)
Total other financing (uses) sources	<u>(431,045)</u>			<u>-</u>	<u>(1,537,151)</u>			<u>245,441</u>	<u>(1,722,755)</u>
Net change in fund balances	(401,171)	(26,785)	1,937,766	(8,022)	(1,450,355)			(27,842)	23,591
FUND BALANCES, July 1, 2013	<u>415,743</u>	<u>26,785</u>	<u>1,049,383</u>	<u>33,736</u>	<u>1,567,229</u>			<u>91,302</u>	<u>3,184,178</u>
FUND BALANCES, June 30, 2014	<u>\$ 14,572</u>	<u>\$ -</u>	<u>\$ 2,987,149</u>	<u>\$ 25,714</u>	<u>\$ 116,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,460</u>	<u>\$ 3,207,769</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF NET POSITION
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>CITY OF INDUSTRY</u>		<u>TOTALS</u>
	<u>INDUSTRY PUBLIC</u>		<u>JUNE 30,</u>
	<u>UTILITIES COMMISSION</u>		
	<u>WATER</u>	<u>ELECTRIC</u>	<u>2014</u>
ASSETS			
Current assets:			
Cash	\$ 149,536	\$ 494,582	\$ 644,118
Investments	5,148,436	1,841,371	6,989,807
Accounts receivable, net	435,997	684,358	1,120,355
Inventory of materials and supplies, at cost	10,000		10,000
Noncurrent assets:			
Capital assets:			
Land	35,500		35,500
Water rights	441,200		441,200
Source of supply	441,687	4,053,806	4,495,493
Buildings and improvements	25,625,873		25,625,873
Equipment, furniture and fixtures	229,332		229,332
Less accumulated depreciation	<u>(14,691,428)</u>	<u>(1,009,510)</u>	<u>(15,700,938)</u>
Capital assets, net	<u>12,082,164</u>	<u>3,044,296</u>	<u>15,126,460</u>
Total assets	<u>17,826,133</u>	<u>6,064,607</u>	<u>23,890,740</u>
LIABILITIES			
Current liabilities:			
Accounts payable	66,928	391,131	458,059
Deferred revenue from reclaimed water sales	<u>8,321,198</u>		<u>8,321,198</u>
Total liabilities	<u>8,388,126</u>	<u>391,131</u>	<u>8,779,257</u>
NET POSITION			
Invested in capital assets	12,082,164	3,044,296	15,126,460
Unrestricted	<u>(2,644,157)</u>	<u>2,629,180</u>	<u>(14,977)</u>
Total net position	<u>\$ 9,438,007</u>	<u>\$ 5,673,476</u>	<u>\$ 15,111,483</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		
	UTILITIES COMMISSION		JUNE 30,
	WATER	ELECTRIC	2014
OPERATING REVENUES			
Charges for sales and services:			
Water sales and service	\$ 1,455,820	\$	\$ 1,455,820
Electric and solar energy sales		4,422,163	4,422,163
Total operating revenues	1,455,820	4,422,163	5,877,983
OPERATING EXPENSES			
Purchased water			
Purchased electricity		2,351,433	2,351,433
General administration	499,200	1,078,043	1,577,243
Depreciation	611,769	83,247	695,016
Total operating expenses	1,110,969	3,512,723	4,623,692
INCOME FROM OPERATIONS	344,851	909,440	1,254,291
NON-OPERATING REVENUE - INTEREST INCOME			
Interest income	12,681	(693)	11,988
Other income	17,309	77,397	94,706
Total non-operating revenue	29,990	76,704	106,694
INCOME BEFORE TRANSFERS	374,841	986,144	1,360,985
TRANSFERS			
Transfer in from General Fund	33,229	9,785	43,014
Total transfers out	33,229	9,785	43,014
Change in net position	408,070	995,929	1,403,999
Net position - beginning of year	9,029,937	4,677,547	13,707,484
Net position - end of year	\$ 9,438,007	\$ 5,673,476	\$ 15,111,483

