

CITY OF GLENDALE
Notes to the Financial Statements
Fiscal Year Ended June 30, 2015

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(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the financial results of the City of Glendale, California (the City) and its component units as required by accounting principles generally accepted in the United States of America. Component units are legally separate entities for which the primary government is financially accountable. The City has three component units: the Glendale Housing Authority (the Authority), the City of Glendale Financing Authority (the Financing Authority), and the Glendale Economic Development Corporation (the Corporation). The City Council serves as the Board of the Housing Authority, the Financing Authority and the Glendale Economic Development Corporation. Management of the City has operational responsibility for the Authority, the Financing Authority and the Corporation as these component units are managed in an essentially the same manner as other City departments. In addition, the Financing Authority provides financial services entirely to the City. Therefore, these entities are reported as blended component units within the City's comprehensive annual financial report (CAFR). Both the City and its blended component units have a June 30 year-end.

Component Units

The Housing Authority was established by the Glendale City Council in 1975. The Authority is responsible for the administration of Department of Housing and Urban Development (HUD) funded Housing Choice Voucher rental assistance program (often called "Section 8"), which is funded annually. The Housing Authority also administers 4 other affordable housing program funds on behalf of the City including the HUD HOME entitlement grant, the HUD Supportive Housing grant, the HUD Shelter Plus Care grant, the Low Moderate Income Housing Asset Fund (former 20% Redevelopment Set Aside funds program income dollars), and the state funded BEGIN grant for First Time Home Buyers in the Doran Gardens homeownership development. The Housing Authority's mission is to provide decent, safe and sanitary dwellings for low to moderate income families, to preserve existing affordable housing, and to increase the supply and quality of new affordable housing. The Authority's financial data and transactions are included within the special revenue funds; no separate financial report is issued for the Authority.

The Financing Authority was established on December 7, 1999 by a joint powers authority between the City of Glendale and the Glendale Redevelopment Agency. The stated purpose was to provide financial assistance to the City of Glendale in connection with the construction and improvement of a Police Services Building located at west side of Isabel Street between Wilson and Broadway in the City of Glendale. On July 11, 2000, the Financing Authority issued \$64,200 in variable rate demand certificates of participation for the construction of the Police Services Building. The Financing Authority's financial data and transactions are included within the debt service funds; no separate financial report is issued for the Financing Authority.

The Glendale Economic Development Corporation, formed in July 2014, is tasked with implementing the City's economic development program. It provides physical, economic and educational development, redevelopment, and revitalization efforts within the City of Glendale. These efforts will assist and support the City in the expansion of job opportunities; stimulation of economic development; contribute to the physical improvement of the City; and to implement, assist and support the City in development activities and programs that will lessen neighborhood tensions, and combat community deterioration. The overarching objectives of the Glendale Economic Development Corporation is to further expand business opportunities, increase employment and foster economic prosperity for businesses and residents alike. As of June 30, 2015, there are no financial transactions to be reported and no separate financial report is issued for the Corporation.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City except for the fiduciary fund. The effect of inter-fund activity has been removed from these statements except for the inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Effective February 1, 2012, due to AB 1x 26, - the dissolution of Redevelopment Agencies throughout California, the activities of the dissolved Glendale Redevelopment Agency are recorded in the Glendale Successor Agency Private Purpose Trust Fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to

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customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and the fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, 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 comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures or expenses, as appropriate. The City reports a total of 64 funds comprised of the General Fund, 1 fiduciary fund, 32 special revenue funds, 1 debt service funds, 7 capital project funds, 8 enterprise funds and 14 internal service funds.

Effective June 30, 2015, Recreation Fund, Hazardous Disposal Fund and Parking Fund are reclassified as special revenue funds from enterprise funds per Council approval in June 2015. The three funds' activities are presented in enterprise funds during the current fiscal year, and assets and deferred outflows of resources, liabilities and deferred inflows of resources, and equities have been transferred from enterprise fund type to special revenue fund type and governmental activities as of June 30, 2015.

Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and deferred outflows, liabilities and deferred inflows, is fund balance.

The following comprise the City's major governmental funds:

General Fund: Used to account for all financial resources, except those required to be accounted for in another fund.

Housing Assistance Special Revenue Fund: Used to account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.

Capital Improvement Capital Project Fund: Used to account for financial resources used for major capital projects of the general government operations. The City has categorized the capital improvement fund as a major fund for public interest reasons. The City believes that this judgmentally determined major fund is particularly important to the financial statements users.

Other governmental funds consist of debt service funds which are used to account for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on long-term debt of the City of Glendale, special revenue funds which account for revenue derived from specific sources as required by law or regulation, and capital projects funds which are used to account for financial resources used for the acquisition of major capital facilities other than those financed by special revenue and proprietary funds.

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Proprietary Fund Types

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

Enterprise funds are used to finance and account for the acquisition, operation and maintenance of the City's facilities and services which are supported primarily by user charges. The following comprise the City's major enterprise funds:

Sewer Fund – Used to account for operations and maintenance of the sewer system. This service is primarily contracted with the City of Los Angeles.

Electric Fund – Used to account for the operations of the City-owned electric utility services.

Water Fund – Used to account for the operations of the City-owned water utility services.

Other nonmajor enterprise funds consist of Recreation, Hazardous Disposal, Parking, Refuse Disposal and Fire Communication Funds. Recreation Fund mainly accounts for the recreation programs of the Parks, Recreation and Community Services department on a user fee basis. Hazardous Disposal Fund is for the operations of the toxic waste disposal of the City. Parking Fund accounts for operations of City-owned public parking lots and garages. Refuse Disposal Fund is for operations of the City-owned refuse collection and disposal services. Fire Communication Fund is for monies received and expended, as the lead City, for the tri-city (Burbank, Glendale and Pasadena) fire communication operations.

Additionally, internal service funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

Fiduciary Fund Type

Fiduciary fund is used to account for resources held for the benefit of parties outside the City. The City maintains one fiduciary fund – Glendale Successor Agency Private Purpose Trust Fund.

Since the resources of the fiduciary fund are not available to support the City's own programs, it is not reflected in the City's Government-wide financial statements. The accounting used for fiduciary fund is based on the economic measurement focus and the accrual basis of accounting.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for the sales tax, landfill host assessment and landfill loyalty tipping fee collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, Other Post Employment Benefits (OPEB), claims and judgments, are recorded only when payment is due.

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Intergovernmental revenues are recognized in the period when all eligibility requirements imposed by the provider are met, and amounts are available.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

All property taxes are collected and allocated by the County of Los Angeles to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property as July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on March 1. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year for governmental funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance or Net Position

Cash and Investments

The City combines the cash and investments of all funds into a pool except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's portion of the pooled cash and investments are displayed on the governmental funds' balance sheets, the proprietary funds' statement of net position or the fiduciary fund's statement of net position.

The City values its cash and investments at fair value in the statement of net position and recognizes 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, adopted by the City Council, and follow 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 pooled cash and investments is allocated to all funds, except the capital improvement funds, on a monthly basis based upon the prior month end cash balance of the fund and as a percentage of the month end total pooled cash balance.

For purposes of statement of cash flows of the proprietary fund types, 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 account where funds may be withdrawn and deposited at any time without prior notice or penalty.

Investment-gas/electric commodity represents the City's implementation of a program to purchase and sell options (calls and puts) in natural gas futures contracts at strike prices. These transactions allow the City to stabilize the ultimate purchase price of natural gas for the City's power plant. They, and other transactions, also give the City the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value.

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Designated Cash and Investments

The cash reserve policies for the Electric Fund and Water Fund were adopted by the City Council in 2003, and subsequently revised in 2006 in order to ensure a long-term sustainable financial health for electric and water operations. Its provisions call for an annual review of the cash reserves to determine if the recommended levels are sufficient. The currently approved cash reserve levels are \$124,100 for the Electric Fund and \$11,300 for the Water Fund as adopted by the City Council on August 29, 2006. The annual review of the Electric Fund's cash reserve policy for fiscal year ending June 30, 2015, established a target of \$66,400 of designated cash in the following categories: \$40,400 for contingency reserve; \$10,000 for rate stabilization reserve; \$16,000 for reserve for gas reserve project; and \$0 for operating reserve. As of June 30, 2015, \$41,900 was designated for the Electric Fund with the goal of meeting the remaining balance of \$24,500 with future available cash. The annual review of the Water Fund's cash reserve policy for fiscal year ending June 30, 2015, established a target of \$7,500 of designated cash in the following categories: \$6,500 for contingency reserve; \$1,000 for rate stabilization reserve; and \$0 for operating reserve. As of June 30, 2015, no reserve was designated for the Water Fund with the goal of meeting the target of \$7,500 with future available cash.

The designated cash of \$25,850 in Landfill Postclosure capital project fund is for the postclosure maintenance cost of Scholl Canyon landfill.

Restricted Cash

The restricted cash balance includes unspent bond proceeds of the 2013 Electric Revenue Bonds and the 2012 Water Revenue Bonds as well as the environmental compliance funds mandated by South Coast Air Quality Management District (SCAQMD). In the Electric Surplus Fund, the SCAQMD restricted cash is for the environmental projects that comply with reductions in nitrogen oxides for the utility boilers and the gas turbines and in the Electric – SCAQMD State Sales Fund, the restricted cash is for the environmental projects that reduce emission and improve public health in Glendale.

Receivables

Interest Receivable - The City accrues interest earned but not received.

Accounts Receivables – These are comprised primarily of revenues that have been earned but not yet received by the City as of June 30 from individual customers, private entities and government agencies. In addition, this account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures/expenses incurred but not yet reimbursed by the grantors. Also, property taxes earned but not received from the County of Los Angeles as of June 30 and unbilled services for utility and other services delivered to customers but not billed as of June 30, are included in this account. Management determines the allowance for doubtful accounts by evaluating individual customer accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non utility accounts receivable, delinquent notices for 30 days are sent out to customers with outstanding balances. After 60 days, accounts still outstanding are forwarded to a collection company.

Housing Loans Receivable – The Housing Authority uses Community Development Block Grant (CDBG grant), HOME grant, Low and Moderate Income Housing Asset Fund (LMIHA) program income and Building Equity and Growth in Neighborhoods Grant (BEGIN grant) funds to make various loans to create and maintain affordable housing for low and moderate income people. Certain Housing Authority loans will be forgiven or restructured when all requirements are met. Because of the uncertainty of collectability, the City has established a policy to not record forgivable and contingent loans on the financial statements. The non-forgivable loans are recorded on the financial statements. See Note 4 for more information.

Inter-fund Transactions

Inter-fund services provided and used would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues (seller funds) and expenditures or expenses (purchaser funds) in the funds involved. For the fiscal year ended June 30, 2015, the General Fund recorded \$16,577 as inter-fund revenue for general government services provided to other funds.

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Due to/from Other Funds are used when a fund has a temporary cash overdraft. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transfers in/out are budgetary authorized exchanges of cash between funds.

Inventories and Prepaid Items

Inventories, consisting primarily of construction and maintenance materials as well as tools held by the Electric and Water enterprise funds are stated at lower of cost or market, using the weighted average cost method or disposal value. Inventory shown in the General Fund consists of expendable supplies held for consumption. The consumption method of accounting is used where inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method, such as insurance, energy purchases, rent, etc.

Capital Assets

Capital assets including land, buildings, improvements, equipment and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights and etc), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the respective proprietary fund financial statements. 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund, special revenue and capital project funds and as assets in the government-wide financial statements to the extent the City’s capitalization is met. Interest incurred during the construction phase of capital assets of business-type activities 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. Interest costs are capitalized as part of the historical cost of acquiring certain assets. Interest costs capitalized in the Electric and Water Funds for the fiscal year ended June 30, 2015 are as follows:

		Capitalized Interest	Total Interest Incurred
Electric Fund	\$	239	7,561
Water Fund		490	3,361

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Building and improvements, infrastructure and equipment assets are depreciated using the straight-line depreciation at the beginning of the following fiscal year over the following estimated useful lives:

Assets	Years
Building and Improvements	
General Structure & Parking Lot Landscaping Improvements	10
Building and Parking Lot Improvements	20
Land Improvements	30
Parks and Wastewater Capacity Upgrades	40
Transmission-Off System	50
Machinery and Equipment	
Police Patrol Vehicles	3
Computer Systems and Software	5
Passenger Cars, Pickup/Refuse	6
Cargo Vans, Street Sweepers	7
Dump/Tractor/Trailer Trucks	10
Helicopters	20
Emergency Response Engines	20
Sewer Improvements (Intangible)	40
Infrastructure (non-sewer)	
Traffic Signals	15
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs & Tunnels & Potable-Hydrants	40
Streets, Paved Streets, Paved Alleys & Sidewalks	50
Potable-Mains	75

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005 with the total cost to the participants at \$306.1 million. The City's initial share in the project was \$13.1 million or 4.28%, with estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2015, the net balance for Natural Gas Reserve Project, including drilling program capitalization was \$14,290.

