



Independent Auditor's Report

To the Honorable Members of the City Council
City of Glendale, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Enterprise Fund of the City of Glendale, California (the City), as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Enterprise Fund of the City as of June 30, 2013 and 2012, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013 and 2012, or the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. 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 Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise the Water Enterprise Fund's financial statements. The introductory and operating statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and operating statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Los Angeles, CA
February 19, 2014

MANAGEMENT DISCUSSION AND ANALYSIS – WATER UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Water Enterprise Fund (Water Utility) financial statements a narrative overview and analysis of the financial activities of the Water Enterprise for the fiscal years ended June 30, 2013 and June 30, 2012. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2013, the Water Utility's retail operating revenue increased \$3,246 or 8% from the prior year. The increase in retail operating revenues was primarily attributable to a 6% increase in retail volume sales as well as a 2% increase in other water revenues from a non-recurring payment for concluding a recycled water interconnection agreement with Pasadena Water & Power.

The increase in operating revenues offset increases in the cost of purchased water supplied by the Metropolitan Water District (MWD) and depreciation expense resulting in net retail operating revenues of \$4,408 on revenues of \$44,605 less \$40,197 in expenses. After adding net non-retail operating revenue of \$1,546, total net position increased by \$5,954.

During fiscal year 2012, the Water Utility's retail operating revenues increased \$4,723 or 13% from the prior year. On March 27, 2012, the City Council approved a water rate restructuring including a base water rate increase of 2 percent with an effective date of April 27, 2012. The City Council also approved water rates to become effective January 1 of each of the three successive years in the amounts of 2, 4, and 5 percent. The rate restructuring consists of greater reliance on fixed cost recovery through the monthly fixed customer charge. The increase in retail revenues was attributable to a 4% increase in the average rates charges to customers and an 8% increase in retail sales volume. The increase in operating revenues offset increases in the cost of purchased water supplied by the Metropolitan Water District (MWD), water distribution maintenance, and customer service resulting in net retail operating revenues of \$2,008 on revenues of \$41,359 less \$39,351 in expenses. After adding net non-retail operating revenues of \$2,182, total net position increased by \$4,190.

The assets of the Water Utility exceeded its liabilities at the close of fiscal years 2013 and 2012 by \$108,641 and \$102,687, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Water Utility financial statements. The Water Utility is a business-type activity of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the City of Glendale's Water Utility and provide comparative information for the last two fiscal years. Information on city wide financial results is available in the City of Glendale's Comprehensive Annual Financial Report.

The City of Glendale Water Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other information to provide our readers additional information about the Water Utility including sales

statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Water Utility's financial health.

The *Statements of Net Position* presents information on assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* presents information showing how the Water Utility's net position changed during the most recent two fiscal years. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The *Statements of Cash Flows* presents the flows of cash and cash equivalents during the last two fiscal years including certain restricted amounts.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 to 29 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Water Utility's financial position. In the case of the Water Utility, assets and deferred outflows of resources exceeded liabilities by \$108,641 and \$102,687 as of June 30, 2013 and 2012, respectively. A portion of the Utility's net position (106% and 119% as of June 30, 2013 and 2012, respectively) reflects its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Water Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities. Because unrestricted net position was below zero as of June 30, 2013 and 2012, no assets were available to meet the Water Utility's ongoing obligations to creditors and customers. This produced the uncommon result that the portion of Utility's net position reflecting its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets was greater than total net position.

An additional portion of the Water Utility's net position (0% and 0% as of June 30, 2013 and 2012 respectively) represents resources that are subject to external restrictions on how they may be used. This line item historically included net position restricted for debt repayment. As of fiscal year ending June 30, 2012, net position restricted for debt repayment is included in the long-term debt portion of the financial statements.

The unrestricted portion of the Utility's net position (0% and 0% as of June 30, 2013 and 2012 respectively) may be used to meet the Water Utility's ongoing obligations to creditors and customers.

Net Position – Water Utility

The Water Utility's net position as of June 30, 2013, 2012, 2011 are as follows:

	2013	2012 (As restated)	2011 (As restated)
Current and noncurrent assets	\$ 40,525	\$ 9,954	\$ 9,650
Capital assets	174,269	172,945	159,576
Total assets	214,794	182,899	169,226
Current liabilities	21,414	29,794	19,072
Long-term debt	84,739	50,418	51,657
Total liabilities	106,153	80,212	70,729
Net Position:			
Net investment in capital assets	115,442	122,463	107,854
Restricted	-	-	2,310
Unrestricted	(6,801)	(19,776)	(11,667)
Total net position	\$ 108,641	\$ 102,687	\$ 98,497

Net position increased by \$5,954 (or 6%) and increased by \$4,190 (or 4%) during the fiscal years 2013 and 2012, respectively. In fiscal year 2013, the increase in net position was attributable to an 8% in retail operating revenues offsetting a 4% increase in total expenses from the prior year. In fiscal year 2012, the increase in net position was attributable to a 13% increase in retail operating revenues offsetting a 14% increase in total expenses from the prior year.

Changes in Net Position – Water Utility

The Water Utility's changes in net position for the years ended June 30 2013, 2012, 2011 are as follows:

	2013	2012 (As restated)	2011 (As restated)
Revenues:			
Retail sales, net	\$ 44,605	\$ 41,359	\$ 36,636
Interest income	32	-	-
Other revenues and grants	3,511	3,225	5,370
Capital contributions	-	190	543
Total revenues	<u>48,148</u>	<u>44,774</u>	<u>42,549</u>
Expenses:			
Production	27,978	26,881	24,245
Transmission and distribution	4,774	4,740	2,547
Customer accounting and sales	2,045	3,202	2,336
Depreciation	5,400	4,528	3,494
Interest on Bonds	1,997	1,233	3,046
Total expenses	<u>42,194</u>	<u>40,584</u>	<u>35,668</u>
Transfers to the City's General Fund	-	-	4,160
Total expenses and transfers	<u>42,194</u>	<u>40,584</u>	<u>39,828</u>
Changes in net position	<u>5,954</u>	<u>4,190</u>	<u>2,721</u>
Total net position, beginning of year	<u>102,687</u>	<u>98,497</u>	<u>95,776</u>
Total net position, end of year	<u>\$ 108,641</u>	<u>\$ 102,687</u>	<u>\$ 98,497</u>

Revenues by Source – Water Utility

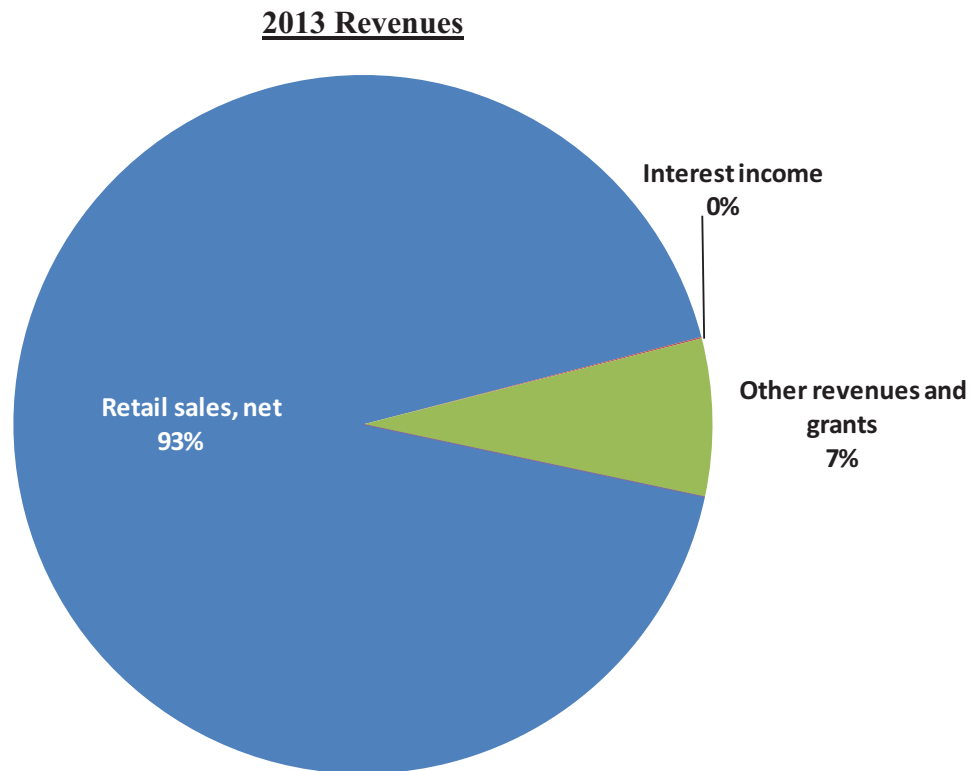
Year ended June 30, 2013

Retail sales (residential, commercial, industrial and other sales) are the primary revenue source for the Water Utility, making up 93% of total revenue. Retail sales showed an increase of 8% from the prior year reflecting a 2% reduction in the average rates charged to customers offsetting an 8% increase in retail sales volume as well as 2% increase in retail revenue from a non-recurring payment for concluding a recycled water interconnection agreement with Pasadena Water & Power.

