

CITY OF INDUSTRY
For the Year Ended June 30, 2015
Financial Statements
With
Independent Auditor's Reports

CITY OF INDUSTRY
 FINANCIAL STATEMENTS
 AND
 INDEPENDENT AUDITOR'S REPORT
 FOR THE YEAR ENDED JUNE 30, 2015

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 AND
 INDEPENDENT AUDITOR'S REPORT
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INDEPENDENT AUDITORS' REPORT

To Honorable Mayor and Members of City Council
of the City of Industry
City of Industry, California

Report on 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 City of Industry, California (the "City") as of and for the year ended June 30, 2015, 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statements Nos. 68 and 71

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 1 to the basic financial statements. In addition, aggregate net pension liability is reported in the Statement of Net Position in the amount of \$4,782,916 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans. Our opinion is not modified with respect to this matter.

Uncertainty of Collectability of Notes Receivable from Industry Convalescent Hospital

As discussed in Note 5 to the basic financial statements, the City is uncertain of the collectability of the note receivable from Industry Convalescent Hospital and the related accrued interest totaled to \$42,217,440 as of June 30, 2015. 100% of the outstanding balance was off-set by an allowance for doubtful account. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (“MD&A”), the Budgetary Comparison Schedule, the Schedules of Funding Progress OPEB Plan, the Schedule of the City’s Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the City’s Contributions and on pages 7 to 21 and 80 to 96 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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To Honorable Mayor and Member of City Council
of the City of Industry
City of Industry, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
February 19, 2016

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Management's Discussion and Analysis

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015.

The assets of the City's governmental activities exceeded its liabilities at June 30, 2015 by \$629.1 million (Net Position). Of this amount, \$103.9 million is restricted for debt service activities. Net Position increased by \$47.4 million due to operations with a \$6.2 million decrease due to implementation of GASB Statement No. 68 and GASB Statement No. 71.

The assets of the City's business-type activities exceeded its liabilities at June 30, 2015 by \$37.5 million (Net Position). Of this amount, \$33.7 million is invested in capital assets, net of related debt. Net Position increased by \$0.7 million due to operations with an additional \$0.3 million increase due to a change in presentation in accounting for certain water operations of Industry Public Utilities Water System.

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 other 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.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 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

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net 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. These funds use the full accrual method of accounting.

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

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

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The City as a Whole

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

Governmental Activities – Net Position

Table 1
Net Position

	Governmental Activities		
	2015	2014	Change
Current and other assets	\$ 823,766,969	\$ 849,167,515	\$ (25,400,546)
Capital assets, net	<u>206,740,701</u>	<u>208,407,210</u>	<u>(1,666,509)</u>
Total assets	<u>1,030,507,670</u>	<u>1,057,574,725</u>	<u>(27,067,055)</u>
Deferred outflows of resources			
Deferred charge on refunding	1,259,986	1,724,960	(464,974)
Other deferred outflows of resources	<u>369,922</u>	<u> </u>	<u>369,922</u>
Total deferred outflows of resources	<u>1,629,908</u>	<u>1,724,960</u>	<u>(95,052)</u>
Long-term liabilities	378,067,254	415,673,650	(37,606,396)
Other liabilities	<u>23,152,751</u>	<u>55,719,499</u>	<u>(32,566,748)</u>
Total liabilities	<u>401,220,005</u>	<u>471,393,149</u>	<u>(70,173,144)</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	1,607,283		1,607,283
Difference between employer contribution and employer's proportionate share of contribution	<u>242,910</u>	<u> </u>	<u>242,910</u>
Total deferred inflows of resources	<u>1,850,193</u>	<u> </u>	<u>1,850,193</u>
Net position:			
Net investment in capital assets	201,760,700	208,043,984	(6,283,284)
Restricted for:			
Debt service	103,864,252	160,757,267	(56,893,015)
Unrestricted	<u>323,442,428</u>	<u>219,105,285</u>	<u>104,337,143</u>
Total net position	<u>\$ 629,067,380</u>	<u>\$ 587,906,536</u>	<u>\$ 41,160,844</u>

During the year, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pension—an amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contribution Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68". These statements establish accounting and financial reporting standards for purpose of measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

value to periods of employee service. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames.

The City's prior period financial statements included for comparative purposes are presented as previously reported and the change in accounting standards have been reported as an adjustment to the beginning net position in the current period. The change resulted in a restatement in beginning net position of \$6,232,085 in the government-wide governmental activities.

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 \$629.1 million at June 30, 2015.

The largest portion of the Net Position is restricted by external sources on how the funds may be used. Approximately \$201.8 million is the City's net investment in its capital assets. 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 \$103.9 million are restricted for the City's future debt service obligations.

The City's total Net Position under governmental activities increased over the prior year by \$41.2 million.

Total liabilities and deferred inflows of resources decreased by approximately \$68.3 million as the City made payments on its long-term obligations and also prefunded \$11.0 million of its OPEB actuarial accrued liability as of July 1, 2015. Other liabilities decreased by \$32.6 million as the City paid for litigation in the amount of \$42.5 million which was accrued for in the prior year which was offset by increases of its OPEB accrued liability.

The decrease in Net investment in capital assets of \$6.3 million is a result of current year dispositions and depreciation expense exceeding payments on long-term debt obligations.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Governmental Activities – Changes in Net Position

Table 2
Change in Net Position

	Governmental Activities		
	2015	2014	Change
Revenues:			
Taxes	\$ 96,231,387	\$ 101,519,823	\$ (5,288,436)
Revenues from use of money and property	74,018,477	45,289,566	28,728,911
Other revenues	3,815,296	4,167,776	(352,480)
Community development	3,210,500	2,955,038	255,462
Total revenues	<u>177,275,660</u>	<u>153,932,203</u>	<u>23,343,457</u>
Expenses:			
General government	5,928,344	9,003,648	(3,075,304)
Support services	8,124,701	7,679,546	445,155
Community development	3,765,894	3,919,393	(153,499)
Community services	4,262,699	3,687,057	575,642
Public safety	10,336,819	11,093,832	(757,013)
Capital projects and public works	17,421,517	16,940,599	480,918
Interest expense	17,865,315	18,717,068	(851,753)
Total expenses	<u>67,705,289</u>	<u>71,041,143</u>	<u>(3,335,854)</u>
Increase in net assets before other items	<u>109,570,371</u>	<u>82,891,060</u>	<u>26,679,311</u>
Other items:			
Litigation settlement	(1,002,412)	(42,500,000)	41,497,588
Gain on disposal of assets, net	20,580,856	(14,761)	20,595,617
Write off escheated liabilities	1,114,712		1,114,712
Bond issuance and redemption costs		(650,433)	650,433
Loss on redemption of 2005 bond		(425,381)	425,381
Other uses-debt service payments from property tax override fund on behalf of fiduciary fund	(81,885,018)	(31,181,125)	(50,703,893)
Transfers - internal activities	<u>(985,580)</u>	<u>(726,223)</u>	<u>(259,357)</u>
Increase in net position	<u>\$ 47,392,929</u>	<u>\$ 7,393,137</u>	<u>\$ 39,999,792</u>
Net position, beginning of year	587,906,536	580,513,399	7,393,137
Prior period adjustment	(6,232,085)		(6,232,085)
Net position, beginning of year	<u>581,674,451</u>	<u>580,513,399</u>	<u>1,161,052</u>
Net position, end of year	<u>\$ 629,067,380</u>	<u>\$ 587,906,536</u>	<u>\$ 41,160,844</u>

The total revenues reported as governmental activities, increased by approximately \$23.3 million. The increase in revenue from use of money and property of \$28.7 million was a result of additional interest income of \$36.1 million received by the City due to an early bond redemption on its investment in IUDA bonds. The increase is offset by an unrealized decline in the fair market value of investments of approximately \$7 million.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Tax revenue decreased by \$5.3 million which was a result of a net decrease in sales tax revenues of \$7 million offset by an increase in other taxes of \$1.7 million. The \$7 million decrease in sales tax revenue was directly related to a one time sales tax settlement of \$8.61 million received in 2014 which was not received in 2015 offset by slight growth in the sales tax revenues of \$1.61 million. The tax settlement was due to a reallocation of sales tax revenues due to the City for prior years.

The City's total expenses before other items decreased by approximately \$3.3 million from the prior year. General government expenses decreased approximately \$3.1 million year over year as the City in the prior year had to pay for expenses on behalf of the Successor Agency. In 2015 the Successor Agency received approval from the Department of Finance to change the funding source from the City to the Successor Agency

In the current year, the City disposed of one property for approximately \$26 million in proceeds which resulted in a gain of \$20.6 million.

The other increase in expenditures reported in other items is the \$50.7 million increase in monies paid from the City's Agency Property Tax Override Fund. The increase of \$50.7 million was used to pay for an early bond redemption of the Industry Urban-Development Agency Project No. 2 2003 Subordinate Lien Tax Allocation Refunding bonds.

The \$6.2 million prior period adjustment represents the decrease in Net Position due to the implementation of GASB Statement No. 68 and GASB Statement No. 71.

Business-Type Activities – Net Position

	Table 3 Net Position		
	Business-Type Activities		
	2015	2014	Change
Current and other assets	\$ 13,629,758	\$ 10,992,459	\$ 2,637,299
Capital assets, net	<u>33,662,318</u>	<u>34,578,597</u>	<u>(916,279)</u>
Total assets	<u>47,292,076</u>	<u>45,571,056</u>	<u>1,721,020</u>
Liabilities	<u>9,836,145</u>	<u>9,111,439</u>	<u>724,706</u>
Total liabilities	<u>9,836,145</u>	<u>9,111,439</u>	<u>724,706</u>
Net position:			
Invested in capital assets,			
Net of related debt	33,662,318	34,578,597	(916,279)
Unrestricted	<u>3,793,613</u>	<u>1,881,020</u>	<u>1,912,593</u>
Total net position	<u>\$ 37,455,931</u>	<u>\$ 36,459,617</u>	<u>\$ 996,314</u>

Total Net Position for the City's business type activities increased by approximately \$1.0 million as compared to the prior year. In the current year, the City changed its presentation of certain water operations of the Industry Public Utilities Commission that were operated by a third party vendor.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

In prior years the City only reflected the net transfers of profits from the operator to the City in its financial statements. During 2015 the City included \$0.76 million of net assets of these operations in the City's financial statements due to the change in presentation. The remaining increase in total Net Position is due to increase from net operating income.

Business-Type Activities – Change In Net Position

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

Table 4
Change in Net Position

	Business-Type Activities		
	2015	2014	Change
Revenues:			
Charges for services	\$ 9,710,743	\$ 7,519,625	\$ 2,191,118
Revenues from use of money and property	33,443	119,410	(85,967)
Other revenues	178,878		178,878
Total revenues	<u>9,923,064</u>	<u>7,639,035</u>	<u>2,284,029</u>
Expenses:			
Purchased electricity	4,203,587	3,512,723	690,864
Water transmission and distribution	2,816,765	1,110,969	1,705,796
Cost of expo operations	2,773,085	3,157,628	(384,543)
Cost of housing authority operations	389,405	370,846	18,559
Total expenses	<u>10,182,842</u>	<u>8,152,166</u>	<u>2,030,676</u>
Income (Loss) from operations before transfers	(259,778)	(513,131)	253,353
Transfers	<u>985,580</u>	<u>1,133,790</u>	<u>(148,210)</u>
Change in net position	\$ <u>725,802</u>	\$ <u>620,659</u>	\$ <u>105,143</u>
Net position, beginning of year	36,459,617	35,838,958	620,659
Period period adjustment	270,512		270,512
Net position, beginning of year	<u>36,730,129</u>	<u>35,838,958</u>	<u>891,171</u>
Net position, end of year	<u>\$ 37,455,931</u>	<u>\$ 36,459,617</u>	<u>\$ 996,314</u>

Charges for services increased by approximately \$2.2 million year over year due to the inclusion of operating revenue of \$1.8 million as a result of change in presentation in accounting for certain water operations of Industry Public Utilities Water System. In addition there was an increase in electricity sales offset by a decrease in revenues generated by the Expo Center.

Expenses increased year over year by \$2.0 million which was a result of inclusion of operating expenses due to the change in presentation in accounting for certain water operations of Industry Public Utilities Water System.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Transfer-ins from the general fund decreased by \$0.1 million over the prior year due to more revenue generated in the current year.

The \$270,512 prior period adjustment represents the increase in Net Position due to the change in its presentation of certain water operations of the Industry Public Utilities Commission that were operated by a third party vendor.

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.

Table 5
General Fund Comparison

	2015	2014	Change
Revenues:			
Taxes	\$ 39,470,470	\$ 46,899,638	\$ (7,429,168)
Licenses and permits	2,646,610	2,539,226	107,384
Fines, forfeitures and penalties	563,890	415,812	148,078
Revenues from use of money and property	5,761,481	12,806,242	(7,044,761)
Total revenues	<u>48,442,451</u>	<u>62,660,918</u>	<u>(14,218,467)</u>
Expenditures:			
Legislative	431,807	357,373	74,434
General administration	3,903,997	5,936,313	(2,032,316)
Support services	17,747,767	6,557,824	11,189,943
Community development	731,013	689,857	41,156
Community services	3,725,258	3,148,503	576,755
Public safety	8,311,886	8,729,322	(417,436)
Public works	10,881,576	12,752,783	(1,871,207)
Capital projects	2,385,000		2,385,000
Total expenditures	<u>48,118,304</u>	<u>38,171,975</u>	<u>9,946,329</u>
Excess of Revenues over Expenditures	<u>324,147</u>	<u>24,488,943</u>	<u>(24,164,796)</u>
Other Financing Sources (Uses):			
Other income	1,069,615	1,000,000	69,615
Prop A Exchange	(2,827,500)	(2,906,000)	78,500
Settlement claims	(1,002,412)	(42,500,000)	41,497,588
Net Transfers	96,945,870	23,820,012	73,125,858
Total other financing sources (uses)	<u>94,185,573</u>	<u>(20,585,988)</u>	<u>114,771,561</u>
Change in fund balances	<u>\$ 94,509,720</u>	<u>\$ 3,902,955</u>	<u>\$ 90,606,765</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$332.1 million, which is an increase from prior year of \$94.5 million. The increase is due to \$0.3 million generated from operations and \$94.2 million of net transfers in mainly from the City's debt service fund to pay for future capital improvement projects or expenditures.

The Tax revenue decreased by \$7.4 million which was a result of a net decrease in sales tax revenues of \$7 million offset by \$0.4 million increase in other taxes. The \$7 million decrease in sales tax revenue was directly related to a one time sales tax settlement of \$8.61 million received in 2014 which was not received in 2015 offset by slight growth in the sales tax revenues of \$1.61 million. The tax settlement was due to a reallocation of sales tax revenues due to the City for prior years.

The decrease of \$7 million in revenue from use of money and property is related to change in unrealized decline in the fair market value of investments of approximately \$6 million year over year and a decrease in earned interest and other income of \$1 million.

Total expenditures of the General Fund increase by \$9.9 million year of year. The majority of this increase in expenditures was the City paying \$11 million towards its unfunded actuarial liability for OPEB benefits offset by reductions in expenditures in public works projects of \$1.9 million and \$2.0 million in general administration expenditures. The decrease in general administration expenditures was a result of the City no longer having to pay for the Successor Agency administration expenditures. The Department of Finance approved the change in funding source for the administration expenditures from the City to the Successor Agency.

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 \$0.6 million, a decrease from prior year by \$20.4 million due to the disposal of land held for sale and subsequent transfer of the sales proceeds to the General Fund.

