CITY OF INDUSTRY

PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)

June 30, 2014

Financial Statements

With

Independent Auditor's Report

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City of Industry Public Facilities Authority
City of Industry, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the Debt Service Fund of the City of Industry Public Facilities Authority, a component unit of the City of Industry, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Industry Public Facilities Authority'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.

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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 and the Debt Service Fund of the City of Industry Public Facilities Authority as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Industry Public Facilities Authority's basic financial statements. The schedules of long-term debt on pages 24 and 25 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of long-term debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Eadie and Payne, LLP

December 19, 2014
Redlands, California

Basic Financial Statements

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
STATEMENT OF NET POSITION
JUNE 30, 2014

		Governmental Activities
ASSETS		
Current assets:		
Accrued interest receivable	$	794,747
Site lease prepayment, current		373,144
Investments with fiscal agent, restricted		846,128
Investment in IUDA bonds, current		11,260,000
Total current assets		13,274,019
Non-current assets:		
Investment in IUDA bonds, noncurrent		79,660,000
Site lease prepayment, noncurrent		5,597,156
Total assets	$	98,531,175
LIABILITIES		
Accrued interest payable		739,037
Long-term liabilities:		
Portion due or payable within one year		12,929,112
Portion due or payable after one year		87,720,095
Total liabilities		101,388,244
NET POSITION		
Unrestricted		(2,857,069)
Total net position	$	(2,857,069)

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Net (Expense) Revenue and Changes in Net Position Net Governmental Activities
GOVERNMENTAL ACTIVITIES		
General administration	$ 392,782	$ (392,782)
Amortization of bond premium and discount	139,274	(139,274)
Bond redemption cost	21,500	(21,500)
Interest expense	5,738,844	(5,738,844)
Total governmental activities	$ 6,292,400	$ (6,292,400)
General revenues, (losses) and transfers:		
Interest income		$ 6,347,525
Loss on redemption of bond		(425,381)
Lease income		939,763
Transfer out		(428,994)
Total general revenues and transfers		6,432,913
Change in net position		140,513
Net position at beginning of year		(2,036,340)
Prior period adjustment - See note 1		(961,242)
Net position at beginning of year as restated		(2,997,582)
Net position at end of year		$ (2,857,069)

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

		Debt Service
ASSETS		
Accrued interest receivable	$	794,747
Site lease prepayment		5,970,300
Investments with fiscal agent, restricted		846,128
Investments in IUDA bonds		90,920,000
Total assets		98,531,175
FUND BALANCES		
Fund balances:		
Nonspendable		
Reserved for debt service	$	90,920,000
Prepaid lease payment		5,970,300
Restricted		
Reserved for debt service		1,640,875
Total fund balances	$	98,531,175
Total liabilities and fund balance		98,531,175

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance for the governmental fund	$ 98,531,175
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Accrued interest payable on outstanding bonds payable do not require the use of current financial resources and accordingly are not reported as expenditures in the governmental funds.	(739,037)
Long-term debt included as net position below includes the following liabilities:	
Tax allocation revenue bonds - current portion	(12,235,000)
Tax allocation revenue bonds - long-term	(82,855,000)
Refunding lease revenue bonds - current portion	(730,000)
Refunding lease revenue bonds - long-term	(4,980,000)
Issuance discount - current portion	35,888
Issuance discount - long-term	114,905
	(101,388,244)
Total net position of governmental activities	$ (2,857,069)

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

		Debt Service
REVENUES		
Interest income	$	6,347,525
Lease income		939,763
Total revenues		7,287,288
EXPENDITURES		
Current:		
General administration		392,783
Debt service:		
Interest payments		6,497,137
Bond redemption cost		21,500
Bond principal payments		13,590,000
Total expenditures		20,501,420
Revenues under expenditures		(13,214,132)
OTHER FINANCING USES		
Redemption of 2005 General Obligation bonds		(29,530,381)
Transfers to City of Industry, net		(428,994)
Total transfers and other financing uses		(29,959,375)
Net change in fund balance		(43,173,507)
FUND BALANCE, July 1, 2013		141,704,682
FUND BALANCE, June 30, 2014	$	98,531,175

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance - governmental fund	$	(43,173,507)
Amounts reported for governmental activities in the statement of activities are different because:		
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:		
Principal payments		13,590,000
Redemption of 2005 General Obligation Bonds		29,105,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Change in accrued interest payable		758,293
Net change of bond premium/discount		(139,273)
Change in net postion of governmental activities	$	140,513

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

1. Summary of significant accounting policies

Description of the reporting entity

The City of Industry Public Facilities Authority (the "PFA") is a component unit and an integral part of the City of Industry (the "City") and accordingly has also been included in the basic financial statements of the City issued as of June 30 of each year. Financial statements for PFA and the City may be obtained from the Finance Department located at 15625 East Stafford Street, City of Industry, California.