Interest income increased to \$32 from \$0 in the prior year due to a higher cash balance in the Water Utility's investment portfolio.

Grants decreased 33% compared to the prior year reflecting a decrease in funds received for Chromium 6 research.

Historically, capital contributions represented construction projects funded primarily by retail customers. As of fiscal year ended June 30, 2013, capital contributions is included in the other revenues and grants portion of the financial statements.



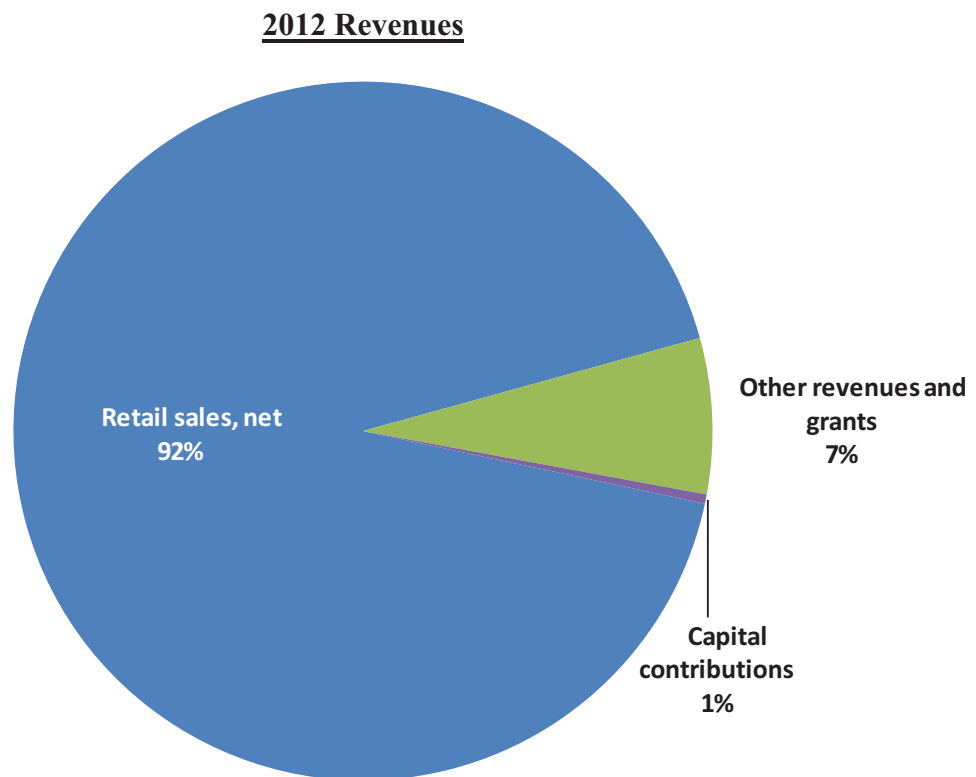
Year ended June 30, 2012

Retail sales (residential, commercial, industrial and other sales) are the primary revenue source for the Water Utility, making up 92% of total revenue. On January 1, 2012, the water adjustable rate was increased from \$1.27/HCF to \$1.54/HCF. Subsequently, On March 27, 2012, the City Council approved a water rate restructuring including a base water rate increase of 2 percent with an effective date of April 27, 2012. The water adjustable calculation was changed to collect for the cost differential of purchased water from the Metropolitan Water District, and the pumping cost for local groundwater supply. The impact of these rate changes was a 4% increase in the average rates charged to customers which, when coupled with an 8% increase in retail sales volume, resulted in a 13% increase in retail sales.

No interest income was earned in the fiscal year reflecting the zero cash balance in the Water Utility's investment portfolio.

Capital contributions decreased 65% from the prior year. The decrease reflects a reduction in the level of construction projects funded primarily by retail customers.

Grants decreased 54% compared to the prior year reflecting a decrease in grant funds received from EPA for water quality projects.



Expenses by Source – Water Utility

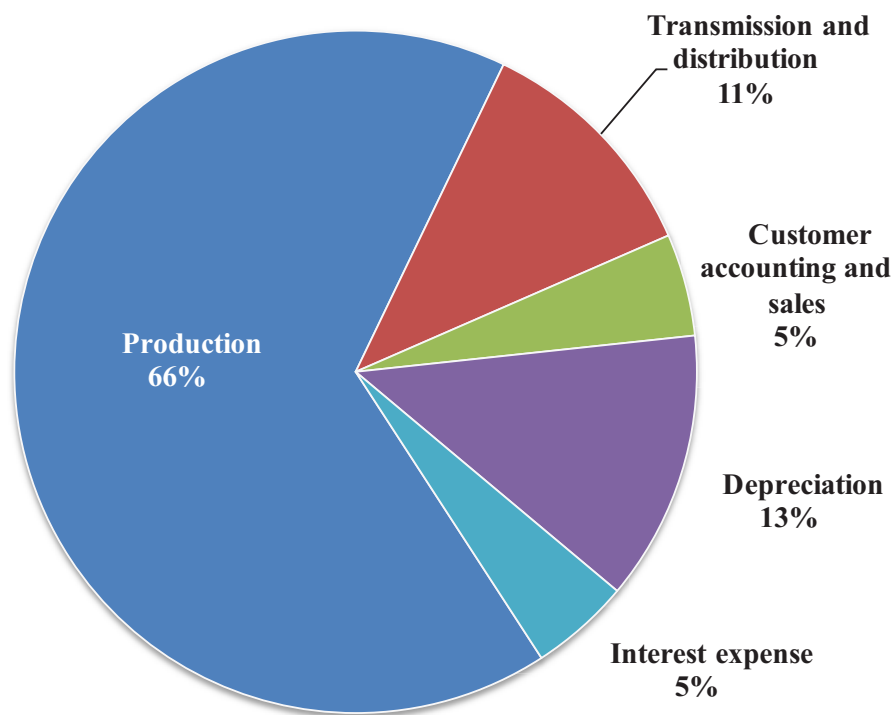
Year ended June 30, 2013

Total expenses for the Water Utility increased 4% from the prior year level. Production expenses increased 4% due to an increase in the volume and average cost of purchased water from MWD (purchased water rates increase 7% on January 1, 2013) offsetting a decrease in expenses due to a non-recurring meter write-off in the prior year. Transmission and distribution expenses were on par with the

prior year level. Customer service expenses decreased 36% from the prior year level due to a change in the administrative and general expense allocation method. The administrative and general expenses are no longer allocated to Customer service, the administrative and general expenses are allocated directly to the Water Utility's capital, operation and maintenance funds. Despite capital spending being significantly reduced in December, 2011, depreciation expense increased 19% from the prior year level due to building, infrastructure and improvements being depreciated at the beginning of the following fiscal year.

Interest on bonds increased 62% from the prior year due to interest on the Water Revenue Bonds, Series 2012.