The Debt Service Fund accounts for the payment of principal and interest on outstanding bond obligations. The fund balance decreased by approximately \$88 million due to revenues in excess of expenditures of \$74 million and other financing uses of \$162 million. The excess of revenues over expenditures of \$74 million was a result of additional interest income of \$36 million received on the early redemption of the Industry Urban-Development Agency Project No. 2 2003 Subordinate Lien Tax Allocation Refunding bonds owned by the City. The \$162 million of other financing uses was due to \$81.9 million of tax override funds to pay for debt service from the shortfall in the Successor Agency and \$80 million of net transfers to the General Fund.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

General Fund Budgetary Highlights

The City adopts a budget every fiscal year. There was no 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	Actual	Variance
Legislative	\$ 376,400	\$ 431,807	\$ (55,407)
General administration	3,627,800	3,903,997	(276,197)
Support services	6,746,300	17,747,767	(11,001,467)
Community development	614,500	731,013	(116,513)
Community services	3,856,000	3,725,258	130,742
Public safety	8,272,000	8,311,886	(39,886)
Public works	12,604,000	10,881,576	1,722,424
Capital projects	2,385,000	2,385,000	(2,385,000)
Total expenditures	\$ <u>36,097,000</u>	\$ <u>48,118,304</u>	\$ <u>(12,021,304)</u>

The budget overage in the Legislative department was due to an increase election expenses incurred in the last quarter of the fiscal year.

The budget overage in the Support services department was attributed to the prefunding of unfunded actuarial accrued liability for future OPEB expenses of \$11 million during fiscal year.

The \$2,385,000 expenditure in the Capital Projects category relates to the City reimbursing the Successor Agency to the IUDA for a prior expenditure.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Capital Asset and Debt Administration

Capital Assets

Net capital assets for governmental activities as of June 30, 2015 and 2014 are summarized as follows:

Table 7
Net Capital Assets at Year-End

	Governmental Activities		
	2015	2014	Change
Land	\$ 51,335,846	\$ 51,335,846	\$
Construction in progress	8,538,798	12,994,210	(4,455,412)
Buildings and improvements	118,220,676	118,220,676	
Equipment, furniture and fixtures	6,378,133	6,378,133	
Infrastructure	<u>141,980,260</u>	<u>132,673,028</u>	<u>9,307,232</u>
Capital assets, gross	326,453,713	321,601,893	4,851,820
Less accumulated depreciation	<u>(119,713,012)</u>	<u>(113,194,683)</u>	<u>(6,518,329)</u>
Capital assets, net	<u>\$ 206,740,701</u>	<u>\$ 208,407,210</u>	<u>\$ (1,666,509)</u>

As of June 30, 2015, the City had approximately \$206.7 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net decrease of \$1.7 million year over year. The City capitalized \$4.5 million of costs into construction in progress ("CIP") and transferred \$9.3 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, 2015 and 2014 are summarized as follows:

Table 8
Net Capital Assets at Year-End

	Business-Type Activities		
	2015	2014	Change
Land	\$ 6,764,880	\$ 6,764,880	\$
Water rights	441,200	441,200	
Buildings and improvements	53,785,327	53,726,324	59,003
Source of supply	4,495,493	4,495,493	
Equipment, furniture and fixtures	1,288,657	1,276,251	12,406
Infrastructure	294,622		294,622
Construction in progress	<u>270,468</u>		<u>270,468</u>
Capital assets, gross	67,340,647	66,704,148	636,499
Less accumulated depreciation	<u>(33,678,329)</u>	<u>(32,125,551)</u>	<u>(1,552,778)</u>
Capital assets, net	<u>\$ 33,662,318</u>	<u>\$ 34,578,597</u>	<u>\$ (916,279)</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$0.6 million of additions to improvements, net of the increase in accumulated depreciation of \$1.6 million.

Debt

At June 30, 2015, the City had total long term debt and other non-current liabilities of approximately \$378.1 million due to outside third parties.

During the year the City retired principal on its bonded debt of \$33.5 million and prefunded \$ 11 million of OPEB liability resulting in a net OPEB asset of \$1.7 million. In addition, due to the implementation of GASB 68, the City reported \$4.8 million of net pension liability for its proportionate share of CALPERS' pension liability.

Below is a summary of the outstanding debt at June 30:

Table 9
Outstanding Debt, at Year-End

	Governmental Activities		
	2015	2014	Change
General obligation bonds	\$ 115,425,000	\$ 125,515,000	\$ (10,090,000)
Revenue bonds	167,000,000	177,445,000	(10,445,000)
Refunding lease revenue bonds	4,980,000	5,710,000	(730,000)
Tax allocation bonds	82,855,000	95,090,000	(12,235,000)
Original issue premium/discount	2,881,496	3,605,857	(724,361)
OPEB benefits payable		8,185,842	(8,185,842)
Compensated absences	142,842	121,951	20,891
Pension liability	4,782,916		4,782,916
Total outstanding debt	<u>\$ 378,067,254</u>	<u>\$ 415,673,650</u>	<u>\$ (37,606,396)</u>

Financial Reporting for Pension—an amendment of GASB Statement No. 27” and No. 71, “Pension Transition for Contribution Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68”. These statements establish accounting and financial reporting standards for purpose of measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. The change resulted in a restatement in beginning net position of \$6,232,085 in the government-wide governmental activities.

On July 1, 2015, PFA issued a total of \$574,905,000 in bonds to pay the cost to acquire the Local Obligations issued by SA to IUDA to provide proceeds to the SA to IUDA to refund and defease its outstanding bonds as of June 30, 2015. Interest rates on the refunding bonds range from 1.764% to 5.750%.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

On December 3, 2015, the City issued a total of \$336,570,000 in Senior Sales Tax Revenue Refunding Bonds Series 2015A (Taxable) and \$51,460,000 of Subordinate Sales Tax Revenue Bonds Series 2015B (Taxable) to refund and defease its 2005 and 2008 sales tax revenue bonds outstanding at June 30, 2015 and to provide additional funds to fund future capital project expenditures. Interest rates on the refunding bonds range from 1.460% to 4.250%. See footnote 21 for further discussion.

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 including properties located in its redevelopment project areas amounted to approximately \$7.777 billion for the 2015-2016 fiscal year as compared to \$7.555 billion in the prior fiscal year which represents an increase of approximately 3.0% of assessed value.

The City has adopted a balanced budget of \$149 million in revenues with approximately \$37.6 million in capital project expenditures to be incurred for the 2015-2016 fiscal year. The following is a summary of major capital improvement projects for the City for the 2015-2016 year.

Table 10
Capital Projects For 2015-2016

<u>Project Description</u>	<u>Budget 2015-16</u>
Grade separation projects	\$ 8,460,000
Street widening, reconstruction, resurfacing and slurry seal	16,892,000
Bridge widening, seismic retrofit and mainteance improvements	1,339,000
Traffic signal improvements	2,999,000
Storm drain improvements	2,942,000
Reclaimed water system improvements	
IPUC potable water system and electrical distribution system	1,350,000
Metrolink/commuter/rail station	114,000
Expo Center sewer system improvement	1,560,000
Industry Hills	516,000
El Encanto healthcare facility	115,000
San Gabriel Canyon properties	441,000
Tonner Canyon	315,000
Industry Housing and Property management projects	515,000
Total	<u>\$ 37,558,000</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash	\$ 21,679,280	\$ 4,073,873	\$ 25,753,153
Cash and investments with fiscal agent	183,111,628		183,111,628
Deposit for refunding	31,088,840		31,088,840
Investments	131,892,303	8,399,684	140,291,987
Accounts receivable, less allowance for doubtful accounts of \$196,000 for governmental activities and \$33,000 for business type activities	530,297	1,084,595	1,614,892
Receivables - current	14,804,996	3,000	14,807,996
Due from Fiduciary funds	47,095,534		47,095,534
Internal balance	23,358		23,358
Inventories	38,481	56,550	95,031
Prepaid items	557,040	12,056	569,096
Investments with fiscal agent - restricted	41,142,206		41,142,206
Investment in IUDA bonds	350,137,924		350,137,924
Net OPEB asset	1,665,082		1,665,082
Capital assets not being depreciated:			
Land	51,335,846	6,764,880	58,100,726
Water rights		441,200	441,200
Source of supply-water		441,687	441,687
Construction in progress	8,538,798	270,468	8,809,266
Capital assets being depreciated net of accumulated depreciation:			
Buildings and improvements	118,220,676	53,785,327	172,006,003
Equipment, furniture and fixtures	6,378,133	1,288,657	7,666,790
Infrastructure	141,980,260	294,622	142,274,882
Source of supply-electric		4,053,806	4,053,806
Less: accumulated depreciation	<u>(119,713,012)</u>	<u>(33,678,329)</u>	<u>(153,391,341)</u>
Total capital assets, net of depreciation	<u>206,740,701</u>	<u>33,662,318</u>	<u>240,403,019</u>
Total assets	<u>1,030,507,670</u>	<u>47,292,076</u>	<u>1,077,799,746</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	1,259,986		1,259,986
Pension contribution subsequent to measurement date	255,850		255,850
Adjustment due to differences in proportions	114,072		114,072
Total deferred outflows of resources	<u>1,629,908</u>		<u>1,629,908</u>
Total assets and deferred outflows of resources	<u>1,032,137,578</u>	<u>47,292,076</u>	<u>1,079,429,654</u>
LIABILITIES			
Accounts payable	14,806,093	1,643,161	16,449,254
Other liabilities		183,850	183,850
Rental deposits and advances	572,548	176,520	749,068
Accrued expenses	7,774,110		7,774,110
Due to other governmental funds		23,360	23,360
Unearned revenue		7,809,254	7,809,254
Long-term liabilities:			
Portion due or payable within one year	35,367,694		35,367,694
Portion due or payable after one year	342,699,560		342,699,560
Total liabilities	<u>401,220,005</u>	<u>9,836,145</u>	<u>411,056,150</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	1,607,283		1,607,283
Difference between employer contribution and employer's proportionate share of contribution	242,910		242,910
Total deferred inflows of resources	<u>1,850,193</u>		<u>1,850,193</u>
Total liabilities and deferred inflows of resources	<u>403,070,198</u>	<u>9,836,145</u>	<u>412,906,343</u>
NET POSITION			
Net investment in capital assets	201,760,700	33,662,318	235,423,018
Restricted for:			
Debt service	103,864,252		103,864,252
Unrestricted	323,442,428	3,793,613	327,236,041
Total net position	<u>\$ 629,067,380</u>	<u>\$ 37,455,931</u>	<u>\$ 666,523,311</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	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
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	\$ 5,928,344			\$ (5,928,344)	\$ (5,928,344)
Support services	8,124,701			(8,124,701)	(8,124,701)
Community development	3,765,894	3,210,500	3,810,296	3,254,902	3,254,902
Community services	4,262,699			(4,262,699)	(4,262,699)
Public safety	10,336,819			(10,336,819)	(10,336,819)
Public works	13,118,584			(13,118,584)	(13,118,584)
Capital projects	4,302,933			(4,302,933)	(4,302,933)
Interest expense	17,865,315			(17,865,315)	(17,865,315)
Total governmental activities	<u>67,705,289</u>	<u>3,210,500</u>	<u>3,810,296</u>	<u>(60,684,493)</u>	<u>(60,684,493)</u>
BUSINESS-TYPE ACTIVITIES					
Electric utility	4,203,587	5,091,577		887,990	887,990
Water utility	2,816,765	3,108,974		292,209	292,209
Cost of expo operations	2,773,085	1,290,492		(1,482,593)	(1,482,593)
Cost of housing authority operations	389,405	219,700		(169,705)	(169,705)
Total business-type activities	<u>10,182,842</u>	<u>9,710,743</u>		<u>(472,099)</u>	<u>(472,099)</u>
Total City	<u>\$ 77,888,131</u>	<u>\$ 12,921,243</u>	<u>\$ 3,810,296</u>	<u>(60,684,493)</u>	<u>(61,156,592)</u>
General revenues and other items:					
Taxes					
Property taxes			59,048,301		59,048,301
Sales tax			33,620,881		33,620,881
Tax increment pass through payments			445,054		445,054
Franchise			1,828,446		1,828,446
Documentary transfer tax			174,754		174,754
Transient occupancy tax			1,000,052		1,000,052
PSAF/COPS			113,899		113,899
Total taxes			<u>96,231,387</u>		<u>96,231,387</u>
Revenues from use of money and property			74,018,477	33,443	74,051,920
Grant income			5,000		5,000
Write off escheated liabilities			1,114,712		1,114,712
Other revenue				178,878	178,878
Gain from property sale			20,580,856		20,580,856
Litigation settlement			(1,002,412)		(1,002,412)
Other uses-debt service payments from property tax override fund on behalf of fiduciary fund			(81,885,018)		(81,885,018)
Transfers - internal activities			(985,580)	985,580	
Total general revenues and other items			<u>108,077,422</u>	<u>1,197,901</u>	<u>109,275,323</u>
Changes in net position			<u>47,392,929</u>	<u>725,802</u>	<u>48,118,731</u>
Net position, beginning of year			587,906,536	36,459,617	624,366,153
Prior period adjustment-see note 1			(6,232,085)	270,512	(5,961,573)
Net position, beginning of year as restated			<u>581,674,451</u>	<u>36,730,129</u>	<u>618,404,580</u>
Net position, end of year			<u>\$ 629,067,380</u>	<u>\$ 37,455,931</u>	<u>\$ 666,523,311</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS					
Cash	\$ 18,734,279	\$ 5,843	\$ 201,878	\$ 2,737,280	\$ 21,679,280
Cash and investments with fiscal agent	183,111,628				183,111,628
Deposit for refunding			31,088,840		31,088,840
Investments	96,522,067	826,140	30,780,326	3,763,770	131,892,303
Investments with fiscal agent - restricted			41,142,206		41,142,206
Investments in IUDA bonds			350,137,924		350,137,924
Accounts receivable, net of allowance for doubtful accounts of \$196,000	530,297				530,297
Receivables - current	6,339,514	1,234	8,445,985	18,263	14,804,996
Inventory	38,481				38,481
Site lease prepayment			5,597,156		5,597,156
Prepaid items	557,040				557,040
Due from other funds	107,251	694,358	31,133,177	19,277	31,954,063
Due from Fiduciary funds	47,095,534				47,095,534
Total assets	<u>\$ 353,036,091</u>	<u>\$ 1,527,575</u>	<u>\$ 498,527,492</u>	<u>\$ 6,538,590</u>	<u>\$ 859,629,748</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	13,848,461	914,848	2,361	40,424	14,806,094
Rental deposits and advances	572,548				572,548
Accrued expenses	190,604				190,604
Site lease deferred revenues	5,597,156				5,597,156
Due to enterprise and fiduciary funds					
Due to other funds	760,135		31,086,677	83,891	31,930,703
Total liabilities	<u>20,968,904</u>	<u>914,848</u>	<u>31,089,038</u>	<u>124,315</u>	<u>53,097,105</u>
FUND BALANCES					
Nonspendable:					
Inventory	38,481				38,481
Prepayment of site lease			5,597,156		5,597,156
Prepaid items	557,040				557,040
Restricted:					
Public transportation and road improvement				6,274,065	6,274,065
Capital projects				140,210	140,210
Debt service			72,231,046		72,231,046
Committed:					
Debt service			351,223,056		351,223,056
Assigned:					
Debt service			38,387,196		38,387,196
Unassigned:	331,471,666	612,727			332,084,393
Total fund balances	<u>332,067,187</u>	<u>612,727</u>	<u>467,438,454</u>	<u>6,414,275</u>	<u>806,532,643</u>
Total liabilities and fund balances	<u>\$ 353,036,091</u>	<u>\$ 1,527,575</u>	<u>\$ 498,527,492</u>	<u>\$ 6,538,590</u>	<u>\$ 859,629,748</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Total fund balance of governmental funds \$ 806,532,643

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	326,453,713
Accumulated depreciation	<u>(119,713,012)</u>
Total capital assets	<u>206,740,701</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	(7,583,506)
Net OPEB assets	1,665,081
Deferred loss on refunding	1,259,986
Deferred outflows - Employer contribution after measurement date	255,850
Deferred outflows - Adjustment due to differences in proportions	114,072
Deferred inflows - net difference between projected and actual earnings on pension plan investments	(1,607,283)
Deferred inflows - Difference between employer contribution and employer's proportionate share of contribution	<u>(242,910)</u>
	<u>(6,138,710)</u>

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 liabilities included in the Statement of Net Position as below:

City of Industry:	
General obligation bonds and other - Current portion	(21,405,000)
General obligation bonds and other - Long term	(261,020,000)
Issuance premium - Current portion	(654,369)
Issuance premium - Long term	(2,342,032)
Compensated absences	(142,842)
Net pension liability	(4,782,916)
Public Facilities Authority:	
Tax allocation revenue bonds - Current portion	(12,590,000)
Tax allocation revenue bonds - Long term	(70,265,000)
Refunding lease revenue bonds - Current portion	(750,000)
Refunding lease revenue bonds - Long term	(4,230,000)
Issuance discount - Current portion	31,675
Issuance discount - Long term	83,230
Total liabilities	<u>(378,067,254)</u>

Net position of governmental activities \$ 629,067,380

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES					
Taxes	\$ 39,470,470	\$	\$ 56,760,917	\$ 3,810,296	\$ 100,041,683
Licenses and permits	2,646,610				2,646,610
Fines, forfeitures and penalties	563,890				563,890
Grant income				5,000	5,000
Revenues from use of money and property	5,761,481	2,611	69,558,523	12,544	75,335,159
Total revenues	<u>48,442,451</u>	<u>2,611</u>	<u>126,319,440</u>	<u>3,827,840</u>	<u>178,592,342</u>
EXPENDITURES					
Current:					
Legislative	431,807				431,807
General administration	3,903,997		406,866	484,504	4,795,367
Support services	17,747,767				17,747,767
Community development	731,013			89,625	820,638
Community services	3,725,258				3,725,258
Public safety	8,311,886			534,862	8,846,748
Public works	10,881,576			57,663	10,939,239
Debt service:					
Principal retirement - long term debt			33,500,000		33,500,000
Interest			18,296,273		18,296,273
Capital outlay:					
Capital projects	2,385,000	6,769,752			9,154,752
Total expenditures	<u>48,118,304</u>	<u>6,769,752</u>	<u>52,203,139</u>	<u>1,166,654</u>	<u>108,257,849</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>324,147</u>	<u>(6,767,141)</u>	<u>74,116,301</u>	<u>2,661,186</u>	<u>70,334,493</u>
OTHER FINANCING SOURCES (USES)					
Other uses-fiduciary fund debt service			(81,885,018)		(81,885,018)
Proceeds from sale of property		4,644,146			4,644,146
Write off of escheated liabilities	1,069,615			45,097	1,114,712
Prop A Exchange	(2,827,500)				(2,827,500)
Settlement claims	(1,002,412)				(1,002,412)
Transfers in (out) to enterprise funds	(136,330)			(849,250)	(985,580)
Net transfers from/ (to) other governmental funds	97,082,200	(18,256,575)	(80,175,098)	1,349,473	-
Total other financing sources (uses)	<u>94,185,573</u>	<u>(13,612,429)</u>	<u>(162,060,116)</u>	<u>545,320</u>	<u>(80,941,652)</u>
Change in fund balances	94,509,720	(20,379,570)	(87,943,815)	3,206,506	(10,607,159)
FUND BALANCES, beginning 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>
FUND BALANCES, end of year	<u>\$ 332,067,187</u>	<u>\$ 612,727</u>	<u>\$ 467,438,454</u>	<u>\$ 6,414,275</u>	<u>\$ 806,532,643</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, 2015

Net change in fund balances of total governmental funds \$ (10,607,159)

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 net of \$4,302,933 non capitalized expenditures	4,851,819
Depreciation expense	(6,518,330)

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.

Net effect on disposal of land held for resale	15,936,710
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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:

Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net position	33,500,000
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Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in the governmental funds. These items consist of:

Change in accrued interest payable	171,572
Net change of bond premium/discount and deferred amount on refunding	259,386
Change in compensated absences	(20,891)
Change in OPEB obligation	9,850,924
Net pension expense	(31,102)

Lease income from PFA site lease	(1,316,682)
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Lease expense for PFA site lease	<u>1,316,682</u>
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Total changes in net position of governmental activities	\$ <u><u>47,392,929</u></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, 2015

	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, 2015
ASSETS				
Current assets:				
Cash and deposits	\$ 3,627,116	\$ 410,411	\$ 36,346	\$ 4,073,873
Investments	7,002,396		1,397,288	8,399,684
Accounts receivable, net of allowance of \$33,000	974,652	104,002	5,941	1,084,595
Inventory of materials and supplies, at cost	10,000	46,550		56,550
Prepaid items	12,056			12,056
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
Infrastructure	294,622			294,622
Buildings and improvements	25,625,873	23,454,416	4,705,038	53,785,327
Equipment, furniture and fixtures	229,332	958,866		1,188,198
Vehicles		100,459		100,459
Construction in progress	4,549		265,919	270,468
Less: accumulated depreciation	<u>(16,409,023)</u>	<u>(15,744,032)</u>	<u>(1,525,274)</u>	<u>(33,678,329)</u>
Total capital assets, net	<u>14,717,546</u>	<u>8,769,709</u>	<u>10,175,063</u>	<u>33,662,318</u>
Total assets	<u>26,343,766</u>	<u>9,333,672</u>	<u>11,614,638</u>	<u>47,292,076</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,434,274	104,439	104,448	1,643,161
Other liabilities	183,850			183,850
Rental deposits and advances		162,977	13,543	176,520
Due to other funds	17,329		6,031	23,360
Unearned revenue from reclaimed water sales	<u>7,809,254</u>			<u>7,809,254</u>
Total liabilities	<u>9,444,707</u>	<u>267,416</u>	<u>124,022</u>	<u>9,836,145</u>
NET POSITION				
Investment in capital assets	14,717,546	8,769,709	10,175,063	33,662,318
Unrestricted	<u>2,181,513</u>	<u>296,547</u>	<u>1,315,553</u>	<u>3,793,613</u>
Total net position	<u>\$ 16,899,059</u>	<u>\$ 9,066,256</u>	<u>\$ 11,490,616</u>	<u>\$ 37,455,931</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, 2015

	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, 2015
OPERATING REVENUES				
Charges for sales and services				
Water sales and service	\$ 3,108,974	\$	\$	\$ 3,108,974
Electric and solar energy sales	5,091,577			5,091,577
Event and rental revenues		1,290,492	219,700	1,510,192
Total operating revenues	<u>8,200,551</u>	<u>1,290,492</u>	<u>219,700</u>	<u>9,710,743</u>
OPERATING EXPENSES				
General administration	3,357,119	1,124,188		4,481,307
Purchased electricity	2,631,985			2,631,985
Purchased water	323,163			323,163
Cost of expo center operations		901,744		901,744
Cost of housing authority operations			291,866	291,866
Depreciation	708,085	747,153	97,539	1,552,777
Total operating expenses	<u>7,020,352</u>	<u>2,773,085</u>	<u>389,405</u>	<u>10,182,842</u>
OPERATING INCOME (LOSS)	<u>1,180,199</u>	<u>(1,482,593)</u>	<u>(169,705)</u>	<u>(472,099)</u>
NON-OPERATING REVENUES				
Interest income	21,977	6,532	4,934	33,443
Other income	178,558		320	178,878
Total non-operating revenues	<u>200,535</u>	<u>6,532</u>	<u>5,254</u>	<u>212,321</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,380,734</u>	<u>(1,476,061)</u>	<u>(164,451)</u>	<u>(259,778)</u>
TRANSFERS				
Transfers in from other government funds	136,330	849,250		985,580
Total transfers	<u>136,330</u>	<u>849,250</u>		<u>985,580</u>
Changes in net position	1,517,064	(626,811)	(164,451)	725,802
Net position, beginning of year	15,111,483	9,693,067	11,655,067	36,459,617
Prior period adjustment-see note 1	270,512			270,512
Net position, end of year	<u>\$ 16,899,059</u>	<u>\$ 9,066,256</u>	<u>\$ 11,490,616</u>	<u>\$ 37,455,931</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, 2015

	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, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 8,240,682	\$ 1,255,610	\$ 222,332	\$ 9,718,624
Payments to suppliers and employees	(5,667,124)	(2,073,913)		(7,741,037)
Payments for general and administrative expenses			(215,017)	(215,017)
Net cash provided by (used in) operating activities	<u>2,573,558</u>	<u>(818,303)</u>	<u>7,315</u>	<u>1,762,570</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	136,330	849,250		985,580
Other income received	178,558		320	178,878
Net cash provided by non-capital financing activities	<u>314,888</u>	<u>849,250</u>	<u>320</u>	<u>1,164,458</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(299,171)	(45,250)	(292,078)	(636,499)
Contributed capital from contracted water operations	384,335			384,335
Net cash provided by (used in) capital and related financing activities	<u>85,164</u>	<u>(45,250)</u>	<u>(292,078)</u>	<u>(252,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(12,589)			(12,589)
Proceeds from investment maturities			281,076	281,076
Interest income received	21,977	6,532	4,934	33,443
Net cash provided by investing activities	<u>9,388</u>	<u>6,532</u>	<u>286,010</u>	<u>301,930</u>
Net increase in cash	2,982,998	(7,771)	1,567	2,976,794
Cash, July 1, 2014	644,118	418,182	34,779	1,097,079
Cash, June 30, 2015	<u>\$ 3,627,116</u>	<u>\$ 410,411</u>	<u>\$ 36,346</u>	<u>\$ 4,073,873</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,180,199	\$ (1,482,593)	\$ (169,705)	\$ (472,099)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	708,085	747,153	97,539	1,552,777
(Increase) decrease in assets				
Accounts receivable	551,420	(44,534)	(1,011)	505,875
Prepays	655			655
Inventory		(17,093)		(17,093)
Due to other governmental funds	17,329		6,031	23,360
Increase (decrease) in liabilities				
Accounts payable	627,814	(16,788)	70,818	681,844
Accrued expenses		(14,100)		(14,100)
Rental deposits and advances		9,652	3,643	13,295
Deferred revenue	(511,944)			(511,944)
Net cash provided by (used in) operating activities	<u>\$ 2,573,558</u>	<u>\$ (818,303)</u>	<u>\$ 7,315</u>	<u>\$ 1,762,570</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>PRIVATE - PURPOSE TRUST FUND</u>	<u>ASSESSMENT DISTRICTS</u>	<u>TOTALS JUNE 30, 2015</u>
ASSETS			
Cash	\$ 3,607,619	\$ 329,434	\$ 3,937,053
Cash - Restricted	10,767,465		10,767,465
Investments	31,247,881	1,499,445	32,747,326
Investments - restricted	16,332,486		16,332,486
Investments with fiscal agent - restricted	83,743,904	518,719	84,262,623
Notes receivable	16,623,701		16,623,701
Other receivables	811,172		811,172
Property held for sale or disposition	452,317,125		452,317,125
Total assets	<u>615,451,353</u>	<u>2,347,598</u>	<u>617,798,951</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>836,228</u>		<u>836,228</u>
Total deferred outflows of resources	<u>836,228</u>		<u>836,228</u>
Total assets and deferred outflows of resources	<u>616,287,581</u>	<u>2,347,598</u>	<u>618,635,179</u>
LIABILITIES			
Accounts payable	6,441,009		6,441,009
Interest payable	9,097,002		9,097,002
Other liabilities		2,347,454	2,347,454
Due to City of Industry	47,095,390	144	47,095,534
Bonds payable, net	<u>467,315,608</u>		<u>467,315,608</u>
Total liabilities	<u>529,949,009</u>	<u>\$ 2,347,598</u>	<u>532,296,607</u>
 FIDUCIARY NET POSITION	 <u>\$ 86,338,572</u>		 <u>\$ 86,338,572</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, 2015

		<u>PRIVATE - PURPOSE TRUST FUND</u>
ADDITIONS		
Taxes, net	\$	54,418,923
Revenues from use of money and property		14,834,673
Gain on sale of property		3,475,488
Participants contributions		
Net increase in fair value		
Other sources-write off of escheated liabilities		733,489
Other sources-debt service paid by tax override		81,885,018
Total additions		<u>155,347,591</u>
DEDUCTIONS		
Bond interest expense		75,580,926
General administration		3,581,430
Participant distributions		
Bond principal payments		
Write down of property		960,000
Total deductions		<u>80,122,356</u>
Changes in net assets		75,225,235
FIDUCIARY NET POSITION, beginning of year		<u>11,113,337</u>
FIDUCIARY NET POSITION, end of year	\$	<u><u>86,338,572</u></u>

The accompanying notes are an integral part of this statement.

Notes to Basic Financial Statements

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 of the City. The board consists of three members where two members are appointed by the City Council and one member is appointed by CRIA. Currently there is one vacancy on the board. 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's 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Fiduciary Component Unit (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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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.

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).

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 9 for further discussion.

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Governmental funds (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. 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.

During the year ended June 30, 2015, the City implemented a change in accounting policy to include the net position and results of operation of the Industry Public Utilities Water System where in prior years only the net profit was included. The effect of this change 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 \$270,512 in the government-wide proprietary net position, respectively. The adoption had no effect on the governmental fund financial statements.

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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Governmental funds (continued)

Industry Property and Housing Authority

This fund accounts for property and housing rental activity.

Fiduciary fund types

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

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.

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 are reported in Agency Funds.

Cash and investments

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.

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.

Accounts receivable

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

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Inventories

Inventories of the General Fund consist of fuel. 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.

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

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 \$5,346,774 and no gain or loss was recognized on this transaction. The land previously was 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 previously had been recorded at its original cost basis of \$5,346,774.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Property held for sale or disposition (continued)

The land was sold for \$25,927,630 during the year ended June 30, 2015 and a net gain of \$20,580,856 is reported in the statement of net position.

New Accounting Standard

During the year ended June 30, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pension—an amendment of GASB Statement No. 27 and No. 71," Pension Transition for Contribution Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68". These statements establish accounting and financial reporting standards for purpose of measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014.

The effect of these statements has been retroactively applied by reporting the cumulative effect of the application as a restatement of beginning net position. The changes for Statement 68 and 71 resulted in a restatement in beginning net position of \$5,902,422 and \$329,663, respectively in the government-wide governmental activities and fiduciary net position. The adoption had no effect on the governmental fund financial statements.

GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes account and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for the periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for the year ended June 30, 2015.

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. Net Investment in Capital Assets, 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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Net position (continued)

Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets 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 \$31,478,035 of committed fund balances at June 30, 2015

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.

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

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Defined benefit pension 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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for the City's pension reporting for the year ended June 30, 2015:

- Valuation Date (VD) June 30, 2013
- Measurement Date (MD) June 30, 2014
- Measurement Period (MP) July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Property taxes (continued)

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

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 expenses 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.

Unavailable revenue

Unavailable 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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

2. Cash and investments

Cash and investments for governmental and business-type activities at June 30, 2015 consisted of the following:

Statement of net position:

	Amount
Cash	\$ 25,753,153
Cash and investments with fiscal agent	183,111,628
Investments	140,291,987
Deposit for refunding	31,088,840
Investments with fiscal agent - restricted	41,142,206
Investments in IUDA bonds	350,137,924
Fiduciary funds:	
Cash	3,937,053
Cash Restricted	10,767,465
Investments Restricted	16,332,486
Investments	32,747,326
Investments with fiscal agent - restricted	84,262,623
Total cash and investments	\$ 919,572,691
Cash	40,457,671
Investments	879,115,020
Total cash and investments	\$ 919,572,691

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The City, however, has not waived the collateralization requirements.

At June 30, 2015, the City's deposits exceeded federally insured limits by \$26,156,151; however, such amounts are secured by the financial institutions that hold such deposits for the City.

As of June 30, 2015, SA to IUDA's deposits exceeded federally insured limits by \$13,773,810.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued)

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.

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

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued)

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, 2015, the financial institutions that hold collateral for the City of Industry had satisfied this requirement. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian.