Basis of accounting and measurement focus

The component unit financial statements of PFA 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 Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for PFA.

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 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 expenditures.

Eliminations for inter-fund activities, payables, and receivables have been made at June 30, 2014.

1. Summary of significant accounting policies (continued)

Fund financial statements

The accounts of PFA 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 are presented after the government-wide financial statements.

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. Measurable means that 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 principal and interest on long-term debt which are recognized when due.

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 a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

Debt service fund

PFA's major fund type is the Debt Service Fund, which is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

1. Summary of significant accounting policies (continued)

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.

Cash and investments

Investments in inactive public deposits, securities and short-term obligations are stated at cost or amortized cost, which approximates market. The carrying amounts of investments approximate their fair values based on current rates of interest for instruments with similar characteristics. Investments in municipal bonds are stated at amortized cost. Cash deposits are reported at their carrying amount, which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Investments that exceed more than one year in maturity and are traded on a national exchange are valued at their quoted market price.

Certain investments owned by PFA are restricted for the use of debt service.

New Accounting Standard

During the year ended June 30, 2014, PFA has implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required bond issuance costs that were previously reported as an asset to be shown as an expense or expenditure. The effect of this statement has been retroactively applied by reporting the cumulative effect of the application as a restatement of beginning net position on the statement of activities. Adoption of this accounting standard resulted in a $961,242 adjustment to beginning net position. The adoption had no effect on the governmental fund financial statements.

Net Position

Net Position, the difference between assets, plus deferred outflows of resources, less liabilities and deferred inflows, is classified as restricted and unrestricted. Restricted net position represents constraints on resources that are restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted net position is amounts which do not meet the definition of restricted net position.

1. Summary of significant accounting policies (continued)

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.

Assigned – assigned fund balances are amounts that are constrained by PFA'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 Board of Directors is authorized for this purpose. PFA has no assigned fund balances at June 30, 2014.

Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that PFA imposes upon itself at its highest level of decision making authority (the Board of Directors) through board resolution and that remain binding unless removed in the same manner. PFA has no committed fund balances at June 30, 2014.

Unassigned – this category represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes. PFA has no unassigned fund balances at June 30, 2014.

Bond issuance costs and premiums/discounts

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

2. Organization

PFA was created in 1990 by a joint exercise of power agreement and amended in 2005 between the City of Industry and the Industrial Urban Development Authority of the City of Industry (referred as the "IUDA"). The agreement was made pursuant to the provisions of Article 1 through 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Sections 6500, et seq.

2. Organization (continued)

PFA exists and acts as a separate entity. The governing board of PFA consists of a commission of five members; all members of the City of Industry City Council.

PFA was established for the purpose of establishing a vehicle to reduce local borrowing costs, and accelerate construction, repair and maintenance of needed public capital improvements. PFA was also established to borrow money for the purpose of financing the acquisition and construction of public capital improvements. PFA has the power to issue bonds, notes or other evidences of indebtedness, and to expend their proceeds.

3. Cash and investments

Cash and investments as of June 30, 2014, consisted of the following:

		Amount
Investments with fiscal agent - restricted	$	846,128
Investment in IUDA bonds		90,920,000
Total cash and investments	$	91,766,128

Cash, restricted cash and investments with fiscal agent

Cash and investments with fiscal agents are restricted for future bond principal and interest payments. As of June 30, 2014, PFA's carrying value of these funds amounted to $846,128.

State of California Local Agency Investment Fund

PFA 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 PFA’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.

PFA had no investments in LAIF at June 30, 2014.