2013 Expenses

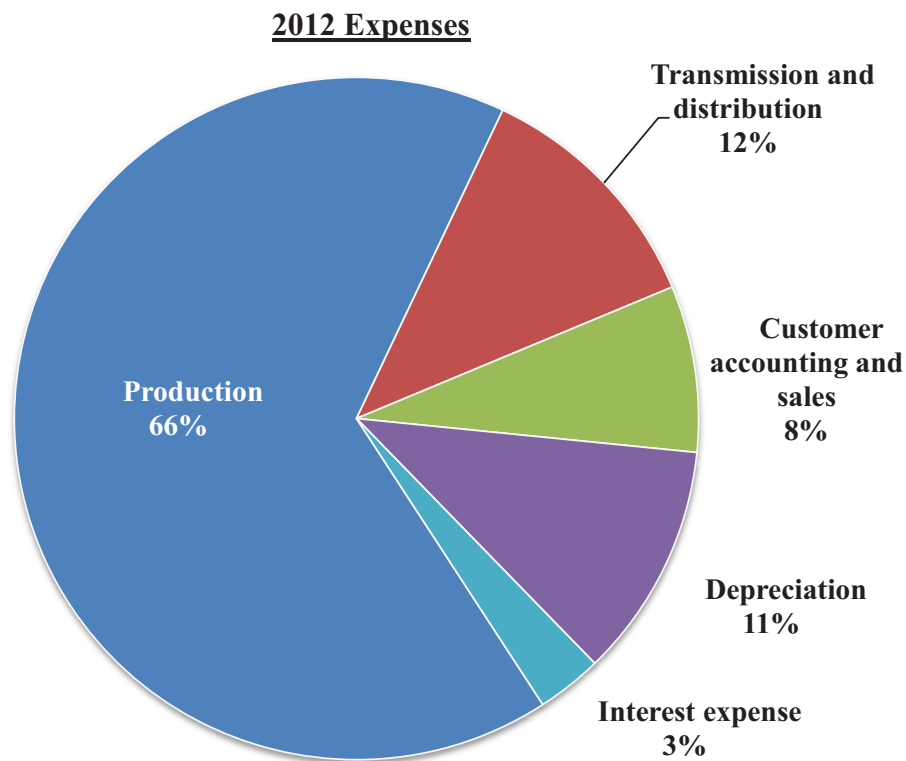


Year ended June 30, 2012

Total expenses for the Water Utility increased 14% from the prior year level. A portion of the increase is attributable to an increase in the Water Utility's cost allocation for department wide overhead and customer service expenses from the prior year. This increase in allocation, combined with an increase in the volume and average cost of purchased water from MWD (purchased water rates increased 7% on January 1, 2012), contributed to an 11% increase in production expenses from the prior year. Similarly, transmission and distribution expenses increased 86% due to the allocation increase, a reimbursement to the General Fund for damages to Gladys Drive, and a non-recurring expense associated with the retirement of old meters. Customer service expenses increased 37% due to the allocation increase. Depreciation expense was on par with the prior year level.

Interest on bonds decreased 60% from the prior year due to interest being capitalized to capital projects paid for with the Water Revenue Bonds, Series 2008.

The City Charter provides at the end of each Fiscal Year, 25% of the operating revenues of the Department for such Fiscal Year, excluding receipts from water or power supplied to other cities or utilities at wholesale rates, shall be transferred from the Public Services Surplus Fund to the City's general reserve fund of the general fund; provided, however, that the City Council, on an annual basis, may reduce or eliminate the amount to be transferred if the City Council determines that such reduction or elimination is necessary to assure the sound financial position of the Department. Beginning in fiscal year 2012, the Water System's transfer to the City's general fund was discontinued.



Capital Assets and Debt Administration

Capital Assets

The Water Utility's investment in capital assets as of June 30, 2013 and 2012 was \$174,269 and \$172,945, respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as general items such as office equipment, furniture, etc. Capital assets showed a 1% and 8% increase as of June 30, 2013 and 2012, respectively, over the prior years as the implementation of long-term infrastructure improvement programs were significantly reduced in December, 2011 until alternative funding sources are put in place. In December 2012, \$35 million in revenue bonds were issued by the Water Utility to pay for capital improvements, such as the construction and development of the Rockhaven Well, improvements to the Glorietta Well,

cleaning and lining of pipes, replacement of water mains in several locations, a new Supervisory Control and Data Acquisition system, an energy management system, an asset management system, security, pump station and water quality improvements and recycled water system improvements.

The Water Utility's capital assets as of June 30, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Production	\$ 51,426	\$ 47,013	\$ 39,795
Transmission and distribution	173,520	171,448	164,325
General	14,917	16,244	15,055
Less: accumulated depreciation	<u>(65,594)</u>	<u>(61,760)</u>	<u>(59,599)</u>
Total	<u>\$ 174,269</u>	<u>\$ 172,945</u>	<u>\$ 159,576</u>

Long-Term Debt

As of June 30, 2013, 2012 and 2011, the Water Utility had outstanding long-term debt of \$84,739, \$50,418, and \$51,657, respectively. The Water Utility's outstanding debt as of June 30 is as follows:

	2013	2012	2011
Water Revenue Bonds	\$ 83,825	\$ 50,000	\$ 50,000
Less: current portion	(1,296)	(1,240)	(64)
Unamortized bond premium	<u>2,210</u>	<u>1,658</u>	<u>1,721</u>
Total long-term debt	<u>\$ 84,739</u>	<u>\$ 50,418</u>	<u>\$ 51,657</u>

During fiscal year 2013, the Water Utility was downgraded to an "A+" credit rating from Standard & Poor's, maintained an "A+" credit rating from Fitch, Inc., and maintained an "Aa3" credit rating from Moody's Investors Service for its revenue bonds. Additional information on the Water Utility's long-term debt can be found in Note 4 on pages 25 to 27 of this report.

Economic Factors and Rates

Although inflationary trends in the Glendale region continue to remain relatively stable, the Water Utility's cost escalation is not strictly attributable to inflation. The main drivers of the cost increase relates to the drought conditions the region has been experiencing for several years, purchased water and energy costs, the need for capital investment in the water distribution system and increased costs of health care and retirement benefits.

Approximately 55% to 60% of the water demand in Glendale is met by water purchased from the Metropolitan Water District (MWD). The rest is supplied from pumping water from the local wells.

MWD increased its rates by 7% in January 2012 and by 7% in January 2013. MWD will raise its rates again by 5% in January 2014. In addition to the costs to purchase water, a large part of the total operating expense is comprised of energy for pumping water from the wells into the water distribution

system and for treatment to maintain water quality. On August 13, 2013, the City Council approved an 8% system average rate increase effective September 13, 2013. The City Council also approved electric rates to become effective July 1 of each of the 4 successive years in the amounts of 7%, 5%, 2%, and 2%.

Water supply and energy cost increases are recoverable through the Water Adjustment Charge.

A study performed by an independent consultant was completed January 31, 2012 that included a cost of service analysis, water rate restructuring as well as a four year plan for rate increases. On March 27, 2012, the City Council approved a water rate restructuring including a base water rate increase of 2 percent with an effective date of April 27, 2012. The City Council also approved water rates to become effective January 1 of each of the three successive years in the amounts of 2, 4, and 5 percent. The rate restructuring consists of greater reliance on fixed cost recovery through the monthly fixed customer charge. Under the restructured rate 30 percent of revenue will be collected through this component. Previously, the meter charge accounted for approximately 15 percent of revenue. Residential commodity charges move from three tiers to five tiers in order to more accurately represent the cost of imported water for high use customers, and to encourage conservation by high use customers. Multi-family commodity charges are adjusted to reflect the cost of service by dwelling unit rather than total demand, a more equitable calculation for multi-family consumers. Commercial and irrigation commodity charges are adjusted to a single tier for all users in order to be consistent with industry standards. As described above, the Water Adjustment Charge collects for the cost differential of purchased water from the Metropolitan Water District, and the costs associated with local groundwater supply.

The water rate redesign along with the rate increases will help alleviate the operational challenges of increasing costs of purchased water, long-term capital improvement and water quality improvement programs.