Long-term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund and fiduciary fund statements 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 when incurred. In the governmental funds statement of revenues, expenditures and changes in fund balances, issuance of debt is recorded as other financing source (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized

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when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for more information.

Compensated Absences

The City records a liability for its employees' earned but unused accumulated vacation and overtime in government-wide and proprietary fund financial statements. The unused accumulated vacation and overtime are expensed in the Employee Benefits Fund, an Internal Service Fund, which incurs the liability. As of June 30, 2015, the total liability is \$12,937 and the City has \$11,121 cash available in the Employee Benefits Fund dedicated to this liability.

The City also provides sick leave conversion benefits through the Retiree Health Savings Plan (RHSP). Employees earn one day of sick leave per month and the unused sick leave hours are converted to a dollar amount and deposited in the employee's RHSP account at retirement or termination with 20 years of City service for Glendale Police Officers Association (GPOA), Glendale City Employee Association (GCEA), Glendale Management Association (GMA), and International Brotherhood of Electrical Workers (IBEW). 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 sick leave conversion rates range from \$0.022 to \$0.03 for each hour of sick leave balance, based on the memoranda of understanding agreements between the City and the unions. Total benefits paid by the City under the RHSP for the fiscal year ended June 30, 2015 is \$1,805.

Based on the most recent actuarial valuation dated June 30, 2013, the actuarial accrued liability for the RHSP is \$13,815. The City has a cash reserve of \$6,657 in the RHSP Benefits Fund, an internal service fund, dedicated to provide benefits, so the unfunded actuarial accrued liability is \$7,158 as of June 30, 2013. The City has \$10,952 cash reserve for RHSP as of June 30, 2015, and the actuarial accrued liability is \$13,631, so the unfunded actuarial accrued liability is \$2,679. The actuarial accrued liability takes into account an estimate of future sick leave usage, additional sick leave accumulation for current active employees, and investment return of 4% and no increase for sick leave conversion hourly rate.

Post-Employment Benefits

For Glendale City Employees Association (GCEA) and Glendale Management Association (GMA) employees who retired prior to July 2001, Glendale Police Officers Association (GPOA) employees who retired prior to December 2001 and Glendale Fire Fighters Association (GFFA) employees who retired prior to September 2002, the accumulated unused sick leave upon their retirement may be converted to the number of months that the City will contribute all or partial of these retirees' monthly medical insurance premiums. The conversion calculations are based on the respective bargaining units' MOU or Benefit Ordinance. Currently, there are 8 retirees receiving this City paid benefit. These 8 retirees may also elect at any time to receive a one-time cash payment of a maximum of 50% of the value of the remainder of their unused sick leave conversion for the insurance plan for which they qualify. After all the accumulated unused sick leaves are exhausted or cashed out, the retirees can terminate coverage or elect to continue paying the medical insurance premiums from personal funds.

The City also has a 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 premiums collected from the retirees and payments to the insurance companies are recorded in the Medical Insurance Fund, which is an internal service fund. The City does not have a separate audited report for this defined benefit plan. See Note 10 for more information.

Unearned Revenue

Unearned revenue liability reports revenue received in advance of providing goods or services. When the goods or services are provided, this account balance is decreased and a revenue account is increased.

Property Held for Resale

Land and buildings acquired for future sale to developers have been capitalized and are shown as real property held for resale in the accompanying combined financial statements. Property held for resale is carried at the lower of cost or net realizable value (realizable value less cost to sell).

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Fund Balance

Fund balance classifications for governmental fund types comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the fund financial statements, the governmental funds may report nonspendable, restricted, committed, assigned, and unassigned fund balances to show the level of constraint governing the use of the funds.

- Nonspendable fund balances cannot be spent, because they are in nonspendable form or are required to be maintained intact.
- Restricted fund balances are restricted for specific purposes by third parties or enabling legislation.
- Committed fund balances include amounts that can be used only for specific purposes determined by the formal action of the City Council, as they are the highest level of decision-making authority. Council must have at least a 3 to 2 vote to pass a resolution for the specific purpose. These committed amounts cannot be used for any other purpose unless the City Council remove or change the specified use through the same type of formal action taken to establish the commitment.
- Assigned fund balances comprise amounts intended to be used by the City for specific purposes but are not restricted or committed, and also represents residual amounts in other funds.
- Unassigned fund balances are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, and include all deficit amounts in all other governmental funds.

When both restricted and unrestricted resources are available for an incurred expenditure, it is the City's policy to spend restricted resources first then unrestricted resources, as necessary. When unrestricted resources are available for incurred expenditures, it is the City's policy to use committed amounts first, followed by assigned amounts, and then unassigned amounts.

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 and deferred outflows of resources, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation externally adopted by the citizens of the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position report 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. For current or advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When the City pays the pension contributions subsequent to the measurement date, the City reports deferred outflows of resources. The City's deferred outflows of resources at June 30, 2015 is \$31,287, which consists of \$1,158 loss on refunding, and \$30,129 for pension contribution made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies

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(in thousands)

to a future period and will not be recognized as an inflow of resources, or revenues, until then. When there is a decrease in pension expense arising from the recognition of differences between projected and actual earnings on pension plan investments, the City reports a deferred inflow of resources until such time as the decrease is recognized in expense. The City’s deferred inflow of resources related to pension is \$89,228 as of June 30, 2015. When a receivable is recorded in governmental fund financial statements but the revenue is not available, the City reports a deferred inflow of resources until such time as the revenue becomes available. The City has recorded deferred inflows of resources – unavailable revenues, of \$12,104 in the General Fund, and \$2,380 in the nonmajor governmental funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City Council is required to adopt an annual budget for the general, debt service, special revenue, enterprise and internal service fund types. The City Council annually adopts the capital improvement program for the capital projects funds. The City of Glendale budget presents the Capital Improvement Projects on a ten year plan basis, with the "Future Years" column representing a cumulative of five years projections. The City Council only approves and authorizes one year of the Capital Improvement Projects. Prior year unspent Capital Improvement Projects budget is carried forward into the new fiscal year. Therefore, annual budget comparison on multi-year projects is impractical.

All proprietary fund types are accounted for on a cost of service method (net income). As a result, budget comparisons are impractical. Additionally, the City is not legally mandated to report the results of operations for these enterprise fund and internal service fund types on a budget comparison basis; therefore, budgetary data related to these funds have not been presented.

The City utilizes an “encumbrance system”. Under this procedure, encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Appropriations in the General Fund lapse at the end of the year. Therefore, encumbrances are not reserved for commitments made and budget carryovers may be submitted for remaining encumbrance. All commitments incurred in the General Fund will be paid with the new budget and approved budget carryovers in the following year. Open capital project appropriations carry over to the next year.

The City, in establishing the budgetary data reflected in the basic financial statements and supplementary information, utilizes the following procedures:

- The City Charter requires that the City Manager submit to the City Council a proposed budget for the coming year on or before the first of June. The operating budget includes both the sources and types of funds for the proposed expenditures.
- In May, public hearings are conducted to obtain citizen input, with the final budget being adopted no later than July 1.
- The level of appropriated budgetary control is in the following categories for items in excess of \$25: salary and fringe benefits; maintenance and operation; and capital outlay per departmental account.
- The budget is amended during the fiscal year to reflect all transfers and amendments.

The following operating units over expended their appropriations by \$25 or more as of June 30, 2015:

<u>General Fund</u>	<u>Amount Over Expended</u>
Police	
Salaries and Benefits	\$ 983
General Government - Elections	
Salaries and Benefits	32
General Government - Planning	
Salaries and Benefits	85

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

NOTE 3 – CASH AND INVESTMENTS

Governmental and Business-type activities:

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

Investments	\$	512,867
Cash and investments with fiscal agents		<u>12,214</u>
		525,081
Cash held in financial institutions and imprest cash		<u>42,003</u>
Total	\$	<u><u>567,084</u></u>

The following amounts are reflected in the government-wide statement of net position:

Pooled cash and investments	\$	426,084
Restricted cash		59,047
Cash and investments with fiscal agents		12,214
Restricted investments – gas/electric commodity		1,989
Designated cash and investments		<u>67,750</u>
Total	\$	<u><u>567,084</u></u>

Authorized Investments

Under the provisions of the City Council’s adopted investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Securities	5 years	100%	None
Federal Agencies Securities	5 years	100%	None
State of California and California Local Agencies	N/A	15%	5% per issuer
Obligation of Other States	N/A	10%	5% per issuer
Medium Term Corporate Notes	5 years	20%	5% per issuer
Commercial Paper (A1, P1, F1 minimum rating)	270 days	25%	None
Bankers’ Acceptances	180 days	30%	10% per bank
Time Deposits (FDIC Insured)	1 year	10%	5% per issuer
Negotiable Certificates of Deposit	1 year	30%	5% per issuer
Local Agency Investment Fund (State Pool)	N/A	LAIF maximum (\$50MM per account)	None
Money Market Mutual Funds	90 days	20%	None
Los Angeles County Treasury Pool	N/A	10%	None

Investments in Medium Term Corporate Notes may be invested in Securities rated A or better by Moody’s or Standard and Poor’s rating services, and no more than 5% of the market value of the portfolio may be invested in one corporation. Maximum participation in Bankers Acceptance is limited to 10% per bank.

Investments Authorized by Debt Agreements

The provisions of debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy, govern investments of debt proceeds and reserve funds held by bond fiscal agents. Permitted investments are specified in related trust agreements.

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may 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 the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Governmental and Business-type activities:

	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Term Notes	\$ 46,091	5,007	3,492	37,592	-
Federal Agency Callable Bonds	93,268	5,007	-	88,261	-
Medium Term Notes	83,127	10,012	12,830	60,285	-
Obligations of Other States	26,543	-	-	26,543	-
State and Municipal Bonds	45,358	2,006	7,785	35,567	-
State Investment Pool	160,609	160,609	-	-	-
Los Angeles County Pool	38,052	38,052	-	-	-
Money Market Mutual Fund	19,819	19,819	-	-	-
Held by Fiscal Agents:					
Guaranteed Investment Contracts*	2,398	-	-	-	2,398
U.S. Treasury Notes	2,258	2,258	-	-	-
Money Market Mutual Fund	7,558	7,558	-	-	-
	\$ 525,081	250,328	24,107	248,248	2,398

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City purchases investments only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa or A rated corporate securities, A1,P1,F1 rated commercial paper, negotiable certificates of deposit, and banker's acceptance securities. The City's Investment Policy requires the City to sell medium term notes with a credit rating below S&P's and Fitch's BBB grade or Moody's Baa2, unless the City Council approves the City Treasurer's recommendation that the security should be retained.

Governmental and Business-type activities:

	Total	Moody's Rating as of June 30, 2015								
		Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Unrated
Federal Agency Term Notes	\$ 46,091	46,091	-	-	-	-	-	-	-	-
Federal Agency Callable Bonds	93,268	88,261	5,007	-	-	-	-	-	-	-
Medium Term Notes	83,127	8,990	3,012	-	33,746	20,362	6,019	5,006	5,992	-
Obligations of Other States	26,543	1,823	3,996	9,164	11,560	-	-	-	-	-
State and Municipal Bonds	45,358	-	-	19,365	24,476	-	-	-	-	1,517
State Investment Pool	160,609	-	-	-	-	-	-	-	-	160,609
Los Angeles County Pool	38,052	-	-	-	-	-	-	-	-	38,052
Money Market Mutual Fund	19,819	43	-	-	-	-	-	-	-	19,776
Held by Fiscal Agents:										
Guaranteed Investment Contracts*	2,398	-	-	-	-	-	-	-	-	2,398
U.S. Treasury Notes	2,258	2,258	-	-	-	-	-	-	-	-
Money Market Mutual Fund	7,558	7,558	-	-	-	-	-	-	-	-
	\$ 525,081	155,024	12,015	28,529	69,782	20,362	6,019	5,006	5,992	222,352

*The Counterparty rating of Trinity Plus Funding Company, LLC is "A1".