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in months)</u>
Commercial paper	\$ 30,530,256	2.60
Federal home loan notes	24,575,589	1.26
Treasury obligations	32,181,298	5.62
Mortgage backed securities	12,148,497	5.43
LAIF	73,603,675	9.69
Investment -restricted	16,332,486	N/A
Held by bond trustee:		
Treasury obligations	87,722,616	N/A
Treasury notes	17,153,610	40.64
Government obligations	55,093,349	N/A
Money market funds	17,245,347	N/A
Mortgage backed securities	17,304,667	82.76
Asset backed securities	9,022,437	41.66
Foreign issued securities	1,886,308	15.57
Municipal securities	5,360,587	42.77
Corporate Bonds	126,341,062	94.80
Corporate securities	2,475,312	N/A
Investment in IUDA bonds	350,137,924	163.13
	<u>\$ 879,115,020</u>	

**CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

2. Cash and investments (continued)

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.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End				Not Rated
			Aaa/P-1	AA/Aa - A/A	BBB/Baa - B/B	CCC/Caa - C/C	
Commercial paper	\$ 30,530,256	Aaa/P-1	30,530,256			\$	
Federal home loan notes	24,575,589	Aaa/P-1	23,076,142				1,499,447
Treasury notes	32,181,298	Aaa/P-1	32,181,298				
Mortgage backed securities	12,148,497	AA/Aa-A/A	12,148,497				
LAIF	73,603,675	N/A					73,603,675
Investment Restricted-Treasury Obligation	16,332,486	Aaa/P-1	16,332,486				
Held by bond trustee:							
Treasury obligations: Bond trustee	87,722,616	Aaa/P-1	87,722,616				
Treasury notes	17,153,610	Aaa/P-1	17,153,610				
Government obligations	55,093,349	Aaa/P-1	55,093,349				
Money market funds	17,245,347	Aaa/P-1	13,677,702				3,567,645
Mortgage backed securities	17,304,667	AA/Aa-A/A	10,212,445	6,816,528	62,107	213,587	
Asset backed securities	9,022,437	Aaa/P-1		900,684	8,121,753		
Foreign issued securities	1,886,308	AA/Aa-A/A		1,886,308			
Municipal securities	5,360,587	AA/Aa-A/A		5,360,587			
Corporate Bond	126,341,062	AA/Aa-A/A		54,787,190	70,603,704	950,168	
Corporate Securities	2,475,312	N/A			2,475,312		
Investment in IUDA bonds	350,137,924	N/A					350,137,924
Total investments	\$ 879,115,020		\$ 298,128,401	\$ 69,751,297	\$ 81,262,876	\$ 1,163,755	\$ 428,808,691

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. The investments that represent 5% or more of the total investments of the City consist of LAIF, Treasury Obligations-Bond Trustee, Government Obligations-Bond Trustee, Corporate Bonds and IUDA Bonds.

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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued)

State of California Local Agency Investment Fund (continued)

At June 30, 2015, the carrying amount of the investments in LAIF amounted to \$73,603,675 which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

Investment in IUDA Bonds

The City and the Public Facilities Authority have investments in IUDA bonds. As of June 30, 2015, the City has an investment balance of \$270,477,924 and the Public Facilities Authority has an investment balance of \$79,660,000.

3. Receivables - current

As of June 30, 2015, 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	\$ 1,386,801	1,234	\$ 15,254		\$ 1,403,289
Accrued interest receivable					
Successor Agency bonds			7,336,224		7,336,224
Sales tax receivable	3,979,814				3,979,814
Property tax receivable	129,353		400,733		530,086
Other	843,546			18,263	861,809
<u>Industry Public Facilities Authority</u>					
Accrued interest receivable					
Successor Agency bonds			693,774		693,774
Totals	<u>\$ 6,339,514</u>	<u>\$ 1,234</u>	<u>\$ 8,445,985</u>	<u>\$ 18,263</u>	<u>\$ 14,804,996</u>

4. 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:

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

4. Notes receivable – fiduciary fund (continued)

Developer notes receivable - construction loan (continued)

	Amount June 30, 2015	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	\$ 5,718,968	\$ 722,448	\$ 4,996,520
Due June, 2022, payable in monthly payments of \$66,658 including interest at 4.00% per annum beginning July 2002	4,876,639	616,041	4,260,598
Due June, 2022, payable in monthly payments of \$22,441 including interest at 4.00% per annum beginning July 2002	1,641,778	207,398	1,434,380
Totals	\$ 12,237,385	\$ 1,545,887	\$ 10,691,498

Total interest received on these loans during the year ended June 30, 2015, amounted to \$521,875.

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, 2015.

	Amount June 30, 2015	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	\$ 4,386,316	\$ 127,703	\$ 4,258,613

Total interest received on this loan during the year ended June 30, 2015, amounted to \$178,127.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

5. 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, 2015 the unpaid note balance amounted to \$20,060,000 and accrued interest amounted to \$22,157,440. 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 2015, the City incurred expenses on behalf of the Hospital totaling \$337,264 relating to contract labor, security and repairs and maintenance and capital asset additions.

6. Interfund receivables/payables and transfers in/out

Interfund transactions

Interfund receivables and (payables) consisted of the following at June 30, 2015:

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>				Total
	General Fund	Capital Projects Fund	Debt Service Funds	Other Governmental Funds	
Governmental Funds:					
General Fund	\$	\$ 694,358	\$ 46,500	\$ 19,277	\$ 760,135
Enterprise funds		23,362			23,362
Other Governmental Funds		83,891			83,891
Fiduciary Funds		47,095,534			47,095,534
Totals	\$	\$ 47,202,787	\$ 46,500	\$ 19,277	\$ 47,962,922

The majority of the interfund balances were a result of routine interfund transactions due for reimbursement of expenditures. The \$47,095,534, net of payables due from the Successor Agency contains \$14,421,307 relating to the loan fund as described in note 9 and \$34,139,469 as described below.

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. The City advanced \$34,139,469 to the SA which these advances will constitute the Loan under the Agreement and the advances shall bear no interest. The loan is to be repaid from proceeds of property sales of the SA to the IUDA. As of June 30, 2015 there was \$13,317,443 held in a trust account from property sales which be used to repay the loan in the ROPS 15-16B period of January 1, 2016 to June 30, 2016. No interest has been imputed on this loan in accordance with GASB no. 62.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Interfund transactions (continued)

In June 2015, the City of Industry Tax Override Fund advanced \$31,086,677 to the Industry Public Facilities Authority to be used by PFA to pay the costs to acquire the Local Obligations issued by SA to IUDA to provide proceeds to the SA to IUDA to refund and decrease its outstanding bonds as of June 30, 2015, see note 20. The amount was used in the 2015 PFA bond refunding and PFA recorded a transfer-in to offset the due-to. This amount is recorded as a due from (to) within the Debt Service Funds and is eliminated on the balance sheet of the fund statement. The cash deposited with the bond trustee is presented as a deposit for refunding on the balance sheet.

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.

Site lease prepayment between PFA and City	\$	5,597,156
Lease income/expense paid from PFA to City on site lease prepayment between PFA and City	\$	373,144
Lease income/expense paid from City to PFA on lease-back between PFA and City	\$	943,538

Interfund transfers

The City of Industry reports interfund transfers between many of its funds. For the year ended June 30, 2015, the sum of all the transfers are presented in the table is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	
General Fund	\$	\$ 7,701,564	\$ 17,868	\$ 1,349,473	\$ 136,330	\$ 9,205,235
Capital Projects Fund	25,958,139					25,958,139
Debt Service Funds	80,192,966					80,192,966
Other Governmental Funds					849,250	849,250
Total transfers	\$ 106,151,105	\$ 7,701,564	\$ 17,868	\$ 1,349,473	\$ 985,580	\$ 116,205,590

**CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Capital assets

Governmental activities

Capital asset activity for the year ending June 30, 2015 is as follows:

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> July 1, 2014	<u>ADDITIONS</u>	<u>RECLASSES</u>	<u>BALANCE</u> June 30, 2015
PRIMARY GOVERNMENT				
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 51,335,846			\$ 51,335,846
Construction in progress	12,994,210	4,851,819	(9,307,231)	8,538,798
Totals	<u>64,330,056</u>	<u>4,851,819</u>	<u>(9,307,231)</u>	<u>59,874,644</u>
Capital assets being depreciated				
Buildings and improvements	118,220,676			118,220,676
Machinery and equipment	1,916,190			1,916,190
Furniture and fixture	4,461,943			4,461,943
Infrastructure	132,673,029		9,307,231	141,980,260
Totals	<u>257,271,838</u>	<u></u>	<u>9,307,231</u>	<u>266,579,069</u>
Less accumulated depreciation				
Buildings and improvements	53,588,449	2,558,439		56,146,888
Machinery and equipment	1,252,164	212,031		1,464,195
Furniture and fixture	3,097,148	348,169		3,445,317
Infrastructure	55,256,920	3,399,692		58,656,612
Totals	<u>113,194,681</u>	<u>6,518,331</u>	<u></u>	<u>119,713,012</u>
Net capital assets being depreciated	144,077,157	(6,518,331)	9,307,231	146,866,057
Governmental activities capital assets, net	<u>\$ 208,407,213</u>	<u>\$ (1,666,512)</u>	<u>\$ -</u>	<u>\$ 206,740,701</u>

Business-type activities

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> July 1, 2014	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2015
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
Construction in progress		270,468		270,468
Totals	<u>7,647,767</u>	<u>270,468</u>	<u></u>	<u>7,918,235</u>
Capital assets being depreciated				
Buildings and improvements	53,726,324	59,003		53,785,327
Equipment, furniture and fixtures	1,276,251	12,406		1,288,657
Infrastructure		294,622		294,622
Source of Supply-Electric	4,053,806			4,053,806
Totals	<u>59,056,381</u>	<u>366,031</u>	<u></u>	<u>59,422,412</u>
Less: accumulated depreciation				
Buildings and improvements	15,609,152	794,825		16,403,977
Equipment, furniture and fixtures	15,506,890	674,705		16,181,595
Source of Supply-Electric	1,009,510	83,247		1,092,757
Totals	<u>32,125,552</u>	<u>1,552,777</u>	<u></u>	<u>33,678,329</u>
Capital assets being depreciated, net	26,930,829	(1,186,746)		25,744,083
Business-type activities capital assets, net	<u>\$ 34,578,596</u>	<u>\$ (916,278)</u>	<u>\$</u>	<u>\$ 33,662,318</u>

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

7. Capital assets (continued)

Depreciation expense was charged to the primary government in the governmental activities-general government expenses in the amount of \$6,518,330 and to the business activities in the amount of \$1,552,777. Depreciation expense was charged to governmental functions as follows:

General government	\$	1,074,314
Support services		1,119,403
Community development		117,756
Community services		537,441
Public safety		1,490,071
Public works		2,179,345
Total depreciation expense	\$	<u>6,518,330</u>

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

PROPERTY HELD FOR SALE OR DISPOSITION	BALANCE July 1, 2014	ADDITIONS	RETIREMENTS	BALANCE June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 184,366,620	\$	\$ (10,222,819)	\$ 174,143,801
Construction in progress	55,780,500	44,639,200		100,419,700
Infrastructure	187,616,550			187,616,550
Buildings and improvements	16,149,551		(927,605)	15,221,946
Furniture and fixtures	676,222			676,222
Vehicles	33,312			33,312
Totals	<u>444,622,755</u>	<u>44,639,200</u>	<u>(11,150,424)</u>	<u>478,111,531</u>
Less: Accumulated depreciation	<u>26,106,673</u>		<u>(312,267)</u>	<u>25,794,406</u>
Capital assets, net	<u>\$ 418,516,082</u>	<u>\$ 44,639,200</u>	<u>\$ (10,838,157)</u>	<u>\$ 452,317,125</u>

The SA to IUDA sold five parcels of land for \$12,061,646 and recognized a gain of \$3,475,488. 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 \$960,000. On August 27, 2014, pursuant to resolution no. OB 2014-21, certain parcels of property listed on the Long-Range Property Management Plan were transferred to the Caltrans at no cost.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. 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.

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, 2015 on the bonds amounted to \$140,350,332. Annual principal and interest payments on the general obligation bonds are expected to require 13% of the property taxes and subordinate bond payments received from the SA to IUDA. For the year ended June 30, 2015, total monies received to pay for these bonds amounted to \$112,648,091. Principal and interest paid on the bonds during the year ended June 30, 2015 amounted to \$14,634,238.

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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

Sales tax revenue bonds (continued)

During April 2008, the City issued \$77,540,000 of 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, 2015 on the bonds amounted to \$232,095,334. Annual principal and interest payments on the sales tax revenue bonds are expected to require 45% of the sales tax revenues. For the year ended June 30, 2015, total sales tax revenues received to pay for these bonds amounted to \$33,620,881. Principal and interest paid on the bonds during the year ended June 30, 2015 amounted to \$20,086,210.

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.

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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

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
2016	\$ 13,666,810	21,405,000	35,071,810
2017	12,693,884	22,320,000	35,013,884
2018	11,649,340	23,350,000	34,999,340
2019	10,535,102	24,455,000	34,990,102
2020	9,326,569	25,630,000	34,956,569
2021-2025	28,844,932	126,595,000	155,439,932
2026-2030	3,304,029	38,670,000	41,974,029
Totals	\$ <u>90,020,666</u>	\$ <u>282,425,000</u>	\$ <u>372,445,666</u>

Public Facilities Authority

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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

Public Facilities Authority (continued)

Lease refunding/City Certificates of Participation (continued)

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

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

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

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

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

Fiscal Year Ended June 30	<u>Lease Expense</u>
2016	\$ 373,144
2017	373,144
2018	373,144
2019	373,144
2020	373,144
Thereafter	3,731,436

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

Fiscal Year Ended June 30	<u>Amount</u>
2016	\$ 937,658
2017	937,658
2018	937,658
2019	937,658
2020	937,658
Thereafter	937,658

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

Public Facilities Authority (continued)

Lease refunding/City Certificates of Participation (continued)

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
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	1,288,494	15,450,000	16,738,494
2021-2025	668,100	16,000,000	16,668,100
Totals	\$ 13,050,446	\$ 87,835,000	\$ 100,885,446

Summary of bond transactions – City of Industry

The following is a summary of bond transactions for the year ended June 30, 2015:

DESCRIPTION / TERMS	INTEREST RATE	BALANCE JULY 1, 2014	ADDITIONS (RETIRED)	BALANCE JUNE 30, 2015	AMOUNTS DUE WITHIN ONE YEAR
CITY OF INDUSTRY:					
GENERAL OBLIGATION BONDS:					
\$37,860,000 General Obligation Refunding Bonds Issue of 2009					
\$3,805,000 to \$4,545,000 principal payment due annually through July 1, 2019					
	2.93% to 3.80%	24,440,000	(3,675,000)	20,765,000	3,805,000
\$50,975,000 2009 General Obligation Refunding Bonds, Series B					
\$4,580,000 to \$5,640,000 principal payment due annually through July 1, 2020					
	4.00% to 5.00%	34,915,000	(4,390,000)	30,525,000	4,580,000
\$43,340,000 2010 General Obligation Refunding Bonds					
\$1,550,000 to \$3,240,000 principal payment due annually through July 1, 2029					
	3.00% to 5.00%	37,175,000	(2,025,000)	35,150,000	2,100,000
\$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 3.125%	28,985,000	-	28,985,000	-
Total general obligation bonds		\$ 125,515,000	\$ (10,090,000)	\$ 115,425,000	\$ 10,485,000

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

Summary of bond transactions – City of Industry (continued)

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2014</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2015</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) \$5,055,000 to \$8,485,000 principal payments due annually through January 1, 2026	5.00% to 5.50%	\$ 77,540,000	\$ (4,805,000)	\$ 72,735,000	\$ 5,055,000
\$77,540,000 Sales Tax Revenue Bonds Issue of 2008 (taxable) \$3,770,000 to \$6,095,000 principal payments due annually through January 1, 2027	4.00% to 5.00%	61,245,000	(3,645,000)	57,600,000	3,770,000
\$45,380,000 Sales Tax Revenue Bonds Issue of 2010 (taxable) \$2,095,000 to \$4,385,000 principal payments due annually through January 1, 2027	5.75% to 8.00%	38,660,000	(1,995,000)	36,665,000	2,095,000
Total sales tax revenue bonds		<u>177,445,000</u>	<u>(10,445,000)</u>	<u>167,000,000</u>	<u>10,920,000</u>
Grand Total City bonds		\$ <u>302,960,000</u>	\$ <u>(20,535,000)</u>	\$ <u>282,425,000</u>	\$ <u>21,405,000</u>