Requests for Information

This financial report is designed to provide a general overview of the Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

CITY OF GLENDALE
WATER FUND

Statements of Net Position
June 30, 2013 and 2012 (in thousands)

	<u>2013</u>	<u>2012</u> <u>(As restated)</u>
Assets		
Current assets:		
Pooled cash and investments	\$ -	\$ 1
Cash with fiscal agent	5,749	3,485
Interest receivable	24	-
Accounts receivable, net	3,325	2,624
Unbilled receivable	3,795	3,421
Due from other agencies	424	423
	<u>13,317</u>	<u>9,954</u>
Noncurrent assets:		
Restricted Cash	27,208	-
	<u>27,208</u>	<u>-</u>
Capital assets:		
Land	1,034	1,034
Buildings and improvements	60,296	60,295
Machinery and equipment	27,278	28,065
Infrastructure	126,856	125,225
Accumulated depreciation	(65,594)	(61,760)
Construction in progress	24,399	20,086
	<u>174,269</u>	<u>172,945</u>
Total noncurrent assets	<u>201,477</u>	<u>172,945</u>
Total assets	<u><u>214,794</u></u>	<u><u>182,899</u></u>
 Liabilities and Net Position		
Current liabilities:		
Accounts payable	4,352	3,493
Contracts-retained amount due	95	275
Due to other funds	12,878	22,859
Interest payable	1,799	1,155
Bonds payable, due in one year	1,296	1,240
Deposits	994	772
	<u>21,414</u>	<u>29,794</u>
Total current liabilities	<u>21,414</u>	<u>29,794</u>
Noncurrent liabilities:		
Long term debt	84,739	50,418
	<u>84,739</u>	<u>50,418</u>
Total liabilities	<u>106,153</u>	<u>80,212</u>
Net position:		
Net investment in capital assets	115,442	122,463
Unrestricted (Deficit)	(6,801)	(19,776)
	<u>108,641</u>	<u>102,687</u>
Total net position	<u><u>\$ 108,641</u></u>	<u><u>\$ 102,687</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE**WATER FUND**

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012 (As restated)
Operating revenues		
Water metered sales	\$ 39,257	\$ 38,710
Water metered sales - recycled	1,577	1,288
Water private fire	2,556	808
Water other sales	1,215	553
Miscellaneous revenues	2,600	1,878
Total operating revenues	<u>47,205</u>	<u>43,237</u>
Operating expenses:		
Production	27,978	26,881
Transmission	4,774	4,740
Customer accounting and sales	2,045	3,202
Depreciation	5,400	4,528
Total operating expenses	<u>40,197</u>	<u>39,351</u>
Operating income	<u>7,008</u>	<u>3,886</u>
Non operating revenues (expenses):		
Interest revenue	32	-
Sales of property	31	38
Grant revenue	880	1,309
Interest on Bonds	(1,997)	(1,233)
Total non operating revenues, net	<u>(1,054)</u>	<u>114</u>
Income before contributions and transfers	<u>5,954</u>	<u>4,000</u>
Contribution in aid	-	190
Change in net position	5,954	4,190
Net position at beginning of year, as restated	102,687	98,497
Net position at end of year	<u>\$ 108,641</u>	<u>\$ 102,687</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
WATER FUND

Statements of Cash Flows

Years ended June 30, 2013 and 2012 (in thousands)

	2013	2012 (As restated)
Cash flows from operating activities:		
Cash from customers	\$ 46,216	\$ 42,867
Cash paid to employees	(3,912)	(4,373)
Cash paid to suppliers	(29,984)	(32,899)
Net cash provided by operating activities	<u>12,320</u>	<u>5,595</u>
Cash flows from noncapital financing activities:		
Borrowings from (payments on) due to other funds	(9,981)	12,016
Operating grant received	880	1,309
Net cash provided (used) by noncapital financing activities	<u>(9,101)</u>	<u>13,325</u>
Cash flows from capital and related financing activities:		
Interest on long term debt	(1,353)	(1,256)
Bond principal and capital lease payments	34,377	(63)
Contribution in aid	-	190
Acquisition of property, plant, and equipment	(6,724)	(17,895)
Net cash provided (used) by capital and related financing activities	<u>26,300</u>	<u>(19,024)</u>
Cash provided (used) by investing activities - interest received	<u>(48)</u>	<u>104</u>
Net increase in cash and cash equivalents	29,471	-
Cash and cash equivalents at beginning of year	<u>3,486</u>	<u>3,486</u>
Cash and cash equivalents at end of year	<u><u>32,957</u></u>	<u><u>3,486</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>7,008</u>	<u>3,887</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,400	4,528
(Increase)Decrease Accounts receivable net	(613)	(212)
(Increase) Unbilled services	(374)	-
(Increase) Due from other agencies	(2)	(158)
Decrease Deferred charges	-	23
Increase(Decrease) Accounts payable	859	(2,061)
(Decrease) Contracts - retention	(180)	(465)
Increase Deposits	222	53
Total adjustments	<u>5,312</u>	<u>1,708</u>
Net cash provided by operating activities	<u><u>\$ 12,320</u></u>	<u><u>\$ 5,595</u></u>
Noncash investing, capital, and financing activities:		
(Decrease) in fair value of investments	(44)	(75)

The notes to the financial statements are an integral part of this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Water Enterprise Fund. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The basic accounting and reporting entity of the City is a “fund.” A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations, reserves and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City’s Water Enterprise Fund (the Fund) is used to account for the construction, operation and maintenance of the City-owned water utility. The Fund is considered to be an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Fund, where revenues are recorded when earned and expenses are recorded when incurred. The Fund is included in the City’s Comprehensive Annual Financial Report (CAFR), and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flow thereof of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pooled Cash and Investment

The Fund pools its cash with the City. The City values its cash and investments in accordance with the provisions of Government Accounting Standard Board (GASB) Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investments Pools* (GASB 31),” which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net position/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs.

Interest income from the investment of pooled cash is allocated to the Fund on a monthly basis based upon the prior month end cash balance of the Fund as a percent of the month end total pooled cash balance. The City normally holds the investment to maturity; therefore no realized gain/loss is recorded.

For purposes of statement of cash flows of the Fund, cash and cash equivalents include all pooled cash and investments, restricted cash and cash with fiscal agents with an original maturity of three months or less. The City considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Capital Assets

The Fund’s capital assets include land, building, improvements and equipment that are reported in the Fund’s financial statements. The Fund follows the City’s asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of \$5 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the City by independent contractors, are recorded at actual installation cost to the donor. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives

are not capitalized. For fiscal year ended June 30, 2013 and 2012, the total interest capitalized is \$882 and \$990, respectively.

A summary of the useful lives of the capital assets of the Fund is as follows:

Assets	Years
Building and Improvements	10-50
General Structure & Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	6-10
Passenger Cars, Pickup	6
Cargo Vans	7
Dump/Tractor/Trailer Trucks	10
Infrastructure	20-75
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs & Tunnels & Potable-Hydrants	40
Potable-Mains	75

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period when the debt is issued.

Compensated Absences

The Fund records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Fund also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds. The Fund records expenses as the benefit is earned and probable of being paid out.

For additional details on the Compensated Absences, please refer to the City of Glendale Comprehensive Annual Report.

Post-Employment Benefits

The Fund participates in the City's Retiree Healthcare Plan which is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established by and may be amended by the City. The City does not have a separate audited GAAP-basis postemployment benefit plan report for this defined benefit plan. No separate obligations are calculated for the Fund, and no obligation is presented herein. The City's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. This pay-as-you-go method is recorded in the Fund based on the Fund's share of current employees to total city employees. For fiscal year 2013 and 2012, the City's contribution in benefit payments was \$2,657 and \$2,545, respectively.

For additional details on the Post-Employment Benefit, please refer to the City of Glendale Comprehensive Annual Report.

Accounts Receivable

The Fund records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities & government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. As of June 30, 2013 and 2012, the Fund's allowance for doubtful accounts were \$35 and \$58, respectively.

Unbilled Receivable

The Fund records revenues for utility services delivered to customers but not billed. As of June 30, 2013 and 2012, the Fund's unbilled receivables were \$3,795 and \$3,421, respectively.

Due to/from Other Funds

These accounts are used when a fund has a temporary cash overdraft. It is also used to record receivables for advances made to other funds of the City. As of June 30, 2013 and 2012, the Fund's due to other funds were \$12,878 and \$22,859, respectively.

Deposits

The Fund requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Fund to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Fund. As of June 30, 2013 and 2012, the Fund's deposits were \$994 and \$772, respectively.

Contracts - Retained Amount Due

The Fund withholds 10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2013 and 2012, the Fund's contracts – retained amount due were \$95 and \$275, respectively.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fund first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues are recognized for water services provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Water Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget in June each year via a resolution.

Pronouncements Issued but Not yet Adopted

GASB issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Fund, except that GASB Statement No. 68 and No. 71 will have an effect on the Fund's net position:

- Governmental Accounting Standards Board Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*
- Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.*
- GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Implementation of Pronouncement

The Fund has adopted and implemented the following GASB Statements during the year ended June 30, 2013:

- Governmental Accounting Standards Board Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements.*
- Governmental Accounting Standards Board Statement No. 61 – *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34.*
- Governmental Accounting Standards Board Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
- Governmental Accounting Standards Board Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

- Governmental Accounting Standards Board Statement No. 65 – *Items Previously Reported as Assets and Liabilities.*

The implementation of GASB Statements No. 60, No. 61 and No. 62 did not impact the financial statements of the Fund during the year ended June 30, 2013 and 2012.