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Concentration Risk

The investment policy of the City limits the amounts that may be invested in any one issuer to 5% or 10%. This limit excludes investments in U.S. Treasury securities, federal agencies securities, commercial paper, Local Agency Investment Fund, money market mutual funds, and Los Angeles County Pool. Investments in any one issuer that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>		<u>Reported Amount</u>
FHLMC	Federal Agency Callable Bonds	\$	45,549
	Federal Agency Term Bonds		14,429
	Total	\$	<u>59,978</u>
FNMA	Federal Agency Callable Bonds	\$	12,000
	Federal Agency Term Notes		13,903
	Total	\$	<u>25,903</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of the failure of a depository financial institution, a government agency will not be able to recover its deposits or will not be able to recover investment securities that are in the possession of an outside party. All of a depositor’s accounts at an insured depository institution, including noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250 for each deposit insurance ownership category. The amounts of deposits are collateralized under California law. The Code requires that a financial institution secures deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

For interest-bearing accounts the FDIC deposit insurance amount of \$250 per depositor was made permanent. The City of Glendale does not have any interest-bearing accounts.

The custodial risk for investments is also twofold. An investment trade transaction occurs between a government agency and a broker/dealer (counterparty). Counterparty risk occurs with the failure of a brokerage/dealer, and in a trade transaction with a government agency. The counterparty is then unable to deliver securities after the government agency has made payment. The City of Glendale prevents counterparty risk by requiring all trade transactions to be done on a delivery-versus-payment arrangement.

A government agency uses an independent third-party custodian/safekeeper to domicile the securities in its portfolio. The City of Glendale uses Bank of America as its third-party safekeeping servicer, and prevents custodial/safekeeping risk by having all securities purchased and owned by the City of Glendale registered in the name of the City, separated from other client securities portfolios, and segregated from securities owned by the bank.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investment in this pool is reported in the accompanying financial statements at fair value based upon the City’s pro-rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investment in Los Angeles County Pool

The City is a voluntary participant in the Los Angeles County Pooled Surplus Investment Fund (LACPIF) that is regulated by California Government Code Section 27136 and managed by the Los Angeles County Treasurer. The City’s investment in this pool is reported in the accompanying financial statements of net position and prepared on the accrual basis of accounting. Investments are reported at fair value, which is based on quoted market prices. The cash flow needs of the Pool

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The balance available for withdrawal is based on the accounting records maintained by LACPIF.

NOTE 4 – LOANS RECEIVABLE

Successor Agency

When the California Supreme Court upheld Assembly Bill 1x 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California that took effect February 1, 2012, the former Glendale Redevelopment Agency’s (“the former Agency”) Advances from the City was invalidated. As a result, the City had written off the former Agency’s Advances’ outstanding balance of \$71,758 in fiscal year 2012.

However, when legislature approved Assembly Bill 1484, the Host Agency was eligible to reinstate the City/Agency loans pursuant to California Health & Safety Code section 34191.4. The Host Agency and the Successor Agency received approval from its Oversight Board and from the State Department of Finance to reinstate the City/Agency loans. However, the reinstated loan is limited by H&SC section 34191.4 which allows the Successor Agency to repay the loan pursuant to a formula that prescribes the maximum payment per fiscal year as equal to one-half of the increase between the amount distributed to the taxing entities pursuant to H&SC section 34183, and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-2013 base year. In addition, the accumulated interest on the remaining principal loan balance is required to be recalculated from loan origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF). The loans are required to be repaid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF. Furthermore, twenty percent (20%) of any loan repayment is required to be deducted and transferred to the City’s Low and Moderate Income Housing Asset Fund. As of June 30, 2015, the reinstated loan receivable amount is \$12,104.

Housing

The Housing Authority offers various housing loans to the residents of the City. Four different types of housing loans are funded from Community Development Block Grant (CDBG grant), HOME grant, Low and Moderate Income Housing Asset Fund (LMIHA) program income, and Building Equity and Growth in Neighborhoods Grant (BEGIN grant) funds.

- *Single Family Home Rehabilitation Loan*

The program was funded by CDBG grant, HOME grant and LMIHA, and provided funds for moderate rehabilitation of owner-occupied homes for low and moderate income households. The deferred payment loan was interest bearing with rate ranging from 0% to 4% annually (simple interest) for up to 10 years, and with a loan amount up to \$25. Generally, the loan is repaid at the time of sale or transfer of the property. The loan is secured by a deed of trust on the property. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2015, \$1,934 is outstanding, which is recorded in governmental activities in the government-wide financial statement.

- *First Time Home Buyer Loan*

The program is funded by HOME grant, LMIHA and BEGIN grant, and has two categories.

Down Payment Assistance – Resale Homes Purchase. The program provided funds for down payment and affordability gap assistance for the purchase of a resale home by a low or moderate income first time home buyer household. Loan terms vary from 30 to 45 years. Loans require either 5% simple annual interest payments (paid monthly), or 0% interest rate with no monthly payments. All loans are second mortgage deferred payment, forgivable loans up to \$75. If the property is sold or transferred, or if the property is no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2015, \$3,033 is outstanding. Because all these loans are forgivable, they are not recorded on the financial statements.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Down Payment Assistance – New Construction Homes Purchase. For new construction units, the amount of the loan is based upon the amount of the affordability gap. The loan is secured by a deed of trust on the property and affordable housing covenants. Loans fall into two types. One type is the deferred payment, forgivable loan with a loan term of 30 to 45 years. The loan is forgiven at the end of the loan term. If the property is sold or transferred, or if the property is no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. A small set of loans funded through the American Dream Down Payment Assistance Program are forgiven at a set percentage of the principal amount each year. A second type of loan is a deferred payment loan with resale restrictions. More recent HOME funded loans are subject to resale restrictions and must be resold to low income home buyers if sold before the end of the term. As of June 30, 2015, the forgivable loan amount is \$3,308, and the amount is not recorded on the financial statements. The Doran Gardens project loans funded through the BEGIN Grant are deferred loans and are to be repaid at the end of the 30-year term. As of June 30, 2015, the non-forgivable amount is \$5,383, and is recorded in governmental activities in the government-wide financial statement.

- *Multi-Family Apartment Rehabilitation Loan*

The program is funded by LMIHA, and provides funds for moderate rehabilitation of rental properties owned by private or nonprofit owners. Units must be rented to low and moderate income tenants at an affordable rent for the term of the loan. The loan is secured by a deed of trust and affordable housing covenants on the property. The loan is an interest bearing (4% simple interest), deferred payment, forgivable loan. The maximum loan amount is \$10 per unit for a 5 year loan. In target neighborhoods, the maximum per unit is up to \$15 per unit for a 7 year loan for repairs and rehab. The maximum amount per project is up to \$100. The owner needs to contribute at least 10% of the total project cost. Repayments are due on an annual basis. If the property is in compliance with the terms of the loan agreement, the annual payment is forgiven. As of June 30, 2015, \$29 is outstanding. Because all these loans are forgivable, they are not recorded on the financial statements.

- *New Construction and Acquisition/Rehabilitation Rental Development Loan*

The program is funded by HOME grant and LMIHA, and provides funds for new construction or acquisition/rehabilitation of affordable rental housing. Loan terms and loan underwriting requirements are negotiated with the developer on a project by project basis. The loan is secured by a deed of trust and affordable housing covenants on the property. Loans provide gap assistance to make housing units affordable to low and moderate income households, and units must be rented at an affordable rent. Leveraging of funds with other sources and contribution of developer equity is required. Loans may be second mortgage deferred payment loans, which generally require loan principal plus interest to be repaid at the end of the loan term. Residual receipt payments are required on the deferred loans. Loans may also be permanent financing first mortgage loans at below market interest rate, and monthly amortized payments are required. Such loans would be provided when credit conditions or loan costs are not feasible for the project. As of June 30, 2015, the amount of forgivable or contingent loans is \$92,968, which is not recorded on the financial statements.

NOTE 5 – INTER-FUND TRANSACTIONS

The composition of inter-fund balances consists of due to/from other funds, advances to/from other funds and transfers. Due to/from other funds are temporary cash overdrafts between funds. Advances to/from other funds are the movement of money representing an inter-fund loan extending beyond one year. Some advances are formal lending agreements between funds.

Due to/from other funds as of June 30, 2015 consisted of the following:

Due to General Fund from:		
Nonmajor governmental funds	\$	8,560
Due to Electric Fund from:		
Water Fund	\$	6,375

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Advances to/from other funds as of June 30, 2015 consisted of the following:

- \$1,946 of advance in the Emergency Medical Services Fund was the seed money from the General Fund to start the paramedic program. The Glendale Fire Department has restructured the EMS program to provide Basic Life Support (BLS) services, which has reduced the cost of the EMS program. The fund is projected to have sufficient resources to pay back General Fund in three years.
- \$1,713 of advance in the ISD Wireless Fund was a 5 year loan with 2.0% annual interest, from the Sewer Fund to upgrade City’s radio infrastructure. Interest accrued started on September 1, 2012 and annual payment is due every September 1st. The final payment will be due on September 1, 2017.

The City reports transfers between many of its funds. The sum of all transfers presented in the following table agrees with the sum of inter-fund transfers presented in the government-wide, governmental and proprietary fund financial statements. Transfers are used to (1) subsidize the activities of other funds (2) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them.

	Amount	Purpose
Transfer to General Fund from:		
Electric Fund	\$ 20,357	Fund general fund operations per Charter
Nonmajor enterprise funds	3,050	Fund general fund operations
	<u>23,407</u>	
Transfers to nonmajor governmental funds from:		
General Fund	70	Nutritional Meals Grant Matching
General Fund	500	Fund Police Building Project Debt Service
Capital Improvement Fund	2,000	Fund Scholl Canyon Landfill reserve
	<u>2,570</u>	
Transfers to Capital Improvement Fund from:		
General Fund	5,347	Fund capital improvement projects
	<u>5,347</u>	
Transfers to nonmajor governmental funds from:		
General Fund	302	20% of City GSA Loan Payment
	<u>302</u>	
Transfers to nonmajor governmental funds from:		
Nonmajor enterprise fund	3,602	Recreation Fund type change from Enterprise to Special Revenue Fund
Nonmajor enterprise fund	1,646	Hazardous Disposal Fund type change from Enterprise Fund to Special Revenue Fund
Nonmajor enterprise fund	6,776	Parking Fund type change from Enterprise Fund to Special Revenue Fund
	<u>12,024</u>	
Transfer of capital assets to governmental activities from:		
Nonmajor enterprise fund	2,018	Transfer of Recreation Fund capital assets due to fund type change
Nonmajor enterprise fund	25,410	Transfer of Parking Fund capital assets due to fund type change
	<u>27,428</u>	
Total Interfund Transfers	<u>\$ 71,078</u>	

CITY OF GLENDALE
Notes to the Financial Statements
Fiscal Year Ended June 30, 2015
(in thousands)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Adjustments - transferred from business type	Adjustments - transferred from fiduciary*	Balance at June 30**
Governmental activities							
Capital assets not being depreciated							
Land	\$ 398,869	-	-	-	5,547	9,882	414,298
Construction in progress	45,928	11,634	-	(1,118)	2,897	-	59,341
Total assets not being depreciated	444,797	11,634	-	(1,118)	8,444	9,882	473,639
Depreciable capital assets							
Building and improvements	297,093	598	-	903	42,306	16,137	357,037
Machinery and equipment	114,657	2,830	(1,342)	199	3,212	946	120,502
Infrastructure	299,831	7,863	(857)	-	-	-	306,837
Total other capital assets at cost	711,581	11,291	(2,199)	1,102	45,518	17,083	784,376
Less accumulated depreciation:							
Building and improvements	106,428	7,628	-	-	23,937	3,988	141,981
Machinery and equipment	76,992	7,247	(1,342)	(16)	2,597	890	86,368
Infrastructure	99,152	8,027	(857)	-	-	-	106,322
Total accumulated depreciation	282,572	22,902	(2,199)	(16)	26,534	4,878	334,671
Total assets being depreciated, net	429,009	(11,611)	-	1,118	18,984	12,205	449,705
Governmental activities capital assets, net	\$ 873,806	23	-	-	27,428	22,087	923,344

*Includes \$2,482 of land that was transferred to the governmental activities from fiduciary fund.

**\$42,183 and \$46,861 of machinery and equipment and construction in progress for 2014 and 2015 respectively from internal service funds are included in governmental activities. \$21,548 and \$23,319 of accumulated depreciation for 2014 and 2015 respectively from internal service funds are included in governmental activities.