Investments authorized by the Authority’s investment policy

Under provision of PFA’s Investment policy, and in accordance with Section 53601 and Section 53635 of the California Government Code, PFA may invest in the following types of investments:

3. Cash and investments (continued)

Investments authorized by the Authority's investment policy (continued)

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
Repurchase agreements
Inactive public deposits; non-negotiable and/or non-transferable certificates of deposits
Savings accounts
Los Angeles County Investment Pool

PFA's Investment policy does not contain any specific provisions intended to limit PFA'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 bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or PFA's investment policy. The table below identifies the investment types that are authorized for investments held by 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 deposits	None	None	None
Foreign government bonds	None	None	None
Foreign corporate bonds/notes	None	None	None

3. Cash and investments (continued)

Interest rate risk

Interest rate risk is the risk of changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. The PFA manages its exposure to interest rate risk by purchasing short-term investments and/or 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. PFA's long-term investments in Industry Urban-Development Agency ("IUDA") bonds have set interest rates between 5.00% and 5.50% over the life of the bonds.

Investment Type		Amount	Weighted Average Maturity (in months)
Investment in IUDA bonds	$	90,920,000	48.99
Held by bond trustee:			
Money market funds		846,128	N/A
Total investments	$	91,766,128	

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. Money market funds, certificates of deposit, investments in IUDA bonds and LAIF deposits do not have ratings provided by a nationally recognized statistical organization.

Concentration of credit risk

The investment policy of PFA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total Authority investments are as follows:

3. Cash and investments (continued)

Concentration of credit risk (continued)

Issuer	Investment Type	Amount
Industry Urban-Development Agency	Civic-Recreational-Industrial Redevelopment Project No. 1 $197,000,000 2002 Tax Allocation Refunding Bonds	90,920,000
Total		$ 90,920,000

Custodial credit risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and PFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. PFA's investment in IUDA bonds are held by the trustee and are discussed in further detail under Note 4.

As of June 30, 2014, none of PFA's investments were exposed to custodial credit risk.

4. Bonds payable

Project Funding Agreement and City of Industry Public Facilities Authority Bonds

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

4. Bonds payable (continued)

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

On August 1, 2005, PFA issued $35,190,000 of General Obligation Revenue Bonds. The net proceeds of $33,095,000 were used to purchase the 2002 City Bonds from IUDA. The City has assigned to PFA the City's right to redeem its Taxable General Obligation Bonds Issue of 2002 ("2002 City Bonds"), PFA has transferred and assigned its rights, title and interest in the 2002 City Bonds to the Trustee as security for PFA Bonds. The 2002 City Bonds are registered in the name of the Trustee. In addition, PFA has agreed that all revenues received by it from the ownership of the 2002 City Bonds, to the extent not required to pay debt service on PFA bonds, shall be remitted to the City and applied to reimburse the City for payments of debt service made by the City on the 2002 City Bonds.

On May 28, 2014 the City issued $28,985,000 of General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Refunding Bonds"). Proceeds from the 2014 GO Refunding Bonds were used to refund the $35,000,000 Taxable General Obligation Bonds Issue of 2002 (the "2002 City Bonds"). PFA received proceeds from the City's redemption of the 2002 City Bonds in the amount of $29,530,381. The PFA used the proceeds from the redemption of the 2002 GO Bonds to pay in full the outstanding principal balance of the 2005 GO bonds in the amount of $29,105,000 on June 13, 2014.

Bond Purchase Agreement

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

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

4. Bonds payable (continued)

Bond Purchase Agreement (continued)

The bonds are secured by a pledge of all future principal and interest payments due on the 2002 IUDA TA Bonds and the 2002 City Bonds until the PFA bonds are paid off in the year 2033. Principal and interest payments outstanding at June 30, 2014 on the 2007 PFA bond amounted to $111,399,398. Annual principal and interest payments on the 2007 PFA bond are expected to require 89% of the IUDA and City bond payments. For the year ended June 30, 2014, total principal and interest payments received on the IUDA and City bonds amounted to $21,720,252. Principal and interest paid on the 2005 and 2007 PFA bonds during the year ended June 30, 2014 amounted to $48,252,074.

Lease Refunding

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. 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 represent direct, undivided fractional interests of the owners in lease payments to be made by the City to IUDA.

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

In March 2010, the City leased certain properties owned by the City to PFA under a Site Lease Agreement. 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. 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.