The implementation of GASB Statements No. 63 impacted certain terminology used but did not have an impact on the net position at June 30, 2013 or 2012, or the change in net position during the years then ended.

The implementation of GASB Statement No. 65 impacted the Fund's net position as of June 30, 2012 and 2011, and the change in net position during the fiscal year ended June 30, 2012. Refer to Note 7 for further disclosures on the financial statement impact of the implementation of GASB Statement No. 65.

Deferred Outflows and Inflows of Resources

In FY 2012-13, the Fund implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and their effects on the Fund's net position. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. The Fund only has one item, deferred loss on debt refunding, which qualifies for reporting in this category in the statements of net position.

Reclassification

Certain reclassifications have been made to the 2012 financial information in order to conform to the 2013 presentation. These reclassifications had no impact on the Fund's net position or change in net position.

2. Pooled Cash and Investments

Cash resources of the Fund are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Fund on a monthly basis, based upon the month-end cash balance

of the fund as a percent of the month-end total pooled cash balance. Of this total pooled cash and investment, \$0 and \$1 pertains to the Fund for fiscal year 2013 and 2012, respectively. Pooled cash and investments are stated at the fair value.

Cash and investments pool at fiscal year end consist of the following:

	2013	2012
Pooled cash and investments	\$ -	\$ 1
Cash with fiscal agents	5,749	3,485
Restricted cash	27,208	-
Total	\$ 32,957	\$ 3,486

For additional details on the City investment pool including disclosure relating to interest rate risk, credit risk, custodial credit risk, and investment in state investment pool, please refer to the City of Glendale Comprehensive Annual Report.

Restricted Cash

A separate fund in the City Treasury is established to deposit the proceeds of the Water Revenue Bonds, 2012 Series and is to be called the Series 2012 Construction Fund. As of June 30, 2013 and 2012 there is \$27,208 and \$0 recorded. The amounts set aside in this account shall remain therein until from time to time expended for the projects and purposes of paying for the costs of acquisition and construction of certain improvements to the Water System of the City. Any remaining unspent bond proceeds once the purposes of the Water Revenue Bonds, 2012 Series are accomplished will be transferred into the Parity Obligation Payment Fund, held with bond fiscal agent.

Cash with Fiscal Agent

The Fund has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances are generally more restrictive than the City’s general investment policy.

As of June 30, 2013, the Fund had \$5,749 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	Fair Value	Maturity	Rating as of Year End
Treasury Notes	5,749	Less than 1 yr	Aaa

As of June 30, 2012, the Fund had \$3,485 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	Fair Value	Maturity	Rating as of Year End
Treasury Notes	3,485	Less than 1 yr	AAA

3. Capital Assets

A summary of the changes in Water Fund 2012 - 2013 Capital Assets is as follows:

	Balance at June 30, 2012	Increases	Decreases	Reclass/Transfers	Balance at June 30, 2013
Capital assets not being depreciated/depleted:					
Land	\$ 1,034	-	-	-	1,034
Construction in progress	20,086	4,444	(131)	-	24,399
Total assets not being depreciated/depleted	21,120	4,444	(131)	-	25,433
Depreciable capital assets:					
Building and improvements	60,295	1	-	-	60,296
Infrastructure	125,225	1,632	-	-	126,857
Machinery and equipment	28,065	803	(1,562)	(29)	27,277
Total other capital assets at cost	213,585	2,436	(1,562)	(29)	214,430
Less accumulated depreciation:					
Building and improvements	11,843	562	-	-	12,405
Infrastructure	35,264	4,012	-	-	39,276
Machinery and equipment	14,653	826	(1,537)	(29)	13,913
Total accumulated depreciation	61,760	5,400	(1,537)	(29)	65,594
Total assets being depreciated	151,825	(2,964)	(25)	-	148,836
Water Fund capital assets, net	\$ 172,945	1,480	(156)	-	174,269

A summary of the changes in Water Fund 2011 - 2012 Capital Assets is as follows:

	Balance at June 30, 2011	Increases	Decreases	Reclass	Balance at June 30, 2012
Capital assets not being depreciated/depleted:					
Land	\$ 1,034	-	-		1,034
Construction in progress	42,037	8,789	-	(30,740)	20,086
Total assets not being depreciated/depleted	43,071	8,789	-	(30,740)	21,120
Depreciable capital assets:					
Building and improvements	24,866	870	-	34,559	60,295
Infrastructure	126,489	7,132	-	(8,396)	125,225
Machinery and equipment	24,749	1,551	(2,812)	4,577	28,065
Total other capital assets at cost	176,104	9,553	(2,812)	30,740	213,585
Less accumulated depreciation:					
Building and improvements	8,415	1,489	-	1,939	11,843
Infrastructure	42,808	991	-	(8,535)	35,264
Machinery and equipment	8,376	2,047	(2,366)	6,596	14,653
Total accumulated depreciation	59,599	4,527	(2,366)	-	61,760
Total assets being depreciated	116,505	5,026	(446)	30,740	151,825
Water Fund capital assets, net	\$ 159,576	13,815	(446)	-	172,945

4. Long-Term Debt

The Water Utility's long-term debt as of June 30, 2013 and 2012 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2013	Outstanding June 30, 2012
Water Revenue Bonds, 2008 Series	2.95%-5.00%	\$50,000	\$48,825	\$50,000
Water Revenue Bonds, 2012 Series	2.75%-5.00%	\$35,000	\$35,000	\$0

Water Revenue Bonds, 2008 Series

The Water Utility of Glendale Water & Power issued \$50,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Water System of the City.

The terms of the 2008 Water Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$3,485.

The bonds mature in regularly increasing amounts ranging from \$1,210 to \$3,060 annually from 2014 to 2038. The 2008 Bonds maturing on or prior to February 1, 2018 are not subject to redemption prior to maturity. The 2008 bonds maturing on and after February 1, 2019 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2018, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2008 Bonds to be redeemed, together with accrued interest to the redemption date.

Water Revenue Bonds, 2012 Series

The Water Utility of Glendale Water & Power issued \$35,000 in revenue bonds in December 2012 to finance the costs of acquisition and construction of certain improvements to the Water System of the City.

The terms of the 2012 Water Revenue Bonds' (2012 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,636.

The bonds mature in regularly increasing amounts ranging from \$415 to \$4,945 annually from 2018 to 2042. The 2012 Bonds maturing on or prior to February 1, 2022 are not subject to redemption prior to maturity. The 2012 bonds maturing on and after February 1, 2023 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on August 1, 2022, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2012 Bonds to be redeemed, together with accrued interest to the redemption date.

June 30, 2013	Amount outstanding at			Amount outstanding at June 30, 2013	Due within one year
	June 30, 2012	Additions	Retirements		
Water Revenue Bonds, 2008 Series	\$ 50,000	-	1,175	48,825	1,210
Water Revenue Bonds, 2012 Series	-	35,000	-	35,000	-
Bond Premium	1,658	628	76	2,210	86
Total bonds payable	\$ 51,658	35,628	1,251	86,035	1,296

June 30, 2012	Amount outstanding at			Amount outstanding at June 30, 2012	Due within one year
	June 30, 2011	Additions	Retirements		
Water Revenue Bonds, 2008 Series	\$ 50,000	-	-	50,000	1,175
Bond Premium	1,721	-	63	1,658	65
Total bonds payable	\$ 51,721	-	63	51,658	1,240

The annual debt service requirements to amortize long-term bonded debt at June 30, 2013 are as follows:

Fiscal year	Revenue Bonds		
	Interest	Principal	Total
2014	\$ 3,658	1,210	4,868
2015	3,463	1,245	4,708
2016	3,427	1,285	4,712
2017	3,387	1,325	4,712
2018	3,334	1,785	5,119
2019-2023	15,395	10,200	25,595
2024-2028	12,877	12,710	25,587
2029-2033	9,871	15,720	25,591
2034-2038	6,050	19,545	25,595
2039-2042	1,673	18,800	20,473
	<u>\$ 63,135</u>	<u>83,825</u>	<u>146,960</u>

Rate Covenants

The City has covenanted in the Indenture of Trust that Net Income of the Water System for each fiscal year will be at least equal to 1.25 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such fiscal year. The Fund is in compliance with this requirement.