Depreciation expense was charged to functions of the City’s governmental activities for the year ended June 30, 2015 as follows:

Governmental Activities:	
General Government	\$ 2,100
Police	3,293
Fire	1,628
Public Works	12,682
Parks, Recreation and Community Services	2,588
Library	173
Housing, Health and Community Development	438
Total depreciation expense	\$ <u>22,902</u>

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

	Balance at July 1	Increases	Decreases	Reclass	Adjustments - transferred to fiduciary	Adjustments - transferred to governmental activities	Balance at June 30
Business-type activities							
Capital assets not being depreciated							
Land	\$ 15,120	-	-	-	(83)	(5,547)	9,490
Construction in progress	15,128	22,640	-	9,121	-	(2,897)	43,992
Drilling in progress	-	511	(511)	-	-	-	-
Total assets not being depreciated	<u>30,248</u>	<u>23,151</u>	<u>(511)</u>	<u>9,121</u>	<u>(83)</u>	<u>(8,444)</u>	<u>53,482</u>
Depreciable capital assets							
Building and improvements	389,109	7,989	-	(93,476)	(377)	(42,306)	260,939
Machinery and equipment	580,893	6,181	(14,382)	(8,259)	-	(3,212)	561,221
Infrastructure	140,934	904	-	(862)	-	-	140,976
Total other capital assets at cost	<u>1,110,936</u>	<u>15,074</u>	<u>(14,382)</u>	<u>(102,597)</u>	<u>(377)</u>	<u>(45,518)</u>	<u>963,136</u>
Depletable capital assets							
Natural gas reserve	22,148	128	-	-	-	-	22,276
Amortizable intangible assets							
Intangible assets	-	1,867	-	93,476	-	-	95,343
Less accumulated depreciation:							
Building and improvements	142,326	6,816	-	(37,481)	(217)	(23,937)	87,507
Machinery and equipment	297,915	28,227	(14,382)	-	-	(2,597)	309,163
Infrastructure	42,302	3,292	-	-	-	-	45,594
Total accumulated depreciation	<u>482,543</u>	<u>38,335</u>	<u>(14,382)</u>	<u>(37,481)</u>	<u>(217)</u>	<u>(26,534)</u>	<u>442,264</u>
Less allowance for gas depletion							
Natural gas reserve	6,982	1,004	-	-	-	-	7,986
Less amortization							
Intangible assets	-	2,895	-	37,481	-	-	40,376
Total assets being depreciated, depleted, and amortized, net	<u>643,559</u>	<u>(25,165)</u>	<u>-</u>	<u>(9,121)</u>	<u>(160)</u>	<u>(18,984)</u>	<u>590,129</u>
Business-type activities capital assets, net	<u>\$ 673,807</u>	<u>(2,014)</u>	<u>(511)</u>	<u>-</u>	<u>(243)</u>	<u>(27,428)</u>	<u>643,611</u>

Depreciation and depletion expense was charged to functions of the City's business-type activities for the year ended June 30, 2015 as follows:

Business-type Activities:	
Depreciation	
Sewer	\$ 2,649
Electric	26,691
Water	5,818
Hazardous Disposal	6
Parking	1,206
Refuse Disposal	1,732
Recreation	9
Fire Communication	224
Total depreciation expense	<u>38,335</u>
Depletion - Electric	1,004
Amortization - Sewer	2,895
Total depreciation, depletion, and amortization expense	<u>\$ 42,234</u>

CITY OF GLENDALE

Notes to the Financial Statements
 Fiscal Year Ended June 30, 2015
 (in thousands)

NOTE 7 – PROPERTY HELD FOR RESALE

Governmental activities – Home Grant Fund property held for resale at June 30, 2015:

<u>Acquisition Date</u>	<u>Location</u>		<u>Carrying Value</u>
May 2015	634 & 700 E. Lomita	\$	<u>981</u>

Governmental activities – Low and Moderate Income Housing Asset Fund property held for resale at June 30, 2015:

<u>Acquisition Date</u>	<u>Location</u>		<u>Carrying Value</u>
October 2008	Fifth & Sonora	\$	<u>6,007</u>

NOTE 8 – LONG-TERM DEBT AND OTHER LIABILITIES

The City’s long-term debt as of June 30, 2015 consists of the following:

	<u>Issuance Amount</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>	<u>Due within one year</u>
Governmental Activities						
Claims payable	\$ -	44,497	54,863	56,158	43,202	12,309
Post-employment benefits	-	75,922	18,921	-	94,843	-
Compensated absences	-	13,848	16,139	9,557	20,430	2,837
Landfill postclosure care	-	41,810	1,108	-	42,918	-
Certificates of Participation Police building project (COPs)	64,200	41,195	-	2,795	38,400	2,795
Total Governmental Activities long-term liabilities	\$ 64,200	217,272	91,031	68,510	239,793	17,941

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

	Issuance Amount	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015	Due within one year
Business-type Activities						
Compensated absences	\$ -	4,544	4,031	2,437	6,138	863
Bonds payable:						
Electric Revenue Bonds, 2006 Refunding Series	38,830	30,280	-	1,350	28,930	1,415
Electric Revenue Bonds, 2008 Series	60,000	60,000	-	-	60,000	-
Electric Revenue Bonds, 2013 Refunding Series	20,510	20,510	-	-	20,510	-
Electric Revenue Bonds, 2013 Series	60,000	60,000	-	570	59,430	1,045
Electric Revenue Bonds premium	-	9,188	-	441	8,747	410
Water Revenue Bonds, 2008 Series	50,000	47,615	-	1,245	46,370	1,285
Water Revenue Bonds, 2012 Series	35,000	35,000	-	-	35,000	-
Water Revenue Bonds premium		2,120		86	2,034	86
Total bonds payable	264,340	264,713	-	3,692	261,021	4,241
Total Business-type Activities long-term liabilities	\$ 264,340	269,257	4,031	6,129	267,159	5,104

	Issuance Amount	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015	Due within one year
Governmental Activities						
Other long-term liabilities:						
Capital leases:						
Fire equip't lease 2005- BofA Public Capital Corp	\$ 3,743	437	-	437	-	-
Fire equip't lease 2009- Wells Fargo	2,299	989	-	232	757	242
Section 108 loan - Housing and Urban Development (HUD) (2011 Series)	2,000	1,669	-	178	1,491	186
Total other long-term liabilities	8,042	3,095	-	847	2,248	428
Total Governmental Activities other long-term liabilities	\$ 336,582	489,624	95,062	75,486	509,200	23,473

For the governmental activities, claims payable, compensated absences and post-employment benefits are primarily liquidated by the General Fund.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Governmental Activities:

The City Of Glendale Financing Authority

Variable Rate Demand Certificates of Participation (COPs) - 2000 Police Building Project

The COPs were issued pursuant to the resolutions adopted by the City Council and the board of directors of the Glendale Financing Authority on June 6, 2000. The proceeds of the COPs were used to (a) finance for the acquisition, construction and improvement of a police building (the "Police Building"), (b) establish a reserve fund of \$5,000 in accordance with the trust agreement, and (c) pay for the costs incurred to issue the COPs. Since the issuance of the COPs in 2000 until July 8, 2013, the COPs were subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on five days' notice and delivery to the City's Remarketing Agent.

On May 28, 2013, the City and the Financing Authority adopted Resolution No. 13-76 and Resolution GFA-13-02 respectively, accepting Bank of America's proposal for a Direct Purchase Index Floater (Direct Purchase Agreement) of the Glendale COPs to replace the SBPA. The direct purchase loan with Bank of America relating to the Certificates of Participation for the Police Building is subject to a mandatory tender for purchase at a price of par plus accrued interest on the earliest of the: (i) mandatory tender date of three years from closing, (ii) date on which the Certificates are converted to another interest rate mode, (iii) or occurrence of an event of default.

The variable interest rates are based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.400%. Under the Direct Purchase Agreement, the COPs mature in annual installments ranging from \$2,795 to \$15,730 annually from FY 2016-2030. As of June 30, 2015, the principal balance was \$38,400 and the interest rate was 0.529%. Accordingly, the Certificates of Participation are classified as long-term debt in the City's financial statements.

The Financing Authority has leased the Police building back to the City pursuant to a lease agreement dated July 1, 2000. The bond indebtedness is secured by a lease to the City and is payable from rental payments received under terms of the lease agreement. The annual lease payments from the City are to be at a rate sufficient to meet debt service requirements of the outstanding bond indebtedness on the leased premises.

The City of Glendale Housing Authority

HUD Section 108 Loan (Series 2011-A)

Section 108 Loan of \$2,000 was used to acquire and rehabilitate an Emergency Shelter and Homeless Access Center at 1948 Gardena Avenue, Glendale for the S.H. Ho Hope and Compassion Center, a non-profit organization. HUD administers the Section 108 Loan Guarantee program, and the program's purpose is to fill funding gaps on major community / economic development projects throughout the country. The Section 108 Loan Guarantee program was created as part of the original Housing and Community Development Act of 1974. Section 108 obligations are permanently financed through underwritten public offerings. This was the City's second time receiving a Section 108 loan. The City received the loan in November 2011. The term of the loan is ten years with an interest rate of 2.56% and the total interest is \$210. The City has pledged current and future CDBG funds as principal security for the loan. The principal amounts range from \$186 to \$474 for fiscal year 2016 to 2022. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule.

Capital Improvement Projects

Landfill Postclosure Care Costs

Pursuant to Assembly Bill 2448 and the regulations established by the California Integrated Waste Management Board (Board), landfill operators are required to submit an initial cost estimate of postclosure maintenance and to establish a financial mechanism to demonstrate the availability of funding to conduct postclosure maintenance activities. The City selected a trust fund as the financial mechanism and the Board approved this. The City Treasurer was designated as the trustee to ensure that the City set aside annual required deposits. The City subcontracts with Los Angeles County Sanitation District (Sanitation District) to operate Scholl Canyon and as part of this contract, the County is responsible for the closure cost of Scholl Canyon. The City is responsible for the postclosure maintenance cost of Scholl Canyon. According to Los Angeles County Sanitation District's records, the permitted capacity filled between August 18, 1989 and July 11, 2014 was 10.46 million tons. The

CITY OF GLENDALE

Notes to the Financial Statements

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(in thousands)

permitted capacity filled between July 11, 2013 and July 11, 2015 was 0.24 million tons. The total permitted capacity as of August 18, 1989 remains 14.75 million tons. Therefore, the City has 4.05 million tons unfilled capacity remaining. Using an inflation factor from the Sanitation Districts of 1.015, the total estimated care postclosure cost is \$59,163. Using the data above, the amount of \$42,918 is recognized as a long-term liability on the Statement of Net Position. Accordingly, the portion of the estimated total obligation for landfill postclosure costs that has not been recognized in the financial statements is \$16,245. The City records the annual provision for the required landfill deposits as designated cash in the Landfill Postclosure Fund. At the end of June 30, 2015, the City has set aside \$25,850 of this in the Landfill Postclosure Fund. The total current cost of landfill postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Capital Leases

The City entered into a Master Lease Agreement with SunTrust Leasing Corporation to provide funds for acquisition of fire equipment, which includes two 2004 Pierce Quantum Tiller Trucks, four Pierce Quantum Pumper Trucks with CAFS Foam System, four fabrication and installation of equipment brackets to Pierce Pumper Trucks, two fabrication and installation of equipment brackets into Pierce Ladder Trucks, one Brush Patrol Truck 2005 GMC Sierra, and one Battalion Chief Command Vehicle 2005 GMC Yukon. The cost of the equipment funded was \$3,743 with an annual interest rate of 3.65%. The City will make lease payments each consisting of principal and interest for a term of ten years. The annual lease payment is \$453. Payments are due on April 20 annually. The lease was assigned by SunTrust Leasing Corporation to Bank of America Public Capital Corp. As of June 30, 2015, the lease has been paid off.

In December 2008, the City entered into a Master Governmental Lease-Purchase Agreement (the "Master Lease") with Wells Fargo Equipment Finance, Inc. to provide funds for acquisition of fire apparatus, which include one new Pierce Heavy Duty Rescue System mounted on a new 2009 International 7400 Chassis together with all attachments and accessories and four new Pierce 2000 GPM Quantum Triple Combination Pumper Truck Systems mounted on new 2008 Quantum Chassis together with all attachments and accessories. The total cost of the equipment funded was \$2,299 with an annual interest rate of 4.04%. The City makes lease payments each year consisting of principal and interest for a term of ten years commencing in fiscal year 2008-09. The annual lease payment is \$273. Payments are due on December 15 annually. As of June 30, 2015, the outstanding balance of this lease was \$757.