CITY OF INDUSTRY
 COMBINING STATEMENT OF CASH FLOWS
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	CITY OF INDUSTRY INDUSTRY PUBLIC UTILITIES COMMISSION		TOTALS
	WATER	ELECTRIC	JUNE 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Receipts from customers and users	\$ 731,095	\$ 4,345,077	\$ 5,076,172
Total cash inflows from operating activities	731,095	4,345,077	5,076,172
Cash outflows:			
Payments to suppliers and employees	483,931	3,369,197	3,853,128
Total cash outflows from operating activities	483,931	3,369,197	3,853,128
Net cash provided by operating activities	247,164	975,880	1,223,044
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	33,229	9,785	43,014
Net cash used in non-capital financing activities	33,229	9,785	43,014
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of capital assets	(489,535)		(489,535)
Purchases of investments	(12,681)	(741,488)	(754,169)
Interest income	29,990	76,704	106,694
Net cash used in investing activities	(472,226)	(664,784)	(1,137,010)
Net (decrease) increase in cash	(191,833)	320,881	129,048
Cash, July 1, 2013	341,369	173,701	515,070
Cash, June 30, 2014	\$ 149,536	\$ 494,582	\$ 644,118
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income	\$ 344,851	\$ 909,440	\$ 1,254,291
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	611,769	83,247	695,016
(Increase) decrease in assets			
Accounts receivable		(77,086)	(77,086)
Other receivable	(212,782)		(212,782)
Increase (decrease) in liabilities			
Accounts payable	33,158	63,048	96,206
Due to other government funds	(17,889)	(2,769)	(20,658)
Deferred revenue	(511,943)		(511,943)
Net cash provided by operating activities	\$ 247,164	\$ 975,880	\$ 1,223,044

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$37,860,000 GENERAL OBLIGATION REFUNDING SERIES A BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ 2,103,788	\$ 24,440,000	\$ 1,553,550	\$ 28,097,338

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$ 50,975,000 GENERAL OBLIGATION REFUNDING SERIES B BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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>3,182,577</u>	\$ <u>34,915,000</u>	\$ <u>2,427,739</u>	\$ <u>40,525,316</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, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2015	3.50%	\$ 819,450	\$ 2,025,000	\$ 784,075	\$ 3,628,525
2016	3.00%	784,075	2,100,000	752,625	3,636,700
2017	4.00%	752,625	2,155,000	709,525	3,617,150
2018	4.00%	709,525	2,240,000	664,725	3,614,250
2019	4.00%	664,725	2,330,000	618,125	3,612,850
2020	5.00%	618,125	2,430,000	557,375	3,605,500
2021	5.00%	557,375	2,550,000	493,625	3,601,000
2022	4.50%	493,625	2,675,000	431,200	3,599,825
2023	5.00%	431,200	2,800,000	361,200	3,592,400
2024	5.00%	361,200	2,940,000	287,700	3,588,900
2025	5.00%	287,700	3,095,000	210,325	3,593,025
2026	4.50%	210,325	3,240,000	137,075	3,587,400
2027	4.25%	137,075	1,550,000	104,138	1,791,213
2028	4.00%	104,138	1,615,000	71,838	1,790,976
2029	4.13%	71,838	1,680,000	37,188	1,789,026
2030	4.25%	37,188	1,750,000		1,787,188
Totals		\$ <u>7,040,189</u>	\$ <u>37,175,000</u>	\$ <u>6,220,739</u>	\$ <u>50,435,928</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$28,985,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2014 - MATURITY SCHEDULE
 AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2015	1.569%	\$	\$	\$ 492,836	\$ 492,836
2016	3.005%	416,481		416,481	832,962
2017	2.874%	416,481		416,481	832,962
2018	2.874%	416,481		416,481	832,962
2019	2.874%	416,481		416,481	832,962
2020	2.874%	416,481		416,481	832,962
2021	2.500%	416,481	4,470,000	360,606	5,247,087
2022	2.750%	360,606	5,875,000	279,825	6,515,431
2023	2.875%	279,825	6,035,000	193,072	6,507,897
2024	3.000%	193,072	6,210,000	99,922	6,502,994
2025	3.125%	99,922	6,395,000		6,494,922
Totals		\$ 3,432,311	\$ 28,985,000	\$ 3,508,666	\$ 35,925,977

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, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JANUARY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ 14,932,811	\$ 77,540,000	\$ 14,932,811	\$ 107,405,622

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$77,540,000 TAXABLE SALES TAX REVENUE BONDS, ISSUE OF 2008 - MATURITY SCHEDULE
 AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JANUARY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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>10,967,717</u>	\$ <u>61,245,000</u>	\$ <u>10,967,717</u>	\$ <u>83,180,434</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, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JANUARY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ 11,467,744	\$ 38,660,000	\$ 11,467,744	\$ 61,595,488