5. Pension Plan

Full-time employees of the Fund participate with other City employees in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Fund's contributions represent a pro rata share of the City's contribution, including the employees' contribution that is paid by the Fund, which is based on PERS's actuarial determination as of July 1 of the current fiscal year. Approximately 3% of full-time City workers are employed by the Fund.

PERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Fund's share of the actuarial computed pension benefit obligation, the plan's net assets available for benefit obligation and the plan's net assets available for benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Annual Pension Cost

Glendale *Water & Power* annual pension costs are as follows:

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011:	\$ 3,418	100%	\$0
6/30/2012:	\$ 5,023	100%	\$0
6/30/2013:	\$ 4,232	100%	\$0

For additional details on the pension benefits, please refer to the City of Glendale Comprehensive Annual Report.

6. Self-Insurance Program

The Fund is covered by the City's unemployment and workers' compensation insurance. For purposes of general liability, the Fund is self-insured through the City's self-insurance program which is accounted for in the Internal Service Fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2012-13 is as follows:

Insurance Type	Program Limits	Deductible /SIR (self insured retention)
Excess Liability Insurance	\$20,000	\$2,000 SIR per occurrence
D & O Employment Practices	\$2,000	\$250 SIR non-safety; \$500 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	\$2,000 SIR per occurrence
Property Insurance	\$250,000	Various deductibles up to \$250
Employee Dishonesty – Crime Policy	\$1,000	\$10

The Fund is charged a premium and the Internal Service Funds recognized the corresponding revenue. The Fund is not liable for amounts other than the premiums. Claims expenses are recorded in the Internal Service Funds. Premiums are evaluated periodically and increases are charged to the Fund to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2013 and 2012, premium charged by the Internal Service Funds for Glendale *Water & Power* were \$1,442 and \$1,733, respectively.

For additional details on the self-insurance program, please refer to the City of Glendale Comprehensive Annual Report.

7. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is reported as unrestricted when there are no limitations imposed on their use.

Implementation of new GASB and effect on Net Position

During the year ended June 30, 2013, the Fund implemented GASB Statement No. 65. As a result, the cumulative effect on beginning net position and the change in net position, as well as certain asset accounts and operating accounts, have been restated from previously issued financial statements to reflect the Fund's write off of unamortized issuance costs. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources to ensure consistency in financial reporting

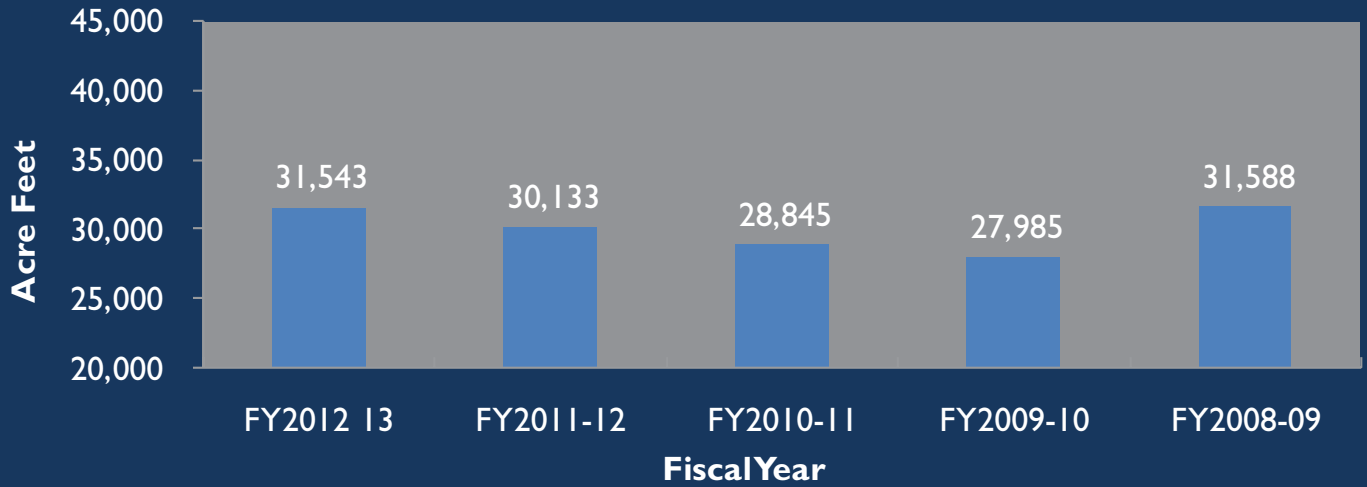
The effect on the Fund's previously issued June 30, 2012 financial statements is summarized as follows:

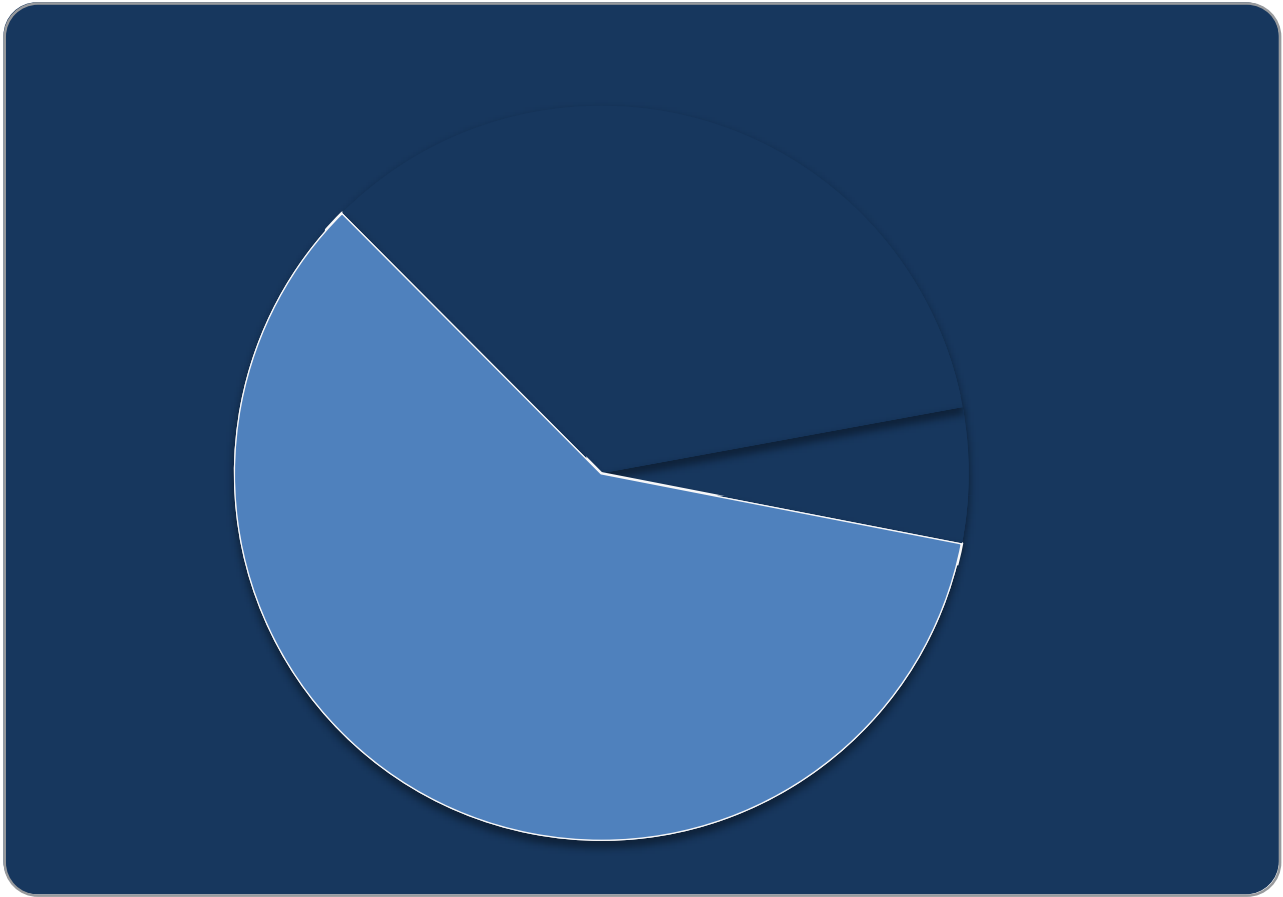
Statement of Net Position	Previously Reported Balance as of June 30, 2012	Decrease	Balance as Restated as of June 30, 2012
Deferred charges	\$585	(\$585)	\$0
Total assets	\$183,484	(\$585)	\$182,899
Ending net position	\$103,272	(\$585)	\$102,687