Business-type Activities:

Enterprise Funds

Electric Revenue Bonds, 2006 Refunding Series

The Electric utility of Glendale Water & Power issued \$38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2000 Series. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2000 Series through a legal defeasance. The advance refunding of Electric Revenue Bonds, 2000 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. Deferred loss on refunding as of June 30, 2015 for \$1,021 is recognized and reported in the financial statements as a deferred outflow of resources and is being amortized through February 1, 2030. At June 30, 2009, \$37,000 of the 2000 series bonds outstanding is considered defeased. Liabilities for defeased bonds are not included in the City's financial statements.

The terms of the Electric Revenue Bonds, 2006 Refunding Series' (2006 Refunding 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. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,394.

The bonds mature in regularly increasing amounts ranging from \$1,415 to \$2,570 annually from 2016 to 2030. The 2006 Refunding Bonds maturing on or prior to February 1, 2016 are not subject to redemption prior to maturity. The 2006 Refunding Bonds maturing on and after February 1, 2017 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2016, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2006 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

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Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Electric Revenue Bonds, 2008 Series

The Electric utility of Glendale Water & Power issued \$60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The terms of the 2008 Electric Revenue Bonds' (2008 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. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$2,241.

The bonds mature in regularly increasing amounts ranging from \$1,880 to \$4,195 annually from 2018 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.

Electric Revenue Bonds, 2013 Refunding Series

The Electric utility of Glendale Water & Power issued \$20,510 in revenue bonds in March 2013 to provide funds to refund all of the City's outstanding Electric Revenue Bonds, 2003 Series and pay cost of issuance. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2003 Series through a legal defeasance.

The current refunding resulted in the recognition of a deferred outflow of resources of \$137 as of June 30, 2015 and is being amortized through year 2032. The City in effect reduced its aggregate debt service payments by \$4,070 over the next nineteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$3,695 (2.478%). The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$2,783. The bonds mature in regularly increasing amounts ranging from \$900 to \$1,805 annually from 2017 to 2032.

Electric Revenue Bonds, 2013 Series

The Electric utility of Glendale Water & Power issued \$60,000 in revenue bonds in December 2013 to finance (1) the costs of acquisition and construction of certain improvements to the City's electric public utility (the "Electric System"), (2) making a deposit to the parity reserve fund, and (3) paying the cost of issuance of the 2013 Bonds.

The terms of the 2013 Electric Revenue Bonds' (2013 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. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$656. The bonds mature in regularly increasing amounts ranging from \$1,045 to \$3,795 annually from 2016 to 2043.

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 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 \$3,485.

The bonds mature in regularly increasing amounts ranging from \$1,285 to \$3,060 annually from 2016 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,

CITY OF GLENDALE

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(in thousands)

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 \$1,638.

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.

Annual Debt Service Requirement Schedule

The annual debt service requirement schedule for governmental and business-type activities is as follows:

Fiscal Year	Police Building Project (COPs) Governmental Activities		Capital Leases Governmental Activities	
	Interest	Principal	Interest	Principal
2016	\$ 207	2,795	31	242
2017	192	1,820	21	252
2018	182	1,905	10	263
2019	172	1,985	-	-
2020	161	2,070	-	-
2021-2025	627	12,095	-	-
2026-2030	265	15,730	-	-
	\$ 1,806	38,400	62	757

Fiscal Year	Section 108 (2011 Series) Loan Governmental Activities		Electric and Water Revenue Bonds Business-type Activities	
	Interest	Principal	Interest	Principal
2016	\$ 27	186	11,386	3,745
2017	24	194	11,238	4,795
2018	22	203	11,055	7,260
2019	18	212	10,744	7,545
2020	14	222	10,394	7,870
2021-2025	12	474	46,409	44,860
2026-2030	-	-	35,131	55,970
2031-2035	-	-	23,753	49,335
2036-2040	-	-	12,241	36,855
2041-2045	-	-	2,584	32,005
	\$ 117	1,491	174,935	250,240

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Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Fiscal Year	Total Governmental Activities		Total Business-type Activities		Total Debt Service
	Interest	Principal	Interest	Principal	
2016	\$ 265	3,223	11,386	3,745	18,619
2017	237	2,266	11,238	4,795	18,536
2018	214	2,371	11,055	7,260	20,900
2019	190	2,197	10,744	7,545	20,676
2020	175	2,292	10,394	7,870	20,731
2021-2025	639	12,569	46,409	44,860	104,477
2026-2030	265	15,730	35,131	55,970	107,096
2031-2035	-	-	23,753	49,335	73,088
2036-2040	-	-	12,241	36,855	49,096
2041-2045	-	-	2,584	32,005	34,589
	\$ 1,985	40,648	174,935	250,240	467,808

NOTE 9 –PENSION PLANS

California Public Employees’ Retirement System

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The death benefit is as followed:

If eligible to retire, the *Pre-retirement Option 2W Death Benefit*; or the *Basic Death Benefit* of a refund of contributions, plus interest; and up to six months’ pay (one month’s salary rate for each year of current service to a maximum of six months); and *Level 4 1959 Survivor Benefit** (may not be payable if the Special Death Benefit is elected).

If not eligible to retire, the *Basic Death Benefit* of a refund of contributions, plus interest; and up to six months’ pay (one month’s salary rate for each year of current service to a maximum of six months); and *Level 4 1959 Survivor Benefit** (may not be payable if the Special Death Benefit is elected).

**Level 4 1959 Survivor Benefit* may not be applicable if there is no surviving spouse, no surviving domestic partner, or no surviving dependent unmarried child under age 22.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%

	Safety		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-55+	50-57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for each plan based on CalPERS annual valuation reports as of June 30, 2013:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,546	569
Inactive employees entitled to but not yet receiving benefits	1,380	101
Active employees	1,348	384
Total	4,274	1,054

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

The City’s member contribution rates and employer contribution rates for FY 2014-15, including the employees’ cost sharing toward the employer rates, are shown in the table below:

Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate		
				Employees' Cost Sharing	City Portion	Total
Miscellaneous Employees						
GCEA * (Glendale City Employee Association)	Classic (1st Tier)	2.5% @ 55	11.00%	0.00%	14.464%	14.464%
	Classic (2nd Tier)	2.0% @ 55	10.00%	0.00%	14.464%	14.464%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00%	14.464%	14.464%
IBEW (International Brotherhood of Electrical Workers)	Classic (1st Tier)	2.5% @ 55	8.00%	0.50%	16.964%	17.464%
	Classic (2nd Tier)	2.0% @ 55	7.00%	0.50%	16.964%	17.464%
	PEPRA (3rd Tier)	2.0% @ 62	6.75%	0.50%	16.964%	17.464%
GMA (Glendale Management Association)	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	14.464%	17.464%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	14.464%	17.464%
	PEPRA (3rd Tier)	2.0% @ 62	6.75%	3.00%	14.464%	17.464%
Safety Employees						
GPOA (Glendale Police Officer Association)	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	31.468%	34.968%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	31.468%	34.968%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.50%	31.468%	34.968%
GFFA (Glendale Fire Fighter Association)	Classic (1st Tier)	3.0% @ 50	9.00%	3.00%-3.50%	31.468%-31.968%	34.968%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.00%-3.50%	31.468%-31.968%	34.968%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.00%-3.50%	31.468%-31.968%	34.968%
GMA - Police	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	31.468%	34.968%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	31.468%	34.968%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.50%	31.468%	34.968%
GMA - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	3.00%-3.50%	31.468%-31.968%	34.968%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.00%-3.50%	31.468%-31.968%	34.968%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.00%-3.50%	31.468%-31.968%	34.968%

* Effective May 2013, GCEA members' cost sharing rate (3%) became part of their member contribution rate.

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Notes to the Financial Statements
 Fiscal Year Ended June 30, 2015
 (in thousands)

Employer contributions to the Miscellaneous and Safety plans were \$13,357 and \$16,772, respectively, for the year ended June 30, 2015. The breakdown of the employer contribution is as followed:

Plan	Annual Required Employer Contribution	City Contribution	Employees' Cost Sharing
Miscellaneous	\$ 13,357	12,371	986
Safety			
Police	9,939	8,950	989
Fire	6,833	6,204	629
	16,772	15,154	1,618
Total	\$ 30,129	27,525	2,604

Net Pension Liability

The City's net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013.

Actuarial Assumptions

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

	Miscellaneous	Safety
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation	
Mortality rate table	Derived using CalPERS' Membership Data for all funds	
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports.xml>

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using

CITY OF GLENDALE

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(in thousands)

both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 *	Real Return Years 11+ **
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	100%		

*An expected inflation of 2.5% used for this period.

**An expected inflation of 3.0% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Changes in the Net Pension Liability

The changes in the Net Pension Liability measured as of June 30, 2014 for each plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2014	\$ 940,974	688,897	252,077
Changes in the year:			
Service cost	14,951	-	14,951
Interest on the total pension liability	69,351	-	69,351
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	14,431	(14,431)
Contribution from the employees	-	8,202	(8,202)
Net investment income	-	117,615	(117,615)
Benefit payments, including refunds of employee contributions	(47,552)	(47,552)	-
Net changes	36,750	92,696	(55,946)
Balance at June 30, 2015	977,724	781,593	196,131

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2014	683,809	452,278	231,531
Changes in the year:			
Service cost	13,249	-	13,249
Interest on the total pension liability	50,558	-	50,558
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	14,887	(14,887)
Contribution from the employees	-	4,716	(4,716)
Net investment income	-	77,826	(77,826)
Benefit payments, including refunds of employee contributions	(32,654)	(32,654)	-
Net changes	31,153	64,775	(33,622)
Balance at June 30, 2015	714,962	517,053	197,909
Total for both plans at June 30, 2015	\$ 1,692,686	1,298,646	394,040

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of each Plan, calculated using the discount rate of 7.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		Miscellaneous	Safety	Total
1% Decrease		6.50%	6.50%	6.50%
Net Pension Liability	\$	325,253	294,666	619,919
Current Discount Rate		7.50%	7.50%	7.50%
Net Pension Liability	\$	196,131	197,909	394,040
1% Increase		8.50%	8.50%	8.50%
Net Pension Liability	\$	89,456	118,433	207,889

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$28,978. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$	30,129	-
Net differences between projected and actual earnings on plan investments		-	89,228
Total	\$	30,129	89,228

The amount of \$30,129 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,		
2016	\$	(22,307)
2017		(22,307)
2018		(22,307)
2019		(22,307)
Total	\$	(89,228)

Pension Plan Fiduciary Net Position

Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Supplemental Retirement Plan

In May 2012, in an effort to substantially reduce staffing levels to address a projected \$15.4 million General Fund shortfall for FY 2012-13, the City contracted with Public Agency Retirement Services (PARS) to offer an early retirement incentive plan to provide supplemental retirement benefit payments to eligible employees in addition to the benefit payments the employees will receive from the California Public Employees' Retirement System (CalPERS). To be eligible to participate in the plan, the employees must have been a Glendale City Employee Association (GCEA) or Glendale Management Association (GMA) employee, be at least 50 years of age as of September 1, 2012, and have a minimum 5 years of CalPERS service credit. The employees needed to resign from the City by August 31, 2012. The plan offered 5% of the employees' final pay, which the employees could choose various options to receive the payment, such as unmodified lifetime monthly payment, or higher fixed monthly payment for a fixed number of years. There were 122 employees who participated in the plan.

In October 2012, the City provided the same early retirement incentive plan to the employees represented by International Brotherhood of Electrical Workers Association (IBEW), and also offered an extension of the incentive program to employees represented by GCEA and GMA. The same parameters were applied for the extension of the incentive program, with the exception of the retirement eligibility date and date of separation advancing to October 31, 2012. There were 30 additional employees participating in the second phase. The plan is closed, and \$1,987 was paid to PARS in FY 2014-15.

Public Agency Retirement Services (PARS)

The PARS Trust, created in 1991, is a trust arrangement established to provide economies of scale and efficiencies of administration to public agencies that adopt it to hold the assets of their agency retirement plans maintained for the benefit of their employees. The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) amended the Internal Revenue Code to mandate that employees of public agencies, who are not members of their employer's existing retirement system as of January 1, 1992, be covered under Social Security or an alternate plan. The PARS ARS Plan satisfies the OBRA 90 Federal Requirements. It is intended that this plan and the trust established to hold the assets of the plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, as amended, and meet the requirements of California Government Code Sections 53215 through 53224 providing how pension trusts must be established by public agencies. Through PARS, agencies have the ability to design and control retirement plans according to their own specific needs, including specific collective bargaining requirements. The City adopted the PARS ARS Plan, effective September 1, 1999 as an alternate plan to Social Security for the hourly employees who are not eligible for participation in the City's CalPERS retirement plan.