Summary of bond transactions – Public Facilities Authority

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2014</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2015</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
PUBLIC FACILITIES AUTHORITY					
\$169,695,000 2007 Tax Allocation Revenue Bonds, tax exempt due in annual principal installments of \$12,590,000 to \$15,085,000 through May 1, 2021	4.00% to 4.50%	95,090,000	(12,235,000)	82,855,000	12,590,000
\$8,460,000 2010 Refunding Lease Revenue Bonds, tax exempt due in annual principal installments of \$750,000 to \$915,000 through August 1, 2020	4.00% to 4.25%	5,710,000	(730,000)	4,980,000	750,000
Total		\$ <u>100,800,000</u>	\$ <u>(12,965,000)</u>	\$ <u>87,835,000</u>	\$ <u>13,340,000</u>

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. Long-term debt (continued)

Summary of bond transactions – Public Facilities Authority (continued)

The annual debt service requirements for all bonded long-term debt as of June 30, 2015 for City and PFA are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2016	\$ 17,292,872	\$ 34,745,000	\$ 52,037,872
2017	15,785,747	36,090,000	51,875,747
2018	14,124,853	37,710,000	51,834,853
2019	12,435,516	39,370,000	51,805,516
2020	10,615,063	41,080,000	51,695,063
2021-2025	29,513,032	142,595,000	172,108,032
2026-2030	3,304,029	38,670,000	41,974,029
Totals	<u>\$ 103,071,112</u>	<u>\$ 370,260,000</u>	<u>\$ 473,331,112</u>

Long-term liability activity for the year ended June 30, 2015 is summarized as follows:

Governmental activities:	BALANCE JULY 01, 2014	ADDITIONS	DECREASES	BALANCE JUNE 30, 2015	AMOUNTS DUE WITHIN ONE YEAR
Bonds payable:					
General obligation bonds	\$ 125,515,000	\$	\$ (10,090,000)	\$ 115,425,000	\$ 10,485,000
Tax allocation bonds	95,090,000		(12,235,000)	82,855,000	12,590,000
Sales tax revenue bonds	177,445,000		(10,445,000)	167,000,000	10,920,000
Refunding lease revenue bonds	5,710,000		(730,000)	4,980,000	750,000
Deferred amounts:					
Unamortized premiums/ discounts on refunding	3,605,856		(724,360)	2,881,496	622,694
	<u>407,365,856</u>	<u>-</u>	<u>(34,224,360)</u>	<u>373,141,496</u>	<u>35,367,694</u>
Other liabilities:					
OPEB contribution payable	8,185,842	1,189,017	(11,039,941)	(1,665,082)	
Aggregate pension liability		4,782,916		4,782,916	
Compensated absences	121,951	20,891		142,842	
Totals	<u>\$ 415,673,649</u>	<u>\$ 5,992,824</u>	<u>\$ (45,264,301)</u>	<u>\$ 376,402,172</u>	<u>\$ 35,367,694</u>
Portion due or payable after one year					<u>342,699,560</u>
Total					<u>\$ 378,067,254</u>

At June 30, 2015, compensated absences totaled \$142,842 for governmental funds, which will be paid by the General Fund.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. 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, 2015, the City has advanced all the monies in the Loan Fund to IUDA.

These monies are deposited with U.S. Bank as trustee and have been recorded on the accompanying financial statements as "Investments with fiscal agent – restricted" in the amount of \$14,421,308 and a liability due to the City in the fiduciary fund. Upon the payment or discharge of all the outstanding bonds all amounts then held in the Loan fund will be transferred to the City.

2003 Subordinate Lien Tax Allocation Refunding Bonds

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

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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

2005 Subordinate Lien Tax Allocation Refunding Bonds

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

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%; \$31,083,172 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

IUDA and the City, on April 20, 2010, entered into the "2010 Revolving Fund Loan Agreement." The City issued its 2010 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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

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

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.

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 3.5%. 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 \$16,038,957 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2007 Subordinate Lien Taxable Tax Allocation Refunding Bonds with an average interest rate of 8.00%. The bonds were sold to the City in exchange for the cancellation of the 2006 Revolving Fund Loan with principal and interest amounts of \$15,000,000 and \$1,038,958, respectively.

Transportation-Distribution-Industrial Redevelopment Project No. 2

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

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

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

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.

All bonds listed above have been refunded on July 1, 2015. Refer to Note 21 Subsequent Event for more details.

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, 2015 amounted to \$864,380,907. 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, 2015, total tax increment revenues calculated by the Los Angeles Auditor-Controller amounted to \$60,800,703, which the SA received \$54,418,923 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.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

Revenue pledged (continued)

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 money 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.

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

	<u>2015</u>	<u>2014</u>
RPTTF Funds	\$ 60,800,703	\$ 59,878,794
Less: Administrative expenses	(1,054,833)	(1,075,629)
Pass through payments	<u>(5,326,947)</u>	<u>(3,779,408)</u>
Net	<u>\$ 54,418,923</u>	<u>\$ 55,023,757</u>

For the year ending June 30, 2015 principal and interest on the bonds amounted to \$135,787,310 which resulted in a debt service shortfall of \$81,877,818. 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

As of June 30, 2015, details of bonds payable are as follows:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 01, 2014</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2015</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 \$11,775,000 to \$14,915,000 through May 1, 2021	5.00% to 5.50%	\$ 90,920,000	\$ (11,260,000)	\$ 79,660,000	\$ 11,775,000
\$78,720,000 2003 Tax Allocation Bonds, Series A (Taxable), due in annual principal installments of \$4,980,000 to \$6,660,000 through May 1, 2021	6.00%	39,450,000	(4,725,000)	34,725,000	4,980,000
\$68,090,000 2003 Tax Allocation Bonds, Series B, due in annual principal installments of \$2,290,000 to \$3,180,000 through May 1, 2021	4.00% to 5.00%	18,385,000	(2,110,000)	16,275,000	2,290,000
\$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$5,915,000 \$9,525,000 through December 1, 2020	10.00%	51,005,000	(5,375,000)	45,630,000	5,915,000
\$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$3,110,000 to \$5,900,000 through December 1, 2025	6.30% to 6.80%	50,820,000	(2,920,000)	47,900,000	3,110,000
\$16,038,957 2007 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,335,000 to \$2,115,000 through December 1, 2021	8.00%	13,135,000	(1,235,000)	11,900,000	1,335,000
\$33,673,437 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,959,000 to \$3,695,000 through December 1, 2024	8.25%	26,537,000	(1,810,000)	24,727,000	1,959,000
Totals - Project No. 1		\$ 290,252,000	\$ (29,435,000)	\$ 260,817,000	\$ 31,364,000

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

As of June 30, 2015, details of bonds payable are as follows (continued):

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 01, 2014</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2015</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 \$830,000 to \$1,190,000 through May 1, 2024	4.38% to 4.75%	\$ 9,775,000	\$ (795,000)	\$ 8,980,000	\$ 830,000
\$39,730,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,965,000 to \$3,125,000 through May 1, 2024	5.50% to 6.10%	24,370,000	(1,865,000)	22,505,000	1,965,000
\$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,736,269 to \$8,622,914 through December 1, 2024	10.00%	79,794,915	(21,069,281)	58,725,634	4,736,269
\$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$770,000 to \$1,460,000 through December 1, 2025	6.30% to 6.80%	12,580,000	(720,000)	11,860,000	770,000
\$31,083,172 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$850,000 to \$6,050,000 through December 1, 2026	5.75%	27,675,000	(805,000)	26,870,000	850,000
\$40,000,000 2010 Subordinate Tax Allocation Refunding Bonds, due in annual principal installments of \$1,660,000 to \$4,335,000 through December 1, 2026	9.15%	35,195,000	(1,515,000)	33,680,000	1,660,000
Totals - Project No. 2		\$ <u>189,389,915</u>	\$ <u>(26,769,281)</u>	\$ <u>162,620,634</u>	\$ <u>10,811,269</u>

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

As of June 30, 2015, details of bonds payable are as follows (continued):

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 01, 2014</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2015</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 \$835,000 to \$1,200,000 through May 1, 2024	4.38% to 5.00%	\$ 9,860,000	\$ (805,000)	\$ 9,055,000	\$ 835,000
\$44,585,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$2,205,000 to \$3,510,000 through May 1, 2024					
	5.50% to 6.10%	27,335,000	(2,090,000)	25,245,000	2,205,000
\$9,726,529 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$875,000 to \$1,165,000 through December 1, 2018					
	10.00%	4,865,000	(800,000)	4,065,000	875,000
\$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>47,180,289</u>	<u>(3,695,000)</u>	<u>43,485,289</u>	<u>3,915,000</u>
Combined totals		<u>\$ 526,822,204</u>	<u>\$ (59,899,281)</u>	<u>\$ 466,922,923</u>	<u>\$ 46,090,269</u>

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

Annual debt service requirements to maturity are as follows:

YEAR ENDED JUNE 30, 2015

<u>PROJECT AREA NO. 1</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTALS</u>
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	7,843,264	40,606,000	48,449,264
2021-2025	10,805,706	75,864,000	86,669,706
2026-2027	200,600	5,900,000	6,100,600
Total	<u>\$ 74,760,736</u>	<u>\$ 260,817,000</u>	<u>\$ 335,577,736</u>
<u>PROJECT AREA NO. 2</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2016	\$ 17,480,140	\$ 10,811,269	\$ 28,291,409
2017	19,570,507	11,578,560	31,149,067
2018	22,133,258	12,409,438	34,542,696
2019	25,272,522	13,311,249	38,583,771
2020	29,108,605	14,267,294	43,375,899
2021-2025	175,828,767	78,702,824	254,531,591
2026-2027	1,512,739	21,540,000	23,052,739
Total	<u>\$ 290,906,538</u>	<u>\$ 162,620,634</u>	<u>\$ 453,527,172</u>
<u>PROJECT AREA NO. 3</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
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	2,154,258	4,207,870	6,362,128
2021-2025	9,425,973	19,184,761	28,610,734
2026-2027	11,899,119	2,430,881	14,330,000
Total	<u>\$ 31,790,711</u>	<u>\$ 43,485,289</u>	<u>\$ 75,276,000</u>
<u>TOTALS</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2016	\$ 37,091,583	\$ 46,090,269	\$ 83,181,852
2017	36,790,035	49,204,560	85,994,595
2018	37,154,150	52,690,230	89,844,380
2019	37,643,186	56,234,234	93,877,420
2020	39,106,127	59,081,164	98,187,291
2021-2025	196,060,446	173,751,585	369,812,031
2026-2027	13,612,458	29,870,882	43,483,339
Total	<u>\$ 397,457,985</u>	<u>\$ 466,922,923</u>	<u>\$ 864,380,908</u>

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

9. Successor Agency bonds payable (continued)

Long-term liability activity for the year ended June 30, 2015, is summarized as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Amounts due within one year
Bonds payable:					
Tax allocation	\$ 526,822,204	\$	\$ (59,899,281)	\$ 466,922,923	\$ 46,090,269
Less deferred amounts:					
Unamortized premiums on refundings	552,495		(159,810)	392,685	392,685
Total bonds payable	<u>\$ 527,374,699</u>	<u>\$</u>	<u>\$ (60,059,091)</u>	<u>\$ 467,315,608</u>	<u>\$ 46,482,954</u>

At June 30, 2015 the City owns \$270,477,924 and PFA owns \$79,660,000 of the \$466,922,923 outstanding bonds of the SA to the IUDA.

10. Defined benefit pension plan

Plan description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. 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 acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

	<u>Classic Miscellaneous</u>	
	<u>First Tier</u>	<u>Second Tier</u>
Active employees	17	1
Transferred and separated	8	
Retired Employees and Beneficiaries	28	
Total	<u>53</u>	<u>1</u>

There were no employees covered by the Public Employee Pension Reform Act ("PEPRA") plan at June 30, 2013.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Plan description (continued)

The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

Benefit Provision	Classic Miscellaneous	
	First Tier	Second Tier
Benefit Formula	2.7% @ 55	2.0% @ 60
Social Security Coverage	no	no
Full/Modified	full	full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	yes	yes
Non-Industrial Disability	standard	standard
Industrial Disability	no	no
Pre-Retirement Death Benefits		
Optional Settlement 2W	yes	yes
1959 Survivor Benefit Level	level 4	level 4
Special	no	no
Alternate (firefighters)	no	no
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	yes	yes
COLA	3%	3%

Starting July 2013, PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Employer contribution rate for fiscal year 2015 6.9% and \$12,733 is included in the deferred outflow of resources for the year then ended.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Contribution

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For measurement period ended June 30, 2014

Active Employee Contribution Rate	7.947%	6.880%
Active Employer Contribution Rate	17.889%	9.974%

For the year ended June 30, 2015, the contributions recognized for the Plan were as follows:

Proportionate share of Contributions-employer	\$632,761
Contributions-employees paid by employer	\$133,185

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Pension Plan Fiduciary Net Position:

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense:

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense: (continued)

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
First Tier			
Balance at: 6/30/13 (Valuation date)	\$ 26,590,255	\$ 20,057,350	\$ 6,532,905
Balance at: 6/30/14 (Measurement date)	28,172,632	23,391,383	4,781,249
Net Changes during 2013-2014	1,582,377	3,334,033	(1,751,656)
Second Tier			
Balance at: 6/30/13 (Valuation date)	\$ 9,272	\$ 6,994	\$ 2,278
Balance at: 6/30/14 (Measurement date)	9,824	8,157	1,667
Net Changes during 2013-2014	552	1,163	(611)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense: (continued)

The City's proportionate share of the net pension liability was as follows:

	<u>First Tier</u>	<u>Second Tier</u>
June 30, 2013	0.19938%	0.00007%
June 30, 2014	0.19346%	0.00007%
Change - Increase (Decrease)	<u>0.00592%</u>	<u>0.00000%</u>

As of June 30, 2015, the City reported net pension liabilities for its proportionate share of the net pension liability of \$4,782,916.

For the year ended June 30, 2015, the City recognized pension expense of \$286,952. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contribution subsequent to measurement date	\$ 255,850	
Net difference between projected and actual earnings on Pension Plan Investment		(1,607,283)
Adjustment due to Differences in proportions	114,072	
Difference between employer contribution and employer's proportionate share of contribution		(242,910)
Totals \$	<u>369,922</u>	<u>(1,850,193)</u>

\$255,850 consists of contributions made subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ (447,834)
2017	(447,834)
2018	(438,630)
2019	(401,823)
2020	-
Thereafter	-

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	3.3% to 14.2%, depending on Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions: (continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time there is a change in methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

10. Defined benefit pension plan (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions: (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
First Tier	\$ 8,518,707	\$ 4,781,249	\$ 1,679,513
Second Tier	\$ 2,970	\$ 1,667	\$ 585

11. 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, 2015.

12. Transactions with related parties

A company that provides auto body and towing services to the City is a related party to a City council member and the Vice Chairman of CRIA. For the year ended June 30, 2015, total expenses amounted to \$83,952.

During the year ending June 30, 2015 a company that provides contracted management services for the Homestead Museum for the City employed a former council member.

A Company that provides engineering services to the City employs a member of the City council.

Companies that provided maintenance, trash collections, and recyclable collection services to the City is a related party to a former member of the Planning Commission through family ownership. For the year ending June 30, 2015 expenses incurred with these companies were as follows: maintenance expenses of \$1,784,967, trash collections expenses of \$14,005,590 and recyclable expenses of \$19,235.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

12. Transactions with related parties (continued)

A company that provides landscaping services to the City is a related party to certain council members and a member of the Planning Commission. Total landscaping expenses amounted to \$1,890,041 for the current fiscal year and accounts payable at June 30, 2015 amounted to \$185,487.

13. Self-insurance plan

The City established a Self-insurance Plan (the "Plan") to pay for liability claims against the City and its component units. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making provision to have sufficient funds available to pay approved claims and legal and investigative expenses.