Statement of Revenues, Expenses and Changes in Net Position	Previously Reported Balance for the Year Ended June 30, 2012	Increase (decrease)	Balance as Restated for the Year Ended June 30, 2012
Interest on Bonds	\$1,256	(\$23)	\$1,233
Change in net position	\$4,167	\$23	\$4,190
Beg net position as of 6/30/11	\$99,105	(\$608)	\$98,497
Net position – end of year	\$103,272	(\$585)	\$102,687

WATER SUPPLY (ACRE-FEET)	FY2012-13	FY2011-12	FY2010-11	FY2009-10	FY2008-09
Metropolitan Water District	18,761	17,319	16,959	16,535	20,873
Percent of Total Water Supply	59.5%	57.5%	58.8%	59.1%	66.1%
Local Groundwater	10,910	11,355	10,461	9,788	9,108
Percent of Total Water Supply	34.6%	37.7%	36.3%	35.0%	28.8%
Recycled Water	1,873	1,459	1,425	1,662	1,607
Percent of Total Water Supply	5.9%	4.8%	4.9%	5.9%	5.1%
Total Water Supply	31,543	30,133	28,845	27,985	31,588
Capacity (Gallons per Minute)					
From Metropolitan Water District	11,631	10,737	10,514	10,251	12,941
From Water System Wells, Average	1,043	1,252	1,007	1,239	1,019
Treatment Plant Capacity	4,419	4,753	4,702	4,884	4,705
Peak Day Distribution (Millions of Gallons)	36	40	44	44	48

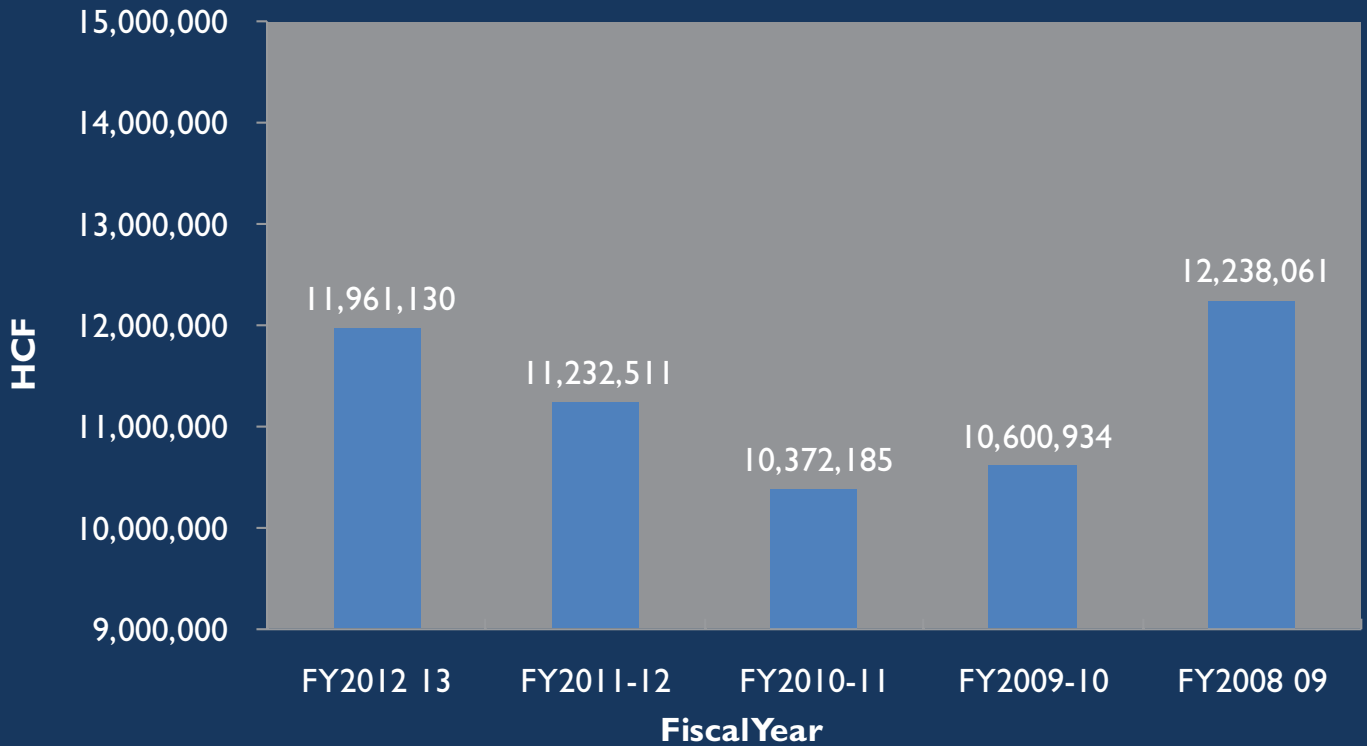
Total Water Supply (Acre Feet)





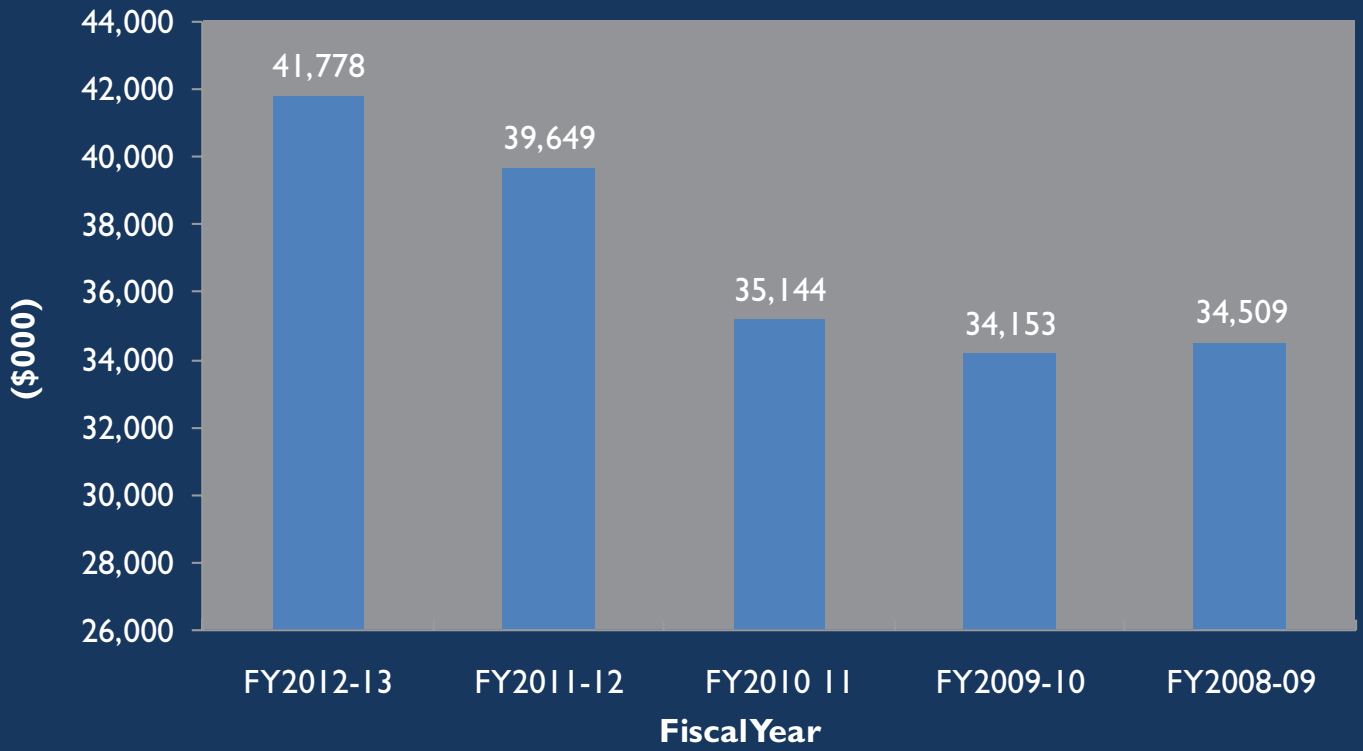
Water Use	FY2012-13	FY2011-12	FY2010-11	FY2009-10	FY2008-09
Average Number of Meters					
Residential	29,529	29,504	29,245	29,366	29,292
Commercial	4,414	3,652	3,556	3,568	3,547
Industrial	159	159	163	162	158
Other	444	429	410	413	410
Total Meters All Classes	34,546	33,744	33,374	33,509	33,407
Units of Water Sold (Hundred Cubic Feet)					
Retail Sale of Water					
Residential	9,601,126	9,120,049	8,365,671	8,513,840	9,873,636
Commercial	2,063,600	1,829,733	1,734,826	1,875,754	2,148,767
Industrial	296,404	282,729	271,688	211,341	215,658
Total Retail Sale of Water	11,961,130	11,232,511	10,372,185	10,600,934	12,238,061
Other	672,412	445,603	429,081	501,953	596,912
Total Units of Water Sold	12,633,542	11,678,114	10,801,266	11,102,887	12,834,973