All City's hourly employees who are not eligible to enroll in CalPERS retirement plan are enrolled in PARS-ARS instead of social security. After completing 1,000 work hours within a fiscal year, hourly employees are eligible to enroll in CalPERS retirement plan. For each pay period, employees contribute 6.2%, and the City contributes 1.3% of employee earnings into employees' PARS account. Both contributions are made on pre-tax basis. For FY 2014-15, PARS payments were \$230 and \$48 for employee portion and employer portion, respectively. The amount of the City's outstanding liability is zero, since the plan is fully funded, and it's a defined contribution plan. A participant in the PARS ARS Plan becomes eligible to receive his/her funds when one of the following events occurs: separation, retirement, permanent and total disability, and change of employment status to a position covered by another retirement system or death.

NOTE 10 – POST EMPLOYMENT BENEFITS

The City provides retiree medical benefits through the City's standalone healthcare plans. The City allows retirees to purchase healthcare coverage at blended active and retiree rates. This results in an "implied subsidy" since the healthcare costs are lower for active employees than for retirees.

The City's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. For FY 2014-15, the City contributed \$3,133 in benefit payments (\$47 for the premium subsidy and \$3,086 for the implied subsidy). No assets were invested in an irrevocable plan trust.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City’s annual Other Post-Employment Benefits (OPEB) cost for the year, the amount actually contributed to the plan, and changes in the City’s Net OPEB obligation:

	<u>Amount</u>
Annual required contribution	\$ 25,271
Interest on net OPEB obligation	2,974
Amortization of net OPEB obligation	<u>(6,191)</u>
Annual OPEB cost (expense)	22,054
Benefit payments	<u>(3,133)</u>
Increase in net OPEB obligation	18,921
Net OPEB obligation – beginning of year	75,922
Net OPEB obligation – end of year	<u>\$ 94,843</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 22,412	11%	\$ 57,997
6/30/2014	20,742	14%	75,922
6/30/2015	22,054	14%	94,843

The funded status of the plan as of June 30, 2013, the plan’s most recent actuarial valuation date, was:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2013	\$ 0	214,014	214,014	0%	\$ 121,029	177%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the City’s investments, a 3% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 8.5% for 2014 decreasing to 5.0% after 7 years. The post-Medicare eligible medical cost trend rate started 0.4% higher for 2014. The June 30, 2009 UAAL is being amortized as a level percentage of projected payroll over a 30 years closed period (26 years remaining for fiscal year 2013/14 ARC). Subsequent increases/decreases in UAAL due to actuarial gains/losses or changes

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

in assumptions are amortized over 15 year closed periods. The remaining average amortization period at June 30, 2013 was 17 years.

NOTE 11 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$80,082 of restricted net position, of which \$39,969 is restricted by enabling legislation. The City Charter requires \$23,433 in restricted net position to be set aside to meet the legal demands against the treasury during the beginning of the new budget period prior to the receipt of ad valorem taxes. Pursuant to redevelopment laws of the State of California, \$16,536 is restricted for low and moderate housing.

NOTE 12 - NET DEFICITS OF INDIVIDUAL FUNDS

As of June 30, 2015, the following funds have negative fund balances or net position:

Governmental funds:

Special revenue funds:

Supportive Housing Grant Fund	\$	28
Grant Fund		2
PW Special Grants Fund		1,296
Measure R Regional Return Fund		771
Fire Grant Fund		232
Emergency Medical Services Fund		3,388

Capital projects funds:

CIP Reimbursement Fund	\$	201
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Proprietary funds:

Internal service funds:

Compensation Insurance Fund	\$	14,446
Medical Insurance Fund		342
Employee Benefits Fund		1,792
Retiree Health Savings Plan Benefits Fund		2,655

Reimbursement Type Grants – The Supportive Housing Grant Fund, Grant Fund, PW Special Grants Fund, Measure R Regional Return Fund, Fire Grant Fund and CIP Reimbursement Fund are reimbursement type grants. Revenues are drawn down based on expenditures. As such, there will always be a timing difference between revenues and expenditures resulting in a deficit, as revenues do not represent available resources.

Emergency Medical Services Fund – The Glendale Fire Department has restructured the EMS program to provide Basic Life Support (BLS) services, which is expected to reduce the cost of the EMS program. The deficit decreased by \$1,472 during FY 2014-15 as a result of cost savings.

Compensation Insurance Fund – The deficit has been decreasing due to the premium increases in FY 2014-15 and prior fiscal years. The City will continue to increase the premiums in the future to eliminate the deficit.

Medical Insurance Fund – The IBNR (incurred, but not yet reported) claims payable liabilities increased by \$645 for the City’s self-insured PPO health plan. The City will increase the premiums in the future to eliminate the deficit.

Employee Benefits Fund – The deficit has been decreasing due to the premium increases in FY 2014-15 and prior fiscal years. The City will continue to increase the premiums in the future to eliminate the deficit.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Retiree Health Savings Plan Benefits Fund – The deficit is the result of an increase to the actuarial accrued liability. The City will increase the premiums in the future to eliminate the deficit.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City retains risks for the following types of liabilities: workers’ compensation, unemployment insurance, general auto, dental, medical and vision as well as public liability through separate internal service funds. The City purchased several commercial insurance policies from third-party insurance companies for errors and omissions of its officers and employees, and destruction of assets as well as excess workers’ compensation and general public liability claims. The City also purchases property, aviation and employee dishonesty insurance. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2015-16 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 (GWP)	250,000	Various deductibles up to \$250
Property Insurance (Non-GWP)	400,000	\$25 deductible all locations
Aviation Insurance (Police Helicopter)	50,000	Various deductibles
Employee Dishonesty – Crime Policy	1,000	\$25

Operating funds are charged a premium and the internal service funds recognize the corresponding revenue. Claims expenses are recorded in the internal service funds. Premiums are evaluated periodically and increases are charged to the operating funds to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses.

Claims payable liability has been established in these funds based on estimates of incurred but not reported and litigated claims. Management believes that provisions for claims at June 30, 2015 are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates. A reconciliation of the changes in the aggregate liabilities for Liability Insurance Fund, Compensation Insurance Fund and Medical Insurance Fund for claims for the current fiscal and the prior fiscal year are as follows:

Fiscal Year	Beginning Balance	Claims and Changes	Claim Payments	Ending Balance
2013-14	\$ 43,650	44,225	43,378	44,497
2014-15	\$ 44,497	54,863	56,158	43,202

The City has numerous claims and pending legal proceedings that generally involve accidents regarding its citizens on City property and employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations, or cash flows.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

Power Purchase Agreements

The City first participated in Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50-year, expired on May 31, 1987. The plant was operated by Southern California Edison and Los Angeles Department of Water and Power under the supervision of the Bureau of Reclamation during the contract term.

Before the expiration of the contract, Hoover Power Plant Act of 1984 authorized the uprating of the 17 main generating units and provided long-term contingent capacity and firm energy to the participants in a renewal contract. The uprating program replaced all 17 original turbines in the Hoover Dam Power Plant began in 1986. When the program was finished in 1993, it increased the capacity of the plant from 1,344 megawatts to 2,079 megawatts.

In January 1987, the City renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-years from 1987 to 2017. The Bureau of Reclamation also assumed control of operation and maintenance of the plant in 1987. Under this renewed contract, the City is entitled to 21 megawatts or 1.03% of the capacity and 1.59% of the firm energy.

In August 2003, the City entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003.

In June 2005, the City entered into a 25-year power sales agreement with the Southern California Public Power Authority (SCPPA) for the Ormat Geothermal Energy Project for purchase of up to 3 megawatts of the project electric energy. The project began commercial operation in January 2006.

In October 2006, the City entered into a 16-year contract with PPM Energy, Inc. for the purchase of 10 megawatts of capacity from wind-powered resources in Wyoming. The City began taking delivery of the energy under WSPP master agreement from July 1, 2006 through September 30, 2006. The contract term started on October 1, 2006.

In November 2007, City Council approved a purchase power agreement with SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility for a term of 18-years. The project began commercial operation in January 2009.

In September 2014, City Council approved a purchase power agreement with the Skylar Resources L.P. for the procurement of 50 megawatts of firmed renewable solar power for a term of 25-years. At least fifty percent of 50 MW/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 renewable energy on an annual basis. Delivery of energy will be scheduled during the peak period hours each day, and may begin as early as December 1, 2015.

Certain Sales Tax Revenues

On September 24, 2007, HdL Companies (HdL), which is City's sales tax consultant, submitted petitions to the Board of Equalization (BOE) on behalf of all their client cities regarding Case ID 606763 and Case ID 606835 (Sales v. Use Tax/Place of Allocation). These cases pertain to the City of Buena Park and a local business (hereafter referred to as Taxpayer).

The Taxpayer sells computer hardware and peripherals to government and business accounts. After signing a tax sharing agreement with the City of Buena Park, the Taxpayer began reporting these transactions as sales tax and allocating the local 1% tax to their office in the City of Buena Park.

According to BOE, since the merchandise is shipped from out of state, the applicable tax is use tax that should be allocated to the various countywide pools based on delivery. The Taxpayer contends that the terms of their sales agreements stipulate that title passes at the time of delivery in this state, and therefore the transactions are subject to sales tax. However, BOE states that title cannot pass after the seller has given the merchandise to a common carrier.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

In both their Allocation Group Decision and Supplemental Decision, BOE granted the HdL petitions and ruled that the tax was use tax and should be distributed via the countywide pools. The City of Buena Park has appealed both decisions, and the matter has been elevated to the BOE Appeals Division.

In spring 2014, the Taxpayer moved their California office from Buena Park to Glendale and has continued the same practice by allocating the 1% sales tax to their office in the City of Glendale. The Taxpayer is appealing the matter as well and until the matter is settled, they intend to allocate sales to their Glendale office, to the extent they believe the allocation is supported by the facts.

Per HdL, since the resolution of the dispute is still pending, all local revenue received by the City could later be taken away by the BOE and redistributed through the countywide pools. HdL has recommended that the City set aside any revenues received from this Taxpayer. Therefore, starting in FY 2013-14, the City is accruing a liability related to the sales tax revenues generated by this Taxpayer, until this matter is resolved and settled by all parties involved.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Joint Power Agreement between the City and the Glendale Community College

The City and the Glendale Community College (College) have agreed to establish a multi-faceted parking program to facilitate on street parking for the City residents living near the College campus and to meet the parking needs of the College. In order to implement the parking program, the City and the College have entered into a Joint Power Agreement (JPA) and issued \$4,000 in bonds - Glendale Parking Facilities Joint Powers Authority Parking Revenue Bonds, 2003 Refunding Series A (Bonds). The Bonds do not constitute a debt or liability of the JPA nor is the JPA liable for the payment of the principal or interest on the Bonds. The College provides fiscal management for this JPA. The amount of revenues available to pay debt service on the Bonds will be derived from two sources. The first source is the student-parking permit. The second source is the metered revenue from the City owned parking lots. In return for the loss of the metered revenue, the City shall receive reimbursement annually of \$100. In addition, the City shall receive annual reimbursement of at least \$25 for lot and meter maintenance. Furthermore, any remaining balance of the revenue, after debt service and JPA operational costs, shall be divided equally between the City and the College.

The City is obligated: (i) to establish and collect parking meter revenues at the City Parking Lots, (ii) to strictly enforce metered parking at the City Parking Lots through the use of citations and the collection of fines, (iii) to operate and maintain at its expense the City-owned parking facilities, (iv) to make funds available to JPA to allow for the repair and replacement of the City Parking Lots in the event of damage or destruction or, in the alternative, to redeem Bonds, and (v) to implement and enforce the expanded residential permit parking area program in and around the College campus and in the event the Civic Auditorium parking facilities are constructed, to allow the College students with student parking program permits to use such facilities during the periods that the Civic Auditorium functions are not in progress.

Joint Power Agreement for San Fernando Valley Council of Governments

The San Fernando Valley Council of Governments (SFVCOG) was created through a Joint Power Agreement in 2010. The City is an active member of the SFVCOG. Other member jurisdictions currently participating include the City of Los Angeles with 7 board representatives for each City Council district located entirely or partially in the San Fernando Valley, 2 board representatives from each of the Los Angeles County Supervisorial Districts located entirely or partially in the San Fernando Valley, and one representative each from the Cities of Burbank, San Fernando and Santa Clarita. In its official capacity, the SFVCOG acts as a planning sub-region for the Southern California Association of Governments (SCAG) and focuses on promoting better regional coordination of planning and transportation planning efforts in the San Fernando Valley. The SFVCOG also engages in local, regional, state and federal grant development programming for the region.