The insurance committee has vested this responsibility to the City Manager. Potential liability for claims in excess of \$250,000 up to \$10,000,000 is covered by excess liability insurance policies.

As of June 30, 2015, there are \$181,459 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.

14. Low and moderate income housing

In December of 1992, pursuant to the authority of Government Code 65584.3, IUDA entered into an agreement with the City and the Housing Authority of the County of Los Angeles ("HACoLA"). Under this agreement, IUDA agreed to pay HACoLA each fiscal year an amount equal to 20 percent of tax increment revenues accruing to IUDA for such fiscal year (the "HACoLA Payment").

The HACoLA Payments for fiscal year 2011-12 and fiscal year 2012-13 are listed on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS"). However, the DOF has 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.

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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

15. 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.

Depending on the funding status of an entity on their actuarially required contribution, a post-employment benefit liability or asset is recognized on the government-wide Statement of Net Assets over time.

(a) Funding Policy

As of June 30, 2015, there were eighteen individuals receiving post-retirement benefits from the City. For the year ended June 30, 2015, the City and its component units paid \$438,888 for these individuals on a pay as you go basis. The City prefunded all its OPEB contribution based on its actuarial accrued liability as of July 1, 2015 through the California Public Employees' Retirement System California Employer's Retiree Benefit Trust Fund (the PERS CERBT fund) and will receive reimbursement for the \$438,888 paid in 2015.

(b) Annual OPEB Cost and Net OPEB Obligation/ (Asset)

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	\$ 385,451
Amortization of initial unfunded actuarial accrued liability (UAAL)	769,645
Residual UAAL amortization	(235)
 Total ARC	 \$ 1,154,861

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

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

NET OPEB OBLIGATION/(ASSET):

	AMOUNT
ARC	\$ 1,154,861
Interest on net pension obligation	589,380
Amortization adjustment	(555,225)
Annual OPEB Cost	1,189,016
Prefunding OPEB	(11,039,940)
Changes in Net OPEB Obligation/(Asset)	(9,850,924)
Balance as of July 1, 2014	8,185,842
Balance as of June 30, 2015	\$ (1,665,082)

Preceding years trend information

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation)/Asset
2013	1,450,539	20.35%	(7,256,842)
2014	1,283,097	27.60%	(8,185,842)
2015	1,189,017	928.49%	1,665,082

(c) Funded Status and Funding Progress

The City funded 100% of its actuarial accrued liability as of June 30, 2015.

Actuarial value of assets	\$ 11,039,940
Actuarial accrued liability (AAL)	\$ 11,039,940
Unfunded actuarial accrued liability (UAAL)	-
Funded ratio	100%
Covered payroll	\$ 1,732,278
UAAL as a percentage of covered payroll	0%

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 7.2% investment rate of return, projected salary increases of 2.75% and annual health care cost inflation of 4.0%.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Actuarial Methods and Assumptions (continued)

Actuarial valuations are based on estimates that are likely to change over time. The relationship of plan assets and the accrued liability for OPEB benefits over time 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.

16. 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.

17. 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, 2015 amounted to \$11,031,863. Rental income of \$694,746 is reported in the Governmental Fund statements, \$219,700 in the Enterprise Fund statements, and \$10,117,417 in the Fiduciary Fund Statements.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

17. Rental property (continued)

Future minimum rental income payments based on terms in effect at June 30, 2015 are as follows:

YEAR ENDING JUNE 30	AMOUNT
2016	\$ 9,265,439
2017	9,989,767
2018	8,664,330
2019	7,452,870
2020	7,463,592
2021-2025	33,957,903
2026-2030	33,761,039
2031-2035	33,876,388
Thereafter	210,553,448

The Successor Agency is in the process of winding down its activities in accordance with the dissolution of redevelopment agencies in the State of California. The above table does not take into account when or if the property will be sold in the future.

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.

CITY OF INDUSTRY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

18. 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
2016	\$ 63,631
2017	42,631
2018	42,631
2019	20,468
2020	2,187

19. Excess of expenditures over appropriations

Excess of expenditures over appropriations occurred in the General Fund during the year ending June 30, 2015 as follows:

General Fund Budget to Actual Comparison

	Original Budget	Actual	Variance
Legislative	\$ 376,400	\$ 431,807	\$ (55,407)
General administration	3,627,800	3,903,997	(276,197)
Support services	6,746,300	17,747,767	(11,001,467)
Community development	614,500	731,013	(116,513)
Public safety	8,272,000	8,311,886	(39,886)
Capital projects	2,385,000	2,385,000	(2,385,000)
Total expenditures	<u>\$ 19,637,000</u>	<u>\$ 33,511,470</u>	<u>\$ (13,874,470)</u>

The budget overage in the Legislative department was due to an increase election expenses incurred in the last quarter of the fiscal year.

The budget overage in the Support services department was attributed to the prefunding of unfunded actuarial accrued liability for future OPEB expenses of \$11 million during fiscal year.

The \$2,385,000 expenditure in the Capital Projects category relates to the City reimbursing the Successor Agency to the IUDA for a prior expenditure.

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

20. Subsequent events

On July 1, 2015, PFA issued the following bonds to pay the costs to acquire the Local Obligations issued by SA to IUDA to provide proceeds to the SA to IUDA to refund and defease its outstanding bonds as of June 30, 2015. Interest rates on the refunding bonds range from 1.764% to 5.750%.

Local Obligations issued by SA to IUDA and acquired by PFA:

Successor Agency to the Industry Urban-Development Agency Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) Taxable	<u>\$ 239,525,000</u>
Successor Agency to the Industry Urban-Development Agency Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) Tax Exempt	\$ 7,140,000
Successor Agency to the Industry Urban-Development Agency Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) Taxable	249,770,000
Successor Agency to the Industry Urban-Development Agency Subordinate Tax Allocation Revenue Refunding Bonds Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) Taxable	33,815,000
	<u>\$ 290,725,000</u>
Successor Agency to the Industry Urban-Development Agency Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) Tax Exempt	\$ 7,230,000
Successor Agency to the Industry Urban-Development Agency Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) Taxable	37,425,000
	<u>\$ 44,655,000</u>
Total local obligations acquired	<u>\$ 574,905,000</u>

CITY OF INDUSTRY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

20. Subsequent event (continued)

The PFA Bonds are secured by revenue derived from the Local Obligations which are secured by pledged tax revenue of the SA to IUDA as well as amounts assigned from City of Industry with respect to certain override revenues.

The annual debt service requirements for these bonds for both PFA and SA to IUDA are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2016	\$ -	\$ -	\$ -
2017	32,952,580	47,815,000	80,767,580
2018	21,027,086	59,995,000	81,022,086
2019	19,516,717	61,515,000	81,031,717
2020	17,621,192	63,395,000	81,016,192
2021-2025	49,359,183	321,535,000	370,894,183
2026-2030	1,566,162	20,650,000	22,216,162
Totals	\$ <u>142,042,920</u>	\$ <u>574,905,000</u>	\$ <u>716,947,920</u>

Sales tax refunding bonds

On December 3, 2015, the City issued \$336,570,000 Senior sales tax revenue refunding bonds Series 2015A (Taxable) and \$51,460,000 Subordinate sales tax revenue bonds Series 2015B (Taxable) to refund and defease its 2005 and 2008 sales tax revenue bonds outstanding at June 30, 2015. Interest rates on the refunding bonds range from 1.460% to 4.250%.

The annual debt service of the bonds are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2016	\$ -	\$ -	\$ -
2017	21,973,305	600,000	22,573,305
2018	20,091,393	2,375,000	22,466,393
2019	20,042,523	2,425,000	22,467,523
2020	19,985,311	2,480,000	22,465,311
2021-2025	98,713,427	13,620,000	112,333,427
2026-2030	95,247,398	31,295,000	126,542,398
2031-2035	85,738,666	50,285,000	136,023,666
2036-2040	71,253,677	64,765,000	136,018,677
2041-2045	51,698,932	84,325,000	136,023,932
2046-2050	25,944,206	110,080,000	136,024,206
2051-2055	1,423,732	25,780,000	27,203,732
Totals	\$ <u>512,112,570</u>	\$ <u>388,030,000</u>	\$ <u>900,142,570</u>

**Required Supplementary
Information (Unaudited)**

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2015

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, 2015:

Table 6
 General Fund Budget to Actual Comparison

	Original Budget	Actual	Variance
Legislative	\$ 376,400	\$ 431,807	\$ (55,407)
General administration	3,627,800	3,903,997	(276,197)
Support services	6,746,300	17,747,767	(11,001,467)
Community development	614,500	731,013	(116,513)
Community services	3,856,000	3,725,258	130,742
Public safety	8,272,000	8,311,886	(39,886)
Public works	12,604,000	10,881,576	1,722,424
Capital projects	2,385,000	2,385,000	(2,385,000)
Total expenditures	\$ <u>36,097,000</u>	\$ <u>48,118,304</u>	\$ <u>(12,021,304)</u>

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
TAXES			
Sales tax	\$ 38,550,000	\$ 33,620,881	\$ (4,929,119)
Tax increment pass through payments	1,750,000	445,054	(1,304,946)
Franchise tax	1,427,000	1,828,446	401,446
Documentary transfer tax	258,000	174,754	(83,246)
Transient occupancy tax	900,000	1,000,052	100,052
Property tax	1,400,000	2,287,384	887,384
PSAF/COPS	108,000	113,899	5,899
Total taxes	<u>44,393,000</u>	<u>39,470,470</u>	<u>(4,922,530)</u>
LICENSES AND PERMITS			
Salvage fees and licenses	191,000	205,358	14,358
Building permits, Inspection fees and plans	718,000	898,835	180,835
Refuse collection	1,400,000	1,477,003	77,003
Motor vehicles license fees	195,000	65,414	(129,586)
Total licenses and permits	<u>2,504,000</u>	<u>2,646,610</u>	<u>142,610</u>
FINES AND FORFEITURES			
Vehicle impound and storage fees	31,000	22,550	(8,450)
Bin impound fees	15,000	7,490	(7,510)
Fines and forfeitures	270,000	444,586	174,586
Parking citations	122,000	89,264	(32,736)
Total Fines & Forfeitures	<u>438,000</u>	<u>563,890</u>	<u>125,890</u>
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest income	9,035,000	7,787,841	(1,247,159)
Rental income	695,120	694,746	(374)
Change in fair market value of investments		(3,288,801)	(3,288,801)
Other income	603,150	567,695	(35,455)
Total revenue from use of money and property	<u>10,333,270</u>	<u>5,761,481</u>	<u>(4,571,789)</u>
Total general fund revenues	<u>\$ 57,668,270</u>	<u>\$ 48,442,451</u>	<u>\$ (9,225,819)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 34,832,600	\$ 139,933,372	\$ 105,100,772
Write off of escheated liabilities		1,069,615	1,069,615
Prop A Exchange		(2,827,500)	(2,827,500)
Settlement claims		(1,002,412)	(1,002,412)
Transfers (out)		(42,987,502)	(42,987,502)
Total other financing sources (uses)	<u>\$ 34,832,600</u>	<u>\$ 94,185,573</u>	<u>\$ 59,352,973</u>

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LEGISLATIVE			
City council:			
Salaries	\$ 121,000	\$ 118,784	\$ 2,216
Services and supplies:			
Office supplies	100	120	(20)
Travel and meetings	7,600	9,398	(1,798)
Telephone	2,300	5,787	(3,487)
Dues and subscriptions	21,000	19,879	1,121
Totals - City council	152,000	153,968	(1,968)
City clerk:			
Salaries	187,000	200,184	(13,184)
Services and supplies:			
Office supplies	200	683	(483)
Travel and meetings	1,100	1,106	(6)
Advertising and printing	24,000	34,585	(10,585)
Election expense	3,000	33,104	(30,104)
Dues and subscriptions	9,000	8,169	831
Miscellaneous	100	8	92
Totals- City clerk	224,400	277,839	(53,439)
Totals - Legislative	376,400	431,807	(55,407)
GENERAL ADMINISTRATION			
City attorney:			
Services and supplies:			
Legal services	2,249,000	2,872,986	(623,986)
Totals - City attorney	\$ 2,249,000	\$ 2,872,986	\$ (623,986)

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL ADMINISTRATION, continued			
City manager:			
Salaries	\$ 416,000	\$ 318,796	\$ 97,204
Salaries reimbursement from SA to IUDA	(216,500)	(137,444)	(79,056)
Services and supplies:			
Professional services	118,000	147,344	(29,344)
Office supplies	2,000	1,957	43
Travel and meetings	11,000	7,144	3,856
Vehicle expense	3,000	5,374	(2,374)
Dues and subscriptions	75,000	82,866	(7,866)
Telephone	600	626	(26)
Miscellaneous		99	(99)
Legal	159,000	100,482	58,518
Automobiles		24,784	(24,784)
Legislative expenses	62,000	60,180	1,820
Totals - City manager	630,100	612,208	17,892
Human resources:			
Salaries	140,000	237,625	(97,625)
Salaries reimbursement from SA to IUDA	(20,800)	(23,008)	2,208
Services and supplies:			
Travel expenses		782	(782)
Office supplies		38	(38)
Printing and photographs		357	(357)
Dues and subscriptions	2,000	2,800	(800)
Rental equipment		1,110	(1,110)
Repairs and maintenance	400	312	88
Telephone	100	62	38
Totals - Human Resources	121,700	220,078	(98,378)
Successor Agency Administration:			
Services and supplies:			
Professional services		40,441	(40,441)
Legal	464,000	158,043	305,957
Property taxes and assessments	158,000		158,000
Dues and subscriptions		(573)	573
Miscellaneous	5,000		5,000
Miscellaneous engineering		814	(814)
Totals - IUDA Administration	627,000	198,725	428,275
Totals - General Administration	\$ 3,627,800	\$ 3,903,997	\$ (276,197)

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
SUPPORT SERVICES			
Central services:			
Salaries	\$ 179,000	\$ 109,676	\$ 69,324
Services and supplies:			
Professional services	660,000	628,147	31,853
Office supplies	42,000	52,380	(10,380)
Repairs and maintenance	11,000	41,038	(30,038)
Equipment rentals	27,500	28,922	(1,422)
Printing and photographs	6,000	7,253	(1,253)
Storage expense	42,000	42,000	
Travel and meetings	1,000	2,808	(1,808)
Vehicle expenses	31,000	22,016	8,984
Dues and subscription	7,000	4,847	2,153
Computer services	225,000	292,696	(67,696)
Building maintenance	234,000	118,972	115,028
Telephone	16,000	15,772	228
Utilities	66,000	69,334	(3,334)
Miscellaneous	18,000	47,605	(29,605)
Refuse disposal - residents	26,000	34,402	(8,402)
Totals - Central services	<u>1,591,500</u>	<u>1,517,868</u>	<u>73,632</u>
City treasurer:			
Salaries	291,000	290,018	982
Salaries reimbursement from SA to IUDA	(117,500)	(119,703)	2,203
Services and supplies:			
Office supplies	100		100
Repairs and maintenance	100		100
Miscellaneous	1,100	594	506
Totals - City treasurer	<u>174,800</u>	<u>170,909</u>	<u>3,891</u>
Finance department:			
Services and supplies:			
Office supplies	1,000	109	891
Repairs and maintenance	15,000	14,200	800
Equipment Rental/Lease	6,000	3,879	2,121
Dues and subscriptions			
Accounting	800,000	858,785	(58,785)
Professional Services	200,000	677,345	(477,345)
Totals - Finance department	<u>\$ 1,022,000</u>	<u>\$ 1,554,318</u>	<u>\$ (532,318)</u>