4. Bonds payable (continued)

Lease Refunding (continued)

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

Fiscal Year Ended June 30,	Lease Expense
2015	$ 373,144
2016	373,144
2017	373,144
2018	373,144
2019	373,144
Thereafter	4,104,580

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

Fiscal Year Ended June 30,	Amount
2015	$ 937,658
2016	937,658
2017	937,658
2018	937,658
2019	937,658
Thereafter	1,875,316

4. Bonds payable (continued)

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

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

The changes in long-term obligations for the year ended June 30, 2014 are as follows:

Governmental activities:	Balance July 1, 2013	Additions	Decreases	Balance June 30, 2014	Amounts due within one year
Bonds payable:					
General Obligation Revenue bonds	$ 30,070,000	$	$ (30,070,000)	$	$
Tax Allocation Revenue bonds	107,010,000		(11,920,000)	95,090,000	12,235,000
Refunding Lease Revenue bonds	6,415,000		(705,000)	5,710,000	730,000
Deferred amounts:					
Unamortized discounts (premiums) on refunding	(290,066)		139,273	(150,793)	(35,888)
Totals	$ 143,204,934	$ -	$ (42,555,727)	$ 100,649,207	$ 12,929,112

4. Bonds payable (continued)

The annual debt service requirements on PFA's outstanding bonds as of June 30, 2014 are as follows:

YEAR ENDED JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2015	$ 4,110,824	$ 12,965,000	$ 17,075,824
2016	3,626,062	13,340,000	16,966,062
2017	3,091,863	13,770,000	16,861,863
2018	2,475,513	14,360,000	16,835,513
2019	1,900,414	14,915,000	16,815,414
2020-2021	1,956,594	31,450,000	33,406,594
Totals	$ 17,161,270	$ 100,800,000	$ 117,961,270

For the year ended June 30, 2014 total interest expenditure amounted to $6,497,137 at the fund financial statement level and $5,738,844 at the government-wide level. The difference relates to the change in accrued interest payable.

5. Investment in IUDA bonds

The following schedule represents the future payments to be paid by the SA to the IUDA on the 2002 IUDA TA Bonds.

YEAR ENDED JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2015	$ 4,874,450	$ 11,260,000	$ 16,134,450
2016	4,255,150	11,775,000	16,030,150
2017	3,607,526	12,320,000	15,927,526
2018	2,991,526	12,910,000	15,901,526
2019	2,346,026	13,535,000	15,881,026
2020-2021	2,421,926	29,120,000	31,541,926
Totals	$ 20,496,604	$ 90,920,000	$ 111,416,604

6. Self-insurance plan

The City of Industry has established a Self-Insurance Plan (the "Plan") to pay for liability claims against the City and PFA. The Plan is administered by an insurance committee which is responsible for approving all claims of $25,000 or less and for making a provision for having sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has given this authority to the City Manager. Potential liabilities of claims in excess of $250,000, up to $10,000,000, are covered by excess liability insurance policies. As of June 30, 2014, there are no pending liability claims outstanding against PFA.

7. Transfers to/from other funds

During the year ending June 30, 2014, PFA transferred $428,994 net, to the City of Industry for the purpose of funding various street and road projects for the City of Industry.

Other Supplementary Information

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
SCHEDULE OF LONG-TERM DEBT
$169,695,000 2007 TAX ALLOCATION REVENUE BONDS
AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST NOVEMBER 1,	PRINCIPAL MAY 1,	INTEREST MAY 1,	TOTAL DEBT SERVICE
2015	3.75%	$ 1,948,643	$ 12,235,000	$ 1,948,644	$ 16,132,287
2016	4.00%	1,719,237	12,590,000	1,719,237	16,028,474
2017	4.50%	1,467,437	12,990,000	1,467,438	15,924,875
2018	4.00%	1,175,163	13,550,000	1,175,162	15,900,325
2019	4.10%	904,162	14,070,000	904,163	15,878,325
2020	4.00%	615,728	14,570,000	615,728	15,801,456
2021	4.30%	324,328	15,085,000	324,328	15,733,656
		$ 8,154,698	$ 95,090,000	$ 8,154,700	$ 111,399,398

CITY OF INDUSTRY
PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
SCHEDULE OF LONG-TERM DEBT
$8,460,000 2010 REFUNDING LEASE REVENUE BONDS
AS OF JUNE 30, 2014

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST AUGUST 1,	PRINCIPAL AUGUST 1,	INTEREST FEBRUARY 1,	TOTAL DEBT SERVICE
2015	3.00%	$ 112,243	$ 730,000	$ 101,294	$ 943,537
2016	4.00%	101,294	750,000	86,294	937,588
2017	4.00%	86,294	780,000	70,694	936,988
2018	4.00%	70,694	810,000	54,494	935,188
2019	4.00%	54,494	845,000	37,595	937,089
2020	4.13%	37,594	880,000	19,444	937,038
2021	4.25%	19,444	915,000		934,444
		$ 482,057	$ 5,710,000	$ 369,815	$ 6,561,872