“Take or Pay” Contracts

The City has entered into twelve “Take or Pay” contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City’s share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric

CITY OF GLENDALE

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(in thousands)

generating capacity and transmission of energy for City residents. Through these contracts, the City purchased approximately 59% of its total energy requirements during fiscal year 2014-2015. With a few exceptions, the City is obligated to pay the amortized cost of indebtedness regardless of the ability of the counterparty to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the City to pay a share of the obligations of any defaulting participant.

- The Intermountain Power Agency (IPA), a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project (IPP). The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts. The City through contract is obligated for 30 megawatts or 1.70% of the generation. In addition, the City entered into an “Excess Power Sales Agreement” with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to additional shares that can vary from year to year. As of June 30, 2015, Glendale’s excess entitlement share is 0.46%. The total City’s obligation from IPP is between 35 and 38 megawatts.

The City joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The City has entered into eleven projects with SCPPA.

- The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of 3 units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.91% of total Palo Verde output), of which the City receives 9.9 megawatts or 4.40% of SCPPA’s entitlement. As of June 30, 2015, Glendale’s share is 4.40%.
- A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The City’s share of the line is 2.27% or approximately 55 megawatts. As of June 30, 2015, Glendale’s share is 2.27%.
- A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3, located in New Mexico. SCPPA members are entitled to 208 megawatts. The City is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. As of June 30, 2015, Glendale’s share is 9.80%.
- A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The City is obligated for 90 megawatts or 11.04% of the SCPPA entitlement. As of June 30, 2015, Glendale’s share is 11.04%.
- A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The City’s participation shares in the components range from 11.76% to 22.73%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the City’s purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical coal energy is readily available. As of June 30, 2015, Glendale’s share is 14.80%.
- A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power’s generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of

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Fiscal Year Ended June 30, 2015

(in thousands)

a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The City is obligated for 40 megawatts or 16.53% of the project's output. As of June 30, 2015, Glendale's generation cost share is 16.53% and indenture cost share is 17.25%.

- A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2015, Glendale's share is 23.00%.
- An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25 year purchase power agreement with SCPPA is for the purchase of 10.00% (approximately 5 MW) of the capacity of the project. The City has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2015, Glendale's share is 10.00%.
- A ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacificCorp's Tieton Substation. The City is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2015, Glendale's share is 50.00 %.
- A tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The City has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2015, Glendale's share is 7.63 %.
- The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.90% of the Project's output. The City has sold its output entitlement share to Los Angeles Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2015, Glendale's share is 4.90%.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Take-or-Pay commitments expire upon final maturity of outstanding bonds for each project. Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.16%
Palo Verde Project (PV)	2030	4.40%
Southern Transmission System (STS)	2027	2.27%
San Juan Project (SJ)	2030	9.80%
Mead-Adelanto Project (MA)	2030	11.04%
Mead-Phoenix Project (MP)	2030	14.80%
Magnolia Power Project (MPP)	2036	17.25%
Natural Gas Prepaid Project (NGPP)	2035	23.00%
Linden Wind Energy Project (LIN)	2035	10.00%
Tieton Hydropower Project (THP)	2040	50.00%
Windy Point/Windy Flats Project (WP)	2030	7.63%
Milford II Wind Project (MIL2)	2031	4.90%

A summary of the City's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2015:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	TOTAL
2016	\$4,699	548	1,812	2,151	2,465	997	3,677	4,539	1,008	1,671	3,103	624	27,294
2017	3,315	550	1,837	2,110	2,415	969	3,673	4,537	1,008	1,669	3,097	624	25,804
2018	4,832	552	1,801	-	2,380	955	2,867	4,562	1,006	1,670	3,095	623	24,343
2019	5,198	-	1,780	-	2,358	951	2,866	4,684	1,007	1,668	3,093	623	24,228
2020	4,534	-	1,561	-	2,339	941	2,866	4,858	1,005	1,668	3,090	622	23,484
2021-2025	9,180	-	8,172	-	1,747	698	14,740	26,917	5,019	8,320	15,411	3,104	93,308
2026-2030	-	-	2,184	-	-	-	16,360	31,855	4,998	9,048	15,335	3,089	82,869
2031-2035	-	-	-	-	-	-	16,891	33,688	4,864	8,209	3,057	1,230	67,939
2036-2040	-	-	-	-	-	-	14,706	4,232	921	8,173	-	-	28,032
2041-2045	-	-	-	-	-	-	-	-	-	3,272	-	-	3,272
Total	\$31,758	1,650	19,147	4,261	13,704	5,511	78,646	119,872	20,836	45,368	49,281	10,539	400,573

In addition to debt service, the City's entitlement requires the payment for fuel costs, operating and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2015 and 2014 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	TOTAL
2015	\$ 7,535	3,027	696	6,493	240	456	2,959	1,632	-	733	-	-	23,771
2014	\$ 8,588	2,760	676	7,568	266	224	4,236	1,923	-	505	-	-	26,746

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

NOTE 16 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

In February 2012, the Dissolution Act (Assembly Bill 1X 26; amended by AB 1484 in June 2012 and SB 107 in September 2015) dissolved California redevelopment agencies and directed them to conduct wind-down activities. Successor agencies were put in place to complete the work of the former redevelopment agencies. In Glendale, the City chose to serve as the Glendale Successor Agency. This action impacted the reporting entity of the City of Glendale that previously had reported the redevelopment agency within it and as a blended component unit. Commencing on the date of dissolution, the assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in its financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

The dissolution and wind-down process included a series of audits, reviews, and approvals addressing which obligations an agency is authorized to complete (known as enforceable obligations), how much funding may be used to meet the obligations, and the return of all unobligated agency funds to the affected taxing entities. In order to receive funding to pay down enforceable obligations, agencies are required to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS). The ROPS must be approved by the Successor Agency, the Oversight Board and ultimately the State Department of Finance (DOF). The Oversight Board is a new Board created to oversee the wind-down of the agency and is made up of individuals representing the taxing entities, such as the City, the College, the Schools and the County.

The Dissolution Act required agencies to undergo two detailed Due Diligence Reviews (DDR) to determine unobligated fund balances available for transfer to the affected taxing entities. Upon an agency's completion of these requirements, the DOF issued a Finding of Completion (FOC). Upon issuance of the FOC, an agency is required to submit a Long Range Property Management Plan (LRPMP) to the DOF identifying the disposition and use of all remaining agency properties retained by the agency. Glendale's LRPMP was approved by DOF on April 16, 2014.

The Dissolution Act permits prior cooperation and reimbursement or loan agreements between cities and former agencies to be treated as enforceable obligations on the ROPS if the Successor Agency receives a FOC and if the Oversight Board finds that the cooperation agreement/loan was for loans made for legitimate redevelopment purposes. Glendale received approval from the Oversight Board to reinstate the loans and requested the maximum amount due (\$1.5 Million) per the formula outlined in the Dissolution Act as part of ROPS 14-15A. The DOF approved \$1.5 Million on ROPS 14-15A towards paying down the amount due on the City loan. Although DOF paid \$1.5 Million, they did not agree with the methodology Glendale used to calculate the amount of interest due on the loans and therefore disapproved the remaining amount of the loan due. As such, the City filed a lawsuit in August 2014 against DOF. The Court decided in favor of the City and the DOF has appealed the decision.

The following year, Glendale placed the amount due for the City loan on ROPS 15-16A. However, the DOF rejected the requested payment amount claiming the City was not technically granted an FOC at the time the Oversight Board deemed the loans were legitimate. The City is in active litigation with the DOF on this denial.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Cash and Investments

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

Investments	\$	84,163
Investments with fiscal agents		<u>17,488</u>
		101,651
Cash held in financial institutions and imprest cash		<u>1</u>
Total	\$	<u>101,652</u>

The following amounts are reflected in the fiduciary statement of net position:

Pooled cash and investments	\$	84,135
Restricted cash		29
Investments with fiscal agents		<u>17,488</u>
Total	\$	<u>101,652</u>

Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may 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 the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

		<u>Remaining Maturity (in Months)</u>		
		Total	12 Months or Less	More than 60 Months
Commercial Paper	\$	38,383	38,383	-
Negotiable Certificates of Deposit		15,500	15,500	-
State Investment Fund		30,280	30,280	-
Held by Fiscal Agents:				
Money Market Fund		17,488	17,488	-
	\$	<u>101,651</u>	<u>101,651</u>	<u>-</u>

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City invests only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa or A rated corporate securities, and A1,P1,F1 rated commercial paper, negotiable certificates of deposit and banker's acceptance securities. The City's Investment Policy requires the City to sell medium term notes with a credit rating below S&P's and Fitch's BBB grade or Moody's Baa2, unless the City Council approves the City Treasurer's recommendation that the security should be retained.

		<u>Moody's Ratings as of June 30, 2015</u>				
		Total	Aa1	A1	P1	Unrated
Commercial Paper	\$	38,383	-	9,994	28,389	-
Negotiable Certificates of Deposit		15,500	-	-	15,500	-
State Investment Pool		30,280	-	-	-	30,280
Held by Fiscal Agents:						
Money Market Fund		17,488	17,488	-	-	-
	\$	<u>101,651</u>	<u>17,488</u>	<u>9,994</u>	<u>43,889</u>	<u>30,280</u>

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Capital Assets

	Balance at July 1	Increases	Decreases	Adjustments - transferred from business- type	Adjustments - transferred to governmental activities	Balance at June 30
Fiduciary fund:						
Capital assets not being depreciated						
Land	\$ 27,909	-	(20,437)	83	(7,400)	155
Construction in progress	8,479	4,818	-	-	-	13,297
Total assets not being depreciated	36,388	4,818	(20,437)	83	(7,400)	13,452
Depreciable capital assets						
Building and improvements	15,719	418	-	377	(16,137)	377
Machinery and equipment	946	-	-	-	(946)	-
Total other capital assets at cost	16,665	418	-	377	(17,083)	377
Less accumulated depreciation:						
Building and improvements	3,607	390	-	217	(3,988)	226
Machinery and equipment	842	48	-	-	(890)	-
Total accumulated depreciation	4,449	438	-	217	(4,878)	226
Total assets being depreciated, net	12,216	(20)	-	160	(12,205)	151
Fiduciary fund capital assets, net	\$ 48,604	4,798	(20,437)	243	(19,605)	13,603

Property Held for Resale

Fiduciary fund property held for resale at June 30, 2015:

Acquisition Date	Location	Carrying Value
December 1987	820 N. Central	\$ 825
August 1982	111 E. Wilson	325
March 1986	225 W. Wilson	1,013
June 2008	218 S. Brand	1,442
		<u>\$ 3,632</u>

Long-Term Debt and Other Liabilities

The Fiduciary fund's long-term liabilities as of June 20, 2015 consist of the following:

	Issuance Amount	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015	Due within one year
Fiduciary fund:						
2010 GRA Tax Allocation Bonds	\$ 26,970	26,820	-	275	26,545	290
2011 GRA Subordinate Taxable Tax Allocations Bonds	50,000	46,480	-	1,865	44,615	2,595
2013 GSA Tax Allocation Refunding Bonds	44,985	44,985	-	4,955	40,030	5,100
GRA/GSA Tax Allocation Bonds premium	-	2,223	-	918	1,305	375
Reinstatement of loans payable to City	13,613	13,613	-	1,509	12,104	-
Total Fiduciary fund long-term liabilities	\$ 135,568	134,121	-	9,522	124,599	8,360

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

Tax Allocation Bonds, 2010 Series

The former Glendale Redevelopment Agency (the "Agency") issued \$26,970 in 2010 tax allocation bonds with an average rate of 5% for 15 years to fund economic development activities of the Agency primarily relating to the Adult Recreation Center Improvement; Glendale Central Library Renovation and Columbus Soccer Field Project, to fund a reserve account for the Bonds, and to pay the expense of the Agency in connection with the issuance of the Bonds. The Bonds mature in amounts ranging from \$290 to \$8,510 from 2016 to 2025. The incremental property tax revenues allocated to and received by the Agency for the Central Project Area on a parity with the Agency's previously issued 2002 tax allocation bonds and 2003 tax allocation refunding bonds, net of county share of statutory tax sharing and county administration charge, pledged to the payment of principal, interest and discounts on these bonds. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2015, the principal balance is \$26,545.