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
SUPPORT SERVICES, continued			
Non-departmental:			
Services and supplies:			
Insurance and bonds	\$ 332,000	\$ 309,348	\$ 22,652
Employees insurance	136,000	125,348	10,652
Group and medical insurance	1,725,000	1,373,046	351,954
PERS	521,000	498,689	22,311
Expense reimbursement from SA to IUDA	(317,000)	(245,758)	(71,242)
OPEB benefits		11,039,940	(11,039,940)
Miscellaneous	26,000	1,943	24,057
Tuition reimbursement	5,000	20,526	(15,526)
Furniture, equipment, and fixtures		34,394	(34,394)
Taxes and assessments	305,000	208,712	96,288
Payroll taxes	60,000	26,520	33,480
Insurance claims	175,000	134,870	40,130
Parking citation	49,000	33,706	15,294
Lease obligation	941,000	943,388	(2,388)
Total Non-departmental	<u>3,958,000</u>	<u>14,504,672</u>	<u>(10,546,672)</u>
Totals - Support Services	<u>6,746,300</u>	<u>17,747,767</u>	<u>(11,001,467)</u>
COMMUNITY DEVELOPMENT			
Engineering:			
Salaries	140,000	166,714	(26,714)
Salaries reimbursement from SA to IUDA	(48,100)	(52,749)	4,649
Miscellaneous engineering	31,000	26,254	4,746
Totals - Engineering	<u>122,900</u>	<u>140,219</u>	<u>(17,319)</u>
Planning:			
Salaries	284,000	331,848	(47,848)
Services and supplies:			
Offices supplies	200	21	179
Travel and meetings	4,000	2,523	1,477
Legal advertising/printing		238	(238)
Dues and subscription	4,000	5,025	(1,025)
Telephone	400	838	(438)
Miscellaneous		6,428	(6,428)
Filing fees	19,000	26,763	(7,763)
Professional services	180,000	217,110	(37,110)
Totals- Planning	<u>491,600</u>	<u>590,794</u>	<u>(99,194)</u>
Totals - Community Development \$	<u>614,500</u>	<u>731,013</u>	<u>(116,513)</u>

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
COMMUNITY SERVICES			
Community promotion:			
Services and supplies:			
Community promotion	\$ 1,542,000	\$ 1,594,868	\$ (52,868)
Housing grant	75,000	4,880	70,120
Telephone	1,000	318	682
Totals - Community promotion	<u>1,618,000</u>	<u>1,600,066</u>	<u>17,934</u>
EI Encanto Hospital:			
Services and supplies			
Professional fees	1,000	369	631
Repairs and maintenance	24,000	31,014	(7,014)
Property maintenance	235,000	229,359	5,641
Security	60,000	62,070	(2,070)
Capital outlay	14,000	10,272	3,728
Totals - EI Encanto Hospital	<u>334,000</u>	<u>333,084</u>	<u>916</u>
Workman Temple Homestead Museum:			
Services and supplies:			
Professional services		11,902	(11,902)
Museum agreement	1,093,000	1,072,697	20,303
Utilities	33,000	35,021	(2,021)
Property maintenance	598,000	565,419	32,581
Expense reimbursement from SA to IUDA		(26,151)	26,151
General engineering	1,000	9,167	(8,167)
Janitorial services	12,000	9,250	2,750
Vehicle		788	(788)
Miscellaneous	88,000	84,231	3,769
Capital outlay	56,000	7,973	48,027
Totals - Workman Temple Museum	<u>1,881,000</u>	<u>1,770,297</u>	<u>110,703</u>
Tres Hermanos:			
Services and supplies:			
Telephone	1,000	477	523
Utilities	1,000	4,407	(3,407)
Security	84,000	115,371	(31,371)
Property maintenance	5,000	21,591	(16,591)
Expense reimbursement from SA to IUDA	(68,000)	(120,035)	52,035
Totals - Tres Hermanos	<u>23,000</u>	<u>21,811</u>	<u>1,189</u>
Totals - Community Services	<u>\$ 3,856,000</u>	<u>\$ 3,725,258</u>	<u>\$ 130,742</u>

CITY OF INDUSTRY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
PUBLIC SAFETY			
Law enforcement:			
Services and supplies:			
Printing and photography	\$ 3,000	\$ 2,016	\$ 984
Professional services		240	(240)
Vehicle expenses	14,000	12,415	1,585
Telephone	3,000	3,796	(796)
Miscellaneous		2,862	(2,862)
General law and traffic enforcement	7,852,000	7,974,292	(122,292)
Other law enforcement	13,000	8,329	4,671
Animal control	26,000	38,864	(12,864)
Security	285,000	249,632	35,368
Building lease and storage payments	76,000	19,440	56,560
Totals - Public Safety	<u>8,272,000</u>	<u>8,311,886</u>	<u>(39,886)</u>
PUBLIC WORKS			
Community facilities and ground			
Services and supplies:			
Professional services	319,000	754,402	(435,402)
Repairs and maintenance	45,000	14,376	30,624
Vehicle expenses	94,000	125,618	(31,618)
Telephone	14,000	19,702	(5,702)
General engineering	1,035,600	1,502,048	(466,448)
Miscellaneous	10,500	18,363	(7,863)
Furniture, equipment, fixtures		6,298	(6,298)
Utilities	516,000	546,578	(30,578)
Property maintenance	6,242,000	4,047,924	2,194,076
Expense reimbursement from SA to IUDA	(1,403,100)	(739,353)	(663,747)
Printing and photography	4,000	1,372	2,628
Security	633,000	611,979	21,021
Totals - Community facilities	<u>7,510,000</u>	<u>6,909,307</u>	<u>600,693</u>
Public Works Administration:			
Salaries	140,000	111,685	28,315
Salaries reimbursement from SA to IUDA	(48,100)	(44,433)	(3,667)
Services and supplies:			
Dues and subscriptions	100	2,181	(2,081)
Streets and roads	5,002,000	3,902,836	1,099,164
Totals - Public Works	<u>5,094,000</u>	<u>3,972,269</u>	<u>1,121,731</u>
Totals - Public Works	<u>12,604,000</u>	<u>10,881,576</u>	<u>1,722,424</u>
Capital projects:			
Real estate purchases		2,385,000	(2,385,000)
Total Capital projects	<u>-</u>	<u>2,385,000</u>	<u>(2,385,000)</u>
Total expenditures	<u>\$ 36,097,000</u>	<u>\$ 48,118,304</u>	<u>\$ (12,021,304)</u>

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF FUNDING PROGRESS
 OPEB PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

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 Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued 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%
7/1/2015 ⁽¹⁾	11,039,940	11,039,940	-	100.0%	1,732,278	0%

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY AND
 RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan First Tier

Measurement Period		June 30, 2014 ¹
City's Proportion of the Net Pension Liability		0.07684%
City's Proportionate Share of the net Pension Liability	\$	4,781,249
City's Covered-Employee Payroll	\$	1,735,901
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll		275.43%
City's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability		83.03%

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan Second Tier

Measurement Period		June 30, 2014 ¹
City's Proportion of the Net Pension Liability		0.00003%
City's Proportionate Share of the net Pension Liability	\$	1,667
City's Covered-Employee Payroll	\$	43,694
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll		3.82%
City's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability		83.03%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF THE CITY'S
 CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan First Tier

	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 237,606	\$ 298,701
Contribution in Relation to the Actuarially Determined Contribution ²	(237,606)	(298,701)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 1,787,978</u>	<u>\$ 1,735,901</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>13.09%</u>	<u>17.21%</u>

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan Second Tier

	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 5,511	\$ 4,397
Contribution in Relation to the Actuarially Determined Contribution ²	(5,511)	(4,397)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 45,005</u>	<u>\$ 43,694</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>12.25%</u>	<u>10.06%</u>

PEPRA Contribution

	2014-15	2013-14
	<u>\$ 12,733</u>	<u>\$ -</u>

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$1,685,341 for Tier 1 Plan and \$42,421 for Tier 2 Plan) was assumed to increase by the 3.00% payroll growth assumption

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

Other Supplementary Information

CITY OF INDUSTRY
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2015

	CITY OF INDUSTRY DEBT SERVICE	CITY OF INDUSTRY TAX OVERRIDE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
ASSETS				
Cash	\$ 53,432	\$ 148,446	\$	\$ 201,878
Investments	30,779,865	461		30,780,326
Deposit for refunding			31,088,840	31,088,840
Investments with fiscal agent - restricted	40,296,003		846,203	41,142,206
Investments in IUDA bonds	270,477,924		79,660,000	350,137,924
Accrued interest and other receivables	7,509,760	242,451	693,774	8,445,985
Site lease prepayment			5,597,156	5,597,156
Due from general fund	46,500			46,500
Due from public facilities authority		31,086,677		31,086,677
Total assets	\$ 349,163,484	\$ 31,478,035	\$ 117,885,973	\$ 498,527,492
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,361	\$	\$	\$ 2,361
Due to tax override fund			31,086,677	31,086,677
Total liabilities	2,361		31,086,677	31,089,038
FUND BALANCES				
Nonspendable:				
Prepayment of site lease			5,597,156	5,597,156
Restricted for debt service	40,296,003		31,935,043	72,231,046
Committed for debt service	270,477,924	31,478,035	49,267,097	351,223,056
Assigned for debt service	38,387,196			38,387,196
Total fund balances	349,161,123	31,478,035	86,799,296	467,438,454
Total liabilities and fund balances	\$ 349,163,484	\$ 31,478,035	\$ 117,885,973	\$ 498,527,492

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	CITY OF INDUSTRY DEBT SERVICE	CITY OF INDUSTRY TAX OVERRIDE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
REVENUES				
Taxes:				
Property taxes	\$ 12,547,221	\$ 44,213,696	\$	\$ 56,760,917
Interest income - Industry Urban Development Agency	63,666,854		4,773,552	68,440,406
Lease income - City of Industry			943,538	943,538
Other revenues from use of money and property	90,139	84,440		174,579
Total revenues	<u>76,304,214</u>	<u>44,298,136</u>	<u>5,717,090</u>	<u>126,319,440</u>
EXPENDITURES				
Current:				
General administration	15,855		391,011	406,866
Debt service:				
Principal retirement - long term debt	20,535,000		12,965,000	33,500,000
Interest	14,185,447		4,110,826	18,296,273
Total expenditures	<u>34,736,302</u>		<u>17,466,837</u>	<u>52,203,139</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>41,567,912</u>	<u>44,298,136</u>	<u>(11,749,747)</u>	<u>74,116,301</u>
OTHER FINANCING SOURCES (USES)				
Other uses-fiduciary fund debt service		(81,885,018)		(81,885,018)
Transfer in from General fund			17,868	17,868
Transfers out to General fund	(80,192,966)			(80,192,966)
Total other financing uses	<u>(80,192,966)</u>	<u>(81,885,018)</u>	<u>17,868</u>	<u>(162,060,116)</u>
Change in fund balances	(38,625,054)	(37,586,882)	(11,731,879)	(87,943,815)
FUND BALANCES, July 1, 2014	<u>387,786,177</u>	<u>69,064,917</u>	<u>98,531,175</u>	<u>555,382,269</u>
FUND BALANCES, June 30, 2015	<u>\$ 349,161,123</u>	<u>\$ 31,478,035</u>	<u>\$ 86,799,296</u>	<u>\$ 467,438,454</u>

CITY OF INDUSTRY
COMBINING BALANCE SHEET - NON MAJOR FUNDS
JUNE 30, 2015

	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	CAPITAL PROJECTS FUND	
ASSETS								
Cash	\$	\$	\$ 2,668,919	\$ 47,025	\$	\$	\$ 21,336	\$ 2,737,280
Investments			3,618,085				145,685	3,763,770
Receivables - current	17,903						360	18,263
Due from General Fund					19,277			19,277
Total assets	<u>\$ 17,903</u>	<u>\$</u>	<u>\$ 6,287,004</u>	<u>\$ 47,025</u>	<u>\$ 19,277</u>	<u>\$</u>	<u>\$ 167,381</u>	<u>\$ 6,538,590</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$	\$	\$ 5,753	\$	\$ 7,500	\$	\$ 27,171	\$ 40,424
Due to General Fund			45,755	38,136				83,891
Total liabilities			<u>51,508</u>	<u>38,136</u>	<u>7,500</u>		<u>27,171</u>	<u>124,315</u>
FUND BALANCES								
Restricted for								
Public transportation and road improvement	17,903		6,235,496	8,889	11,777			6,274,065
Capital projects						140,210		140,210
Total fund balances	<u>17,903</u>		<u>6,235,496</u>	<u>8,889</u>	<u>11,777</u>		<u>140,210</u>	<u>6,414,275</u>
Total liabilities and fund balances	<u>\$ 17,903</u>	<u>\$</u>	<u>\$ 6,287,004</u>	<u>\$ 47,025</u>	<u>\$ 19,277</u>	<u>\$</u>	<u>\$ 167,381</u>	<u>\$ 6,538,590</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NON MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	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	CAPITAL PROJECTS FUND	
REVENUES								
Taxes	\$ 20,991	\$ 4,809	\$ 3,777,729	\$ 6,767	\$	\$	\$	\$ 3,810,296
Revenues from use of money and property	6,593		5,480	9			462	12,544
Grant income						5,000		5,000
Total revenues	<u>\$ 27,584</u>	<u>\$ 4,809</u>	<u>\$ 3,783,209</u>	<u>\$ 6,776</u>	<u>\$</u>	<u>\$ 5,000</u>	<u>\$ 462</u>	<u>\$ 3,827,840</u>
EXPENDITURES								
Current:								
General administration	\$	\$	\$	\$	\$ 15,472	\$	\$ 469,032	\$ 484,504
Community development					89,625			89,625
Public safety			534,862					534,862
Public works	24,253	4,809		23,601		5,000		57,663
Total expenditures	<u>24,253</u>	<u>4,809</u>	<u>534,862</u>	<u>23,601</u>	<u>105,097</u>	<u>5,000</u>	<u>469,032</u>	<u>1,166,654</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,331</u>		<u>3,248,347</u>	<u>(16,825)</u>	<u>(105,097)</u>		<u>(468,570)</u>	<u>2,661,186</u>
OTHER FINANCING (USES) SOURCES								
Transfer in from General Fund		4,809				5,000	1,349,473	1,359,282
Write off escheated liabilities							45,097	45,097
Transfers out to enterprise and fiduciary funds							(849,250)	(849,250)
Transfer out to General Fund		(4,809)				(5,000)		(9,809)
Total other financing (uses) sources							<u>545,320</u>	<u>545,320</u>
Net change in fund balances	3,331		3,248,347	(16,825)	(105,097)		76,750	3,206,506
FUND BALANCES, July 1, 2014	<u>14,572</u>		<u>2,987,149</u>	<u>25,714</u>	<u>116,874</u>		<u>63,460</u>	<u>3,207,769</u>
FUND BALANCES, June 30, 2015	<u>\$ 17,903</u>	<u>\$</u>	<u>\$ 6,235,496</u>	<u>\$ 8,889</u>	<u>\$ 11,777</u>	<u>\$</u>	<u>\$ 140,210</u>	<u>\$ 6,414,275</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF NET POSITION
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	<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>2015</u>
ASSETS			
Current assets:			
Cash	\$ 1,536,626	\$ 2,090,490	\$ 3,627,116
Investments	5,161,025	1,841,371	7,002,396
Accounts receivable, net	423,269	551,383	974,652
Inventory of materials and supplies, at cost	10,000		10,000
Prepaid items	12,056		12,056
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
Infrastructure	104,500	190,122	294,622
Construction in progress	4,549		4,549
Buildings and improvements	25,625,873		25,625,873
Equipment, furniture and fixtures	229,332		229,332
Less accumulated depreciation	<u>(15,316,266)</u>	<u>(1,092,757)</u>	<u>(16,409,023)</u>
Capital assets, net	<u>11,566,375</u>	<u>3,151,171</u>	<u>14,717,546</u>
Total assets	<u>18,709,351</u>	<u>7,634,415</u>	<u>26,343,766</u>
LIABILITIES			
Current liabilities:			
Accounts payable	613,463	820,811	1,434,274
Other liabilities	183,850		183,850
Due to other governmental funds	14,854	2,475	17,329
Unearned revenue from reclaimed water sales	<u>7,809,254</u>		<u>7,809,254</u>
Total current liabilities	<u>8,621,421</u>	<u>823,286</u>	<u>9,444,707</u>
Total liabilities	<u>8,621,421</u>	<u>823,286</u>	<u>9,444,707</u>
NET POSITION			
Investment in capital assets	11,566,375	3,151,171	14,717,546
Unrestricted (deficit)	<u>(1,478,445)</u>	<u>3,659,958</u>	<u>2,181,513</u>
Total net position	<u>\$ 10,087,930</u>	<u>\$ 6,811,129</u>	<u>\$ 16,899,059</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, 2015