Retail Sale of Water (HCF)

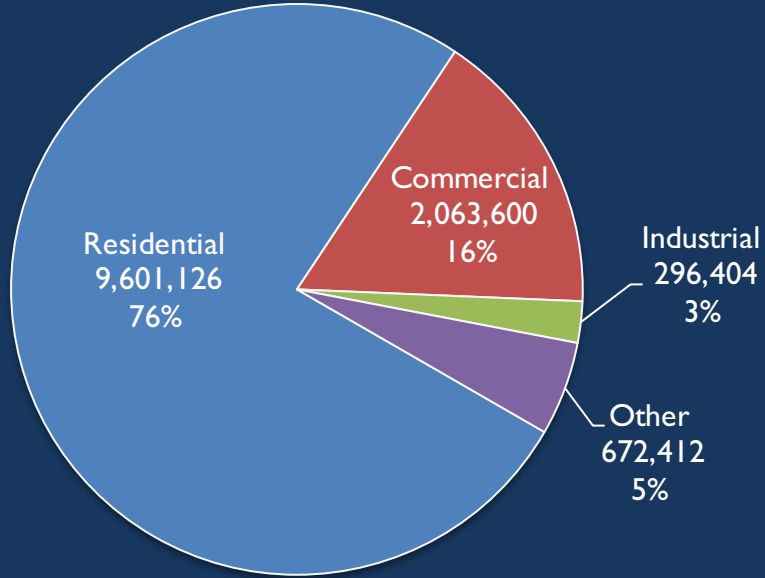


REVENUES (\$000)	FY2012-13	FY2011-12	FY2010-11	FY2009-10	FY2008-09
Retail Sale of Water					
Residential	\$ 31,825	\$ 31,612	\$ 28,096	\$ 27,230	\$ 27,652
Commercial	8,738	6,961	6,118	6,216	6,221
Industrial	1,215	1,076	930	707	636
Total Retail Sale of Water	41,778	39,649	35,144	34,153	34,509
Other	2,827	1,710	1,492	1,563	1,559
Total Revenue from the Sale of Water	\$ 44,605	\$ 41,359	\$ 36,636	\$ 35,716	\$ 36,068

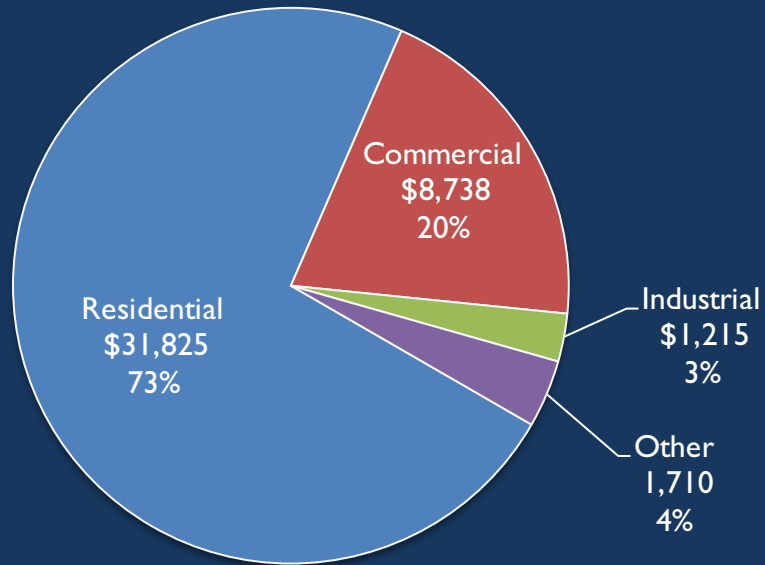
Retail Sale of Water (\$000)



**FY2012-13: Units of Water Sold
(Hundred Cubic Feet)**



**FY2012-13: Revenue from the Sale of Water
(\$000)**



Water Utility Facts	FY2012-13	FY2011-12	FY2010-11	FY2009-10	FY2008-09	Units
Glendale Population Served	193,652	192,654	192,473	207,902	207,303	
Average Daily Sales per Capita, (Gallons)	122	110	109	107	136	
Water Distribution System						
Pumping Plants	28	28	28	28	28	Station
Total Water Storage Capacity (30 Reservoirs and Tanks)	184	184	184	185	185	Million Gallons
Chlorination Facilities	13	13	13	13	13	
Mains	397	397	397	397	397	Miles
Gate Valves	9,646	9,130	9,130	9,130	9,091	
Meters	33,786	33,719	33,365	33,365	33,168	
Firelines	1,060	302	289	301	301	
Fire Hydrants	3,146	3,134	3,134	3,133	3,072	
Pressure Zones	7	7	7	7	7	Zones
Wells:						
San Fernando Basin	8	8	8	8	8	
Verdugo Basin	6	6	6	5	5	Plus Pickup Facility
Water Treatment Plants						
Verdugo Park Water Treatment Plant	2	2	2	2	2	MGD
Glendale Water Treatment Plant	7	7	7	7	7	MGD
Recycled Water Distribution System						
Pumping Plants	6	6	6	6	6	Stations
Total Water Storage Capacity (5 Reservoirs)	1.1	1.1	1.1	1.1	1.1	Million Gallons
Mains	22	22	21	21	21	Miles
Operating Margin	9.9%	4.9%	11.0%	9.4%	11.2%	

WATER UTILITY - Class Trends (Overview)		Residential							
Revenue from the sale of water (\$000)									
Year ended June 30 -									
2013	\$	31,825							
2012		31,612							
Increase (decrease)	\$	213							
Percent increase ()		0.7%							
Units of water sold (hundred cubic feet)									
Year ended June 30 -									
2013		9,601,126							
2012		9,120,049							
Increase (decrease)		481,077							
Percent increase ()		5.3%							
Average number of meters									
Year ended June 30 -									
2013		29,529							
2012		29,504							
Increase (decrease)		25							
Percent increase ()		0.1%							

WATER UTILITY - Class Trends Unit Cost		Residential	Commercial	Industrial	Recycled	Other Fireline	Outside	Subtotal	Other Contracts	Total
Average billing price per hundred cubic feet										
Year ended June 30 -										
2013	\$	3.31	\$ 4.23	\$ 4.10	\$ 2.00	\$ 2,213.79	\$ 4.18	\$ 3.43	#N/A	\$ 3.43
2012	\$	3.47	\$ 3.80	\$ 3.81	\$ 2.49	\$ 589.57	\$ 3.87	\$ 3.49	#N/A	\$ 3.49
Increase (decrease)	\$	(0.15)	\$ 0.43	\$ 0.29	\$ (0.49)	\$ 1,624.22	\$ 0.31	\$ (0.06)	#N/A	\$ (0.06)
Percent increase ()		4.4%	11.3%	7.7%	19.7%	275.5%	8.0%	1.7%	#N/A	1.7%

WATER UTILITY - Class Trends Usage by Meter		Residential	Commercial	Industrial	Recycled	Other Fireline	Outside	Subtotal	Other Contracts	Total
Average annual use by meter, hundred cubic feet										
Year ended June 30 -										
2013		325	562	1,864	8,529	0	139	366	#N/A	366
2012		309	501	1,778	5,764	0	147	346	#N/A	346
Increase (decrease)		16	61	86	2,765	(0)	(8)	20	#N/A	20
Percent increase ()		5.2%	12.3%	4.8%	48.0%	48.3%	5.7%	5.7%	#N/A	5.7%