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		JUNE 30, 2015
	WATER	ELECTRIC	
OPERATING REVENUES			
Charges for sales and services:			
Water sales and service	\$ 3,108,974	\$	\$ 3,108,974
Electric and solar energy sales		5,091,577	5,091,577
Total operating revenues	<u>3,108,974</u>	<u>5,091,577</u>	<u>8,200,551</u>
OPERATING EXPENSES			
Purchased water	323,163		323,163
Purchased electricity		2,631,985	2,631,985
General administration	1,868,764	1,488,355	3,357,119
Depreciation	624,838	83,247	708,085
Total operating expenses	<u>2,816,765</u>	<u>4,203,587</u>	<u>7,020,352</u>
OPERATING INCOME	292,209	887,990	1,180,199
NON-OPERATING REVENUE - INTEREST INCOME			
Interest income	16,237	5,740	21,977
Other income	70,965	107,593	178,558
Total non-operating revenue	<u>87,202</u>	<u>113,333</u>	<u>200,535</u>
INCOME BEFORE TRANSFERS	<u>379,411</u>	<u>1,001,323</u>	<u>1,380,734</u>
TRANSFERS			
Transfer in from General Fund		136,330	136,330
Total transfers in		<u>136,330</u>	<u>136,330</u>
Change's in net position	379,411	1,137,653	1,517,064
Net position - beginning of year	9,438,007	5,673,476	15,111,483
Prior period adjustment-see note 1	270,512		270,512
Net position - end of year	<u>\$ 10,087,930</u>	<u>\$ 6,811,129</u>	<u>\$ 16,899,059</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF CASH FLOWS
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		
	UTILITIES COMMISSION		JUNE 30,
	WATER	ELECTRIC	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,016,130	\$ 5,224,552	\$ 8,240,682
Payments to suppliers and employees	(1,978,939)	(3,688,185)	(5,667,124)
Net cash provided by operating activities	1,037,191	1,536,367	2,573,558
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from General Fund		136,330	136,330
Other income	70,965	107,593	178,558
Net cash provided by non-capital financing activities	70,965	243,923	314,888
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(109,049)	(190,122)	(299,171)
Contributed capital from contracted water provider	384,335		384,335
Net cash provided by (used in) capital and related financing activities	275,286	(190,122)	85,164
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(12,589)		(12,589)
Interest income	16,237	5,740	21,977
Net cash provided by investing activities	3,648	5,740	9,388
Net increase in cash	1,387,090	1,595,908	2,982,998
Cash, July 1, 2014	149,536	494,582	644,118
Cash, June 30, 2015	\$ 1,536,626	\$ 2,090,490	\$ 3,627,116
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 292,209	\$ 887,990	\$ 1,180,199
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	624,838	83,247	708,085
(Increase) decrease in assets			
Accounts receivable	418,445	132,975	551,420
Prepaid items	655		655
Increase (decrease) in liabilities			
Accounts payable	198,134	429,680	627,814
Due to other governmental funds	14,854	2,475	17,329
Unearned revenue	(511,944)		(511,944)
Net cash provided by operating activities	\$ 1,037,191	\$ 1,536,367	\$ 2,573,558

CITY OF INDUSTRY
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> <u>July 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
Total-Agency Funds				
ASSETS:				
Cash and investments	\$ 2,237,654	2,774,944	2,665,000	\$ 2,347,598
Total assets	<u>\$ 2,237,654</u>	<u>2,774,944</u>	<u>2,665,000</u>	<u>\$ 2,347,598</u>
LIABILITIES:				
Due to General Fund	\$ 17,146	637,439	654,441	\$ 144
Other liabilities	2,220,508	639,556	512,610	2,347,454
Total liabilities	<u>\$ 2,237,654</u>	<u>1,276,995</u>	<u>1,167,051</u>	<u>\$ 2,347,598</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$37,860,000 GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interst Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$ 3,805,000	2.930%	\$ 485,113	\$ 4,290,113	\$
2016	1/1/2016		2.930%	410,781	410,781	4,700,894
	7/1/2016	3,955,000	3.125%	410,781	4,365,781	
2017	1/1/2017		3.125%	322,156	322,156	4,687,937
	7/1/2017	4,130,000	3.375%	322,156	4,452,156	
2018	1/1/2018		3.375%	221,875	221,875	4,674,031
	7/1/2018	4,330,000	3.600%	221,875	4,551,875	
2019	1/1/2019		3.600%	113,625	113,625	4,665,500
	7/1/2019	4,545,000	3.800%	113,625	4,658,625	
2020	1/1/2020		3.800%			4,658,625
		<u>\$ 20,765,000</u>		<u>\$ 2,621,987</u>	<u>\$ 23,386,987</u>	<u>\$ 23,386,987</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT

\$50,975,000 GENERAL OBLIGATION REFUNDING SERIES B BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$ 4,580,000	4.000%	\$ 657,688	\$ 5,237,688	\$
2016	1/1/2016		4.000%	571,088	571,088	5,808,776
	7/1/2016	4,755,000	5.000%	571,088	5,326,088	
2017	1/1/2017		5.000%	460,763	460,763	5,786,851
	7/1/2017	4,975,000	4.250%	460,763	5,435,763	
2018	1/1/2018		4.250%	358,950	358,950	5,794,713
	7/1/2018	5,180,000	4.375%	358,950	5,538,950	
2019	1/1/2019		4.375%	251,450	251,450	5,790,400
	7/1/2019	5,395,000	4.500%	251,450	5,646,450	
2020	1/1/2020		4.500%	127,800	127,800	5,774,250
	7/1/2020	5,640,000	4.500%	127,800	5,767,800	
2021	1/1/2021		4.500%			5,767,800
		<u>\$ 30,525,000</u>		<u>\$ 4,197,790</u>	<u>\$ 34,722,790</u>	<u>\$ 34,722,790</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$43,340,000 GENERAL OBLIGATION REFUNDING BOND, ISSUE OF 2010 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$ 2,100,000	3.000%	\$ 784,075	\$ 2,884,075	\$
2016	1/1/2016		3.000%	752,625	752,625	3,636,700
	7/1/2016	2,155,000	4.000%	752,625	2,907,625	
2017	1/1/2017		4.000%	709,525	709,525	3,617,150
	7/1/2017	2,240,000	4.000%	709,525	2,949,525	
2018	1/1/2018		4.000%	664,725	664,725	3,614,250
	7/1/2018	2,330,000	4.000%	664,725	2,994,725	
2019	1/1/2019		4.000%	618,125	618,125	3,612,850
	7/1/2019	2,430,000	5.000%	618,125	3,048,125	
2020	1/1/2020		5.000%	557,375	557,375	3,605,500
	7/1/2020	2,550,000	5.000%	557,375	3,107,375	
2021	1/1/2021		5.000%	493,625	493,625	3,601,000
	7/1/2021	2,675,000	4.500%	493,625	3,168,625	
2022	1/1/2022		4.500%	431,200	431,200	3,599,825
	7/1/2022	2,800,000	5.000%	431,200	3,231,200	
2023	1/1/2023		5.000%	361,200	361,200	3,592,400
	7/1/2023	2,940,000	5.000%	361,200	3,301,200	
2024	1/1/2024		5.000%	287,700	287,700	3,588,900
	7/1/2024	3,095,000	5.000%	287,700	3,382,700	
2025	1/1/2025		5.000%	210,325	210,325	3,593,025
	7/1/2025	3,240,000	4.500%	210,325	3,450,325	
2026	1/1/2026		4.500%	137,075	137,075	3,587,400
	7/1/2026	1,550,000	4.250%	137,075	1,687,075	
2027	1/1/2027		4.250%	104,138	104,138	1,791,213
	7/1/2027	1,615,000	4.000%	104,138	1,719,138	
2028	1/1/2028		4.000%	71,838	71,838	1,790,976
	7/1/2028	1,680,000	4.125%	71,838	1,751,838	
2029	1/1/2029		4.125%	37,188	37,188	1,789,026
	7/1/2029	1,750,000	4.250%	37,188	1,787,188	
2030	1/1/2030		4.250%			1,787,188
		\$ <u>35,150,000</u>		\$ <u>11,657,403</u>	\$ <u>46,807,403</u>	\$ <u>46,807,403</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$28,985,000 GO REFUNDING BONDS TAXABLE GENERAL OBLIGATION, ISSUE OF 2014 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$	0.000%	\$ 416,482	\$ 416,482	\$
2016	1/1/2016		0.000%	416,482	416,482	832,964
	7/1/2016		0.000%	416,482	416,482	
2017	1/1/2017		0.000%	416,482	416,482	832,964
	7/1/2017		0.000%	416,482	416,482	
2018	1/1/2018		0.000%	416,482	416,482	832,964
	7/1/2018		0.000%	416,482	416,482	
2019	1/1/2019		0.000%	416,482	416,482	832,964
	7/1/2019		0.000%	416,482	416,482	
2020	1/1/2020		0.000%	416,482	416,482	832,964
	7/1/2020	4,470,000	0.000%	416,482	4,886,482	
2021	1/1/2021		2.500%	360,607	360,607	5,247,089
	7/1/2021	5,875,000	2.500%	360,607	6,235,607	
2022	1/1/2022		2.750%	279,825	279,825	6,515,432
	7/1/2022	6,035,000	2.750%	279,825	6,314,825	
2023	1/1/2023		2.875%	193,072	193,072	6,507,897
	7/1/2023	6,210,000	2.875%	193,072	6,403,072	
2024	1/1/2024		3.000%	99,921	99,921	6,502,993
	7/1/2024	6,395,000	3.000%	99,921	6,494,921	
2025	1/1/2025		3.125%			6,494,921
		<u>\$ 28,985,000</u>		<u>\$ 6,448,152</u>	<u>\$ 35,433,152</u>	<u>\$ 35,433,152</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$113,420,000 SALES TAX REVENUE BONDS, ISSUE OF 2005 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$	5.100%	\$ 1,949,134	\$ 1,949,134	\$
2016	1/1/2016	5,055,000	5.100%	1,949,134	7,004,134	8,953,268
	7/1/2016		5.000%	1,820,231	1,820,231	
2017	1/1/2017	5,310,000	5.000%	1,820,231	7,130,231	8,950,462
	7/1/2017		5.250%	1,687,481	1,687,481	
2018	1/1/2018	5,575,000	5.250%	1,687,481	7,262,481	8,949,962
	7/1/2018		5.250%	1,541,138	1,541,138	
2019	1/1/2019	5,870,000	5.250%	1,541,138	7,411,138	8,952,276
	7/1/2019		5.400%	1,387,050	1,387,050	
2020	1/1/2020	6,175,000	5.400%	1,387,050	7,562,050	8,949,100
	7/1/2020		5.400%	1,220,325	1,220,325	
2021	1/1/2021	6,510,000	5.400%	1,220,325	7,730,325	8,950,650
	7/1/2021		5.400%	1,044,555	1,044,555	
2022	1/1/2022	6,860,000	5.400%	1,044,555	7,904,555	8,949,110
	7/1/2022		5.400%	859,335	859,335	
2023	1/1/2023	7,230,000	5.400%	859,335	8,089,335	8,948,670
	7/1/2023		5.400%	664,125	664,125	
2024	1/1/2024	7,625,000	5.400%	664,125	8,289,125	8,953,250
	7/1/2024		5.500%	454,438	454,438	
2025	1/1/2025	8,040,000	5.500%	454,438	8,494,438	8,948,876
	7/1/2025		5.500%	233,338	233,338	
2026	1/1/2026	8,485,000	5.500%	233,338	8,718,338	8,951,676
		\$ <u>72,735,000</u>		\$ <u>25,722,300</u>	\$ <u>98,457,300</u>	\$ <u>98,457,300</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$77,540,000 SALES TAX REVENUE BONDS, ISSUE OF 2008 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$	4.250%	\$ 1,314,863	\$ 1,314,863	\$
2016	1/1/2016	3,770,000	4.250%	1,314,863	5,084,863	6,399,726
	7/1/2016		4.000%	1,234,750	1,234,750	
2017	1/1/2017	3,930,000	4.000%	1,234,750	5,164,750	6,399,500
	7/1/2017		4.000%	1,156,150	1,156,150	
2018	1/1/2018	4,085,000	4.000%	1,156,150	5,241,150	6,397,300
	7/1/2018		4.125%	1,074,450	1,074,450	
2019	1/1/2019	4,250,000	4.125%	1,074,450	5,324,450	6,398,900
	7/1/2019		4.250%	986,794	986,794	
2020	1/1/2020	4,425,000	4.250%	986,794	5,411,794	6,398,588
	7/1/2020		4.250%	892,763	892,763	
2021	1/1/2021	4,610,000	4.250%	892,763	5,502,763	6,395,526
	7/1/2021		4.625%	794,800	794,800	
2022	1/1/2022	4,810,000	4.625%	794,800	5,604,800	6,399,600
	7/1/2022		4.625%	683,569	683,569	
2023	1/1/2023	5,030,000	4.625%	683,569	5,713,569	6,397,138
	7/1/2023		5.000%	567,250	567,250	
2024	1/1/2024	5,265,000	5.000%	567,250	5,832,250	6,399,500
	7/1/2024		5.000%	435,625	435,625	
2025	1/1/2025	5,525,000	5.000%	435,625	5,960,625	6,396,250
	7/1/2025		5.000%	297,500	297,500	
2026	1/1/2026	5,805,000	5.000%	297,500	6,102,500	6,400,000
	7/1/2026		5.000%	152,375	152,375	
2027	1/1/2027	6,095,000	5.000%	152,375	6,247,375	6,399,750
		\$ <u>57,600,000</u>		\$ <u>19,181,778</u>	\$ <u>76,781,778</u>	\$ <u>76,781,778</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$45,380,000 TAXABLE SALES TAX REVENUE BONDS, ISSUE OF 2010 - MATURITY SCHEDULE
 JUNE 30, 2015

Year Ending June 30,	Date	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
	7/1/2015	\$	5.750%	\$ 1,322,241	\$ 1,322,241	\$
2016	1/1/2016	2,095,000	5.750%	1,322,241	3,417,241	4,739,482
	7/1/2016		6.000%	1,262,010	1,262,010	
2017	1/1/2017	2,215,000	6.000%	1,262,010	3,477,010	4,739,020
	7/1/2017		6.000%	1,195,560	1,195,560	
2018	1/1/2018	2,345,000	6.000%	1,195,560	3,540,560	4,736,120
	7/1/2018		6.600%	1,121,106	1,121,106	
2019	1/1/2019	2,495,000	6.600%	1,121,106	3,616,106	4,737,212
	7/1/2019		6.750%	1,038,771	1,038,771	
2020	1/1/2020	2,660,000	6.750%	1,038,771	3,698,771	4,737,542
	7/1/2020		7.000%	948,996	948,996	
2021	1/1/2021	2,840,000	7.000%	948,996	3,788,996	4,737,992
	7/1/2021		7.250%	849,596	849,596	
2022	1/1/2022	3,040,000	7.250%	849,596	3,889,596	4,739,192
	7/1/2022		7.400%	739,396	739,396	
2023	1/1/2023	3,260,000	7.400%	739,396	3,999,396	4,738,792
	7/1/2023		7.600%	618,776	618,776	
2024	1/1/2024	3,500,000	7.600%	618,776	4,118,776	4,737,552
	7/1/2024		7.850%	485,776	485,776	
2025	1/1/2025	3,765,000	7.850%	485,776	4,250,776	4,736,552
	7/1/2025		8.000%	338,000	338,000	
2026	1/1/2026	4,065,000	8.000%	338,000	4,403,000	4,741,000
	7/1/2026		8.000%	175,400	175,400	
2027	1/1/2027	4,385,000	8.000%	175,400	4,560,400	4,735,800
		\$ <u>36,665,000</u>		\$ <u>20,191,256</u>	\$ <u>56,856,256</u>	\$ <u>56,856,256</u>