Subordinate Taxable Tax Allocation Bonds, 2011 Series

The former Glendale Redevelopment Agency (the "Agency") issued \$50,000 in 2011 subordinate taxable tax allocation bonds with an average rate of 6.75% for 14 years. The Bonds were issued to finance redevelopment projects and low and moderate income housing activities; to fund the Reserve Requirement for the Bonds; and to provide for the costs of issuing the Bonds. The bonds mature in amounts ranging from \$2,595 to \$7,210 from 2016 to 2025. For the security of the Non-Housing portion of the Bonds, the Agency grants a first pledge of and lien on all of the Subordinate Tax Revenues consisting of Non-Housing Tax Revenues on a parity with the pledge and lien which secures any Parity Debt. For the security of the Housing portion of the Bonds, the Agency grants a first pledge of and lien on all of the Subordinate Tax Revenues consisting of Housing Tax Revenues, on parity with the pledge and lien which secures any Parity Debt. Subordinate Tax Revenues are pledged to the payment of principal, interest and discounts on the Bonds pursuant to the Indenture until the Bonds are paid, or until moneys are set-aside irrevocably for that purpose. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2015, the principal balance is \$44,615.

Tax Allocation Bonds, 2013 Refunding Series

The Glendale Successor Agency (the "GSA") issued \$44,985 in 2013 tax allocation refunding bonds with an average rate of 4.81% to defeased the former Glendale Redevelopment Agency's (the "Agency") outstanding Central Glendale Redevelopment Project Tax Allocation Bonds, 2002 Series and the Tax Allocation Bonds, 2003 Refunding Series (the "Prior Bonds") and to pay the cost of issuance of the 2013 Bonds. The 2013 Bonds mature in regularly increasing principal amounts ranging from \$5,100 to \$6,455 from 2016 to 2022. The advance refunding of Tax Allocation Bonds, 2002 Series and the Tax Allocation Bonds, 2003 Refunding Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. The deferred loss on refunding as of June 30, 2015 for \$1,695 is recognized and reported in the financial statements as a deferred outflow of resources and is being amortized through fiscal year 2021. The refunding of the 2002 and 2003 Tax Allocation Bonds were approved by the Oversight Board and the DOF, to provide savings until the Refunding Bonds are repaid. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2015, the principal balance is \$40,030.

Loans Payable

When the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California that took effect February 1, 2012, the former Glendale Redevelopment Agency's ("the former Agency") Advances from the City was invalidated. As a result, the City had written off the former Agency's Advances' outstanding balance of \$71,758 in fiscal year 2012.

However, when legislature approved Assembly Bill 1484, the Host Agency was eligible to reinstate the City/Agency loans pursuant to California Health & Safety Code section 34191.4. The Host Agency and the Successor Agency received approval from its Oversight Board and from the State Department of Finance to reinstate the City/Agency loans. However, the reinstated loan is limited by H&SC section 34191.4 which allows the Successor Agency to repay the loan pursuant to a formula that

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

prescribes the maximum payment per fiscal year as equal to one-half of the increase between the amount distributed to the taxing entities pursuant to H&SC section 34183 and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-2013 base year. In addition, the accumulated interest on the remaining principal loan balance is required to be recalculated from loan origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF). The loans are required to be repaid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF. Furthermore, twenty percent (20%) of any loan repayment is required to be deducted and transferred to the City’s Low and Moderate Income Housing Asset Fund. As of June 30, 2015, the reinstated loan amount is \$12,104.

Glendale Successor Agency annual debt service requirement schedule:

Fiscal Year	GSA Tax Allocation Bonds Fiduciary Fund		Loans Payable Fiduciary Fund		Total Debt
	Interest	Principal	Interest	Principal	Service
2016	\$ 6,439	7,985	-	-	14,424
2017	6,091	8,300	-	1,729	16,120
2018	5,652	9,080	-	1,729	16,461
2019	5,148	9,565	-	1,729	16,442
2020	4,613	10,090	-	1,729	16,432
2021-2025	12,003	66,170	-	5,188	83,361
	\$ 39,946	111,190	-	12,104	163,240

Net Position (Deficits)

A \$3,515 deficit in net position is reported in fiduciary fund as of June 30, 2015. The primary reason for the deficits is due to the outstanding tax allocation bonds.

Subsequent Events

Senate Bill 107

Senate Bill 107 (SB 107) sponsored by the Department of Finance (DOF), passed both legislative houses on September 11, 2015 and became effective when Governor Brown signed it on September 22, 2015. This bill addresses the existing dissolution process of former redevelopment agencies. Some of the noteworthy provisions include:

1. The Countywide Oversight Boards will not begin until July 2018, a postponement of two years.
2. ROPS will be submitted on an annual basis instead of biannually.
3. Agencies are authorized to spend bond proceeds issued in 2011 on a sliding scale based on the month the bonds were issued.
4. Agencies are authorized to spend 100% of housing bond proceeds.
5. Revises the definition of City/Agency Loan.
6. Revises the interest rate calculation on City/Agency Loans from referencing LAIF to a fixed 3% for all agencies except Glendale; given Glendale’s favorable Court ruling.
7. Limits the ability of cities to recoup their legal fees in future litigation.

Glendale is continuing to study the impacts of SB 107 with an emphasis on the City/Agency loans.

Sale of Property

The Hyatt Hotel site at 225 W. Wilson Avenue is approved as a Successor Agency-owned public parking lot. In 2008, the Agency entered into an exclusive negotiating agreement with Komar Investments to develop the site with a business-class hotel. The Agency entered into a Disposition and Development Agreement with the developer in 2011 for the development of

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

the hotel via a ground lease with an option to purchase the property. To better implement the objectives of the Dissolution Act, the Agreement was amended to include direct sale of the property to the developer with the developer being responsible for all development costs. The amended Agreement was approved by the Glendale Oversight Board on May 1, 2013 (OB Resolution #23) and approved by the Department of Finance by letter dated June 14, 2013. On October 2015, the developer is purchasing the property from the Agency for \$3,370. In accordance with HSC 34191.5(c)(2)(B), the proceeds from the sale shall be distributed as property tax to the taxing entities. The escrow is expected to close at the end of November 2015.

NOTE 17 - SUBSEQUENT EVENTS

Other Postemployment Benefits (OPEB)

In October 2015, the City Council approved unblending medical insurance premium rates between active employees and retired employees effective June 1, 2016 and the authorization of subsidies for existing retired employees currently participating in the City's retiree medical insurance plans who meet specific criteria. Accordingly, the City has projected that the OPEB obligation is going to be reduced from over \$200 million to approximately \$20 million based on the preliminary actuarial calculation: \$4 million for the Lower Income Retiree Subsidy and \$16 million for the Medicare Part A reimbursement.

San Juan Termination Agreement

In July 2015, the City Council authorized the Southern California Public Power Authority (SCPPA) to execute, on Glendale's behalf, a set of three agreements that will collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The agreements address restructuring of rights and obligations at San Juan, including disposal of coal inventory, mine reclamation, and plant decommissioning. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Glendale's current SCPPA budget of \$8.7 million a year is planned to remain flat through the year 2017. The budget takes into account all Glendale's obligations during the remaining life of the Unit. Without this termination strategy, GWP would face the risk of being required to install specific pollution control equipment. It is important to note that certain environmental remediation costs are estimated and not fully determined at this point. Under the Mine Reclamation and Plant Decommissioning Agreements, Glendale is obligated to contribute its share of specified costs when the actual remediation amounts are determined in the future, and shares the responsibility for any liability arising from operations before the December 2017 exit date. Such costs will be payable solely from the legally-available revenues of the GWP electric system.

NOTE 18 - PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 72 – *Fair Value Measurement and Application*. The objective of the Statement is to address accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015.
- GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The principal objectives of this Statement is to improve the information provided in the general purpose external financial reports of state and local governments about pensions and related assets that are not within the scope of Statement No. 68. The Statement is effective for periods beginning after June 15, 2015.
- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016.

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement replaces the requirements of Statements No. 45 and No. 57. The Statement is effective for periods beginning after June 15, 2017.
- GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The Statement is effective for periods beginning after June 15, 2015.
- GASB Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The Statement is effective for periods beginning after December 15, 2015.

NOTE 19 - IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented the following GASB Statements during the year ended June 30, 2015:

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.
- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB Statements No. 69 did not impact the financial statements of the City during the year ended June 30, 2015.

NOTE 20 – RESTATEMENT

A prior period adjustment of \$371,114 and \$83,176 were made to decrease the beginning net position of the governmental activities and business-type activities, respectively, in accordance with the implementation of GASB 68 and GASB 71. The adjustment was made to record the beginning net pension liability and deferred outflows of resources for contributions subsequent to the measurement date.

CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2015

(in thousands)

The restatement of beginning net position is summarized as follows:

Governmental Activities:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (395,380)	(395,380)
Deferred Outflows		24,266	24,266
Net Position	\$ 950,373	<u>(371,114)</u>	<u>579,259</u>

Business-type Activities:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (88,228)	(88,228)
Deferred Outflows		5,052	5,052
Net Position	\$ 700,533	<u>(83,176)</u>	<u>617,357</u>

Sewer Fund:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (5,042)	(5,042)
Deferred Outflows		289	289
Net Position	\$ 219,411	<u>(4,753)</u>	<u>214,658</u>

Electric Fund:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (52,936)	(52,936)
Deferred Outflows		3,030	3,030
Net Position	\$ 306,494	<u>(49,906)</u>	<u>256,588</u>

Water Fund:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (15,125)	(15,125)
Deferred Outflows		866	866
Net Position	\$ 107,557	<u>(14,259)</u>	<u>93,298</u>

Refuse Disposal Fund:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (12,604)	(12,604)
Deferred Outflows		721	721
Net Position	\$ 36,266	<u>(11,883)</u>	<u>24,383</u>

Fire Communication Fund:

	June 30, 2014 <u>Previously Stated</u>	<u>Restatement</u>	July 1, 2014 <u>Restated</u>
Net Pension Liability		\$ (2,521)	(2,521)
Deferred Outflows		145	145
Net Position	\$ 6,262	<u>(2,376)</u>	<u>3,886</u>

CITY OF GLENDALE

Required Supplementary Information

Fiscal Year Ended June 30, 2015

(in thousands)

Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)		Covered Payroll (C)	UAAL as of Percentage of Covered Payroll ((B-A)/C)
6/30/2009	\$ -	103,947	103,947	0%	\$	140,934	74%
6/30/2011	-	191,063	191,063	0%		140,403	136%
6/30/2013	-	214,014	214,014	0%		121,029	177%

CITY OF GLENDALE

Required Supplementary Information

Last Ten Fiscal Years

(in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan

	Fiscal Year
	2015
Total pension liability	
Service cost	\$ 14,951
Interest on the total pension liability	69,351
Benefit payments, including refunds of employee contributions	(47,552)
Net change in total pension liability	36,750
Total pension liability - beginning	940,974
Total pension liability - ending (A)	977,724
Plan fiduciary net position	
Contributions from the employer	14,431
Contributions from employees	8,202
Net investment income	117,615
Benefit payments, including refunds of employee contributions	(47,552)
Net change in fiduciary net position	92,696
Plan fiduciary net position - beginning	688,897
Plan fiduciary net position - ending (B)	781,593
Net pension liability - ending (A) - (B)	\$ 196,131
Plan fiduciary net position as a percentage of the total pension liability	79.94%
Covered-employee payroll	\$ 91,502
Net pension liability as a percentage of covered-employee payroll	214.35%
Measurement date	June 30, 2014

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only one year of data is shown.

CITY OF GLENDALE

Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Safety Plan

	Fiscal Year
	2015
Total pension liability	
Service cost	\$ 13,249
Interest on the total pension liability	50,558
Benefit payments, including refunds of employee contributions	(32,654)
Net change in total pension liability	31,153
Total pension liability - beginning	683,809
Total pension liability - ending (A)	714,962
Plan fiduciary net position	
Contributions from the employer	14,887
Contributions from employees	4,716
Net investment income	77,826
Benefit payments, including refunds of employee contributions	(32,654)
Net change in fiduciary net position	64,775
Plan fiduciary net position - beginning	452,278
Plan fiduciary net position - ending (B)	517,053
Net pension liability - ending (A) - (B)	\$ 197,909
Plan fiduciary net position as a percentage of the total pension liability	72.32%
Covered-employee payroll	\$ 56,818
Net pension liability as a percentage of covered-employee payroll	348.32%
Measurement date	June 30, 2014

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only one year of data is shown.

CITY OF GLENDALE

Required Supplementary Information

Last Ten Fiscal Years

(in thousands)

Schedule of Plan Contributions - Miscellaneous Plan

	Fiscal Year
	2015
Actuarially determined contributions	\$ 13,357
Contributions in relation to the actuarially determined contribution	(13,357)
Contribution deficiency (excess)	-
Covered-employee payroll	\$ 92,232
Contributions as a percentage of covered-employee payroll	14.482%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015 were from the June 30, 2012 CalPERS valuation report.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	16 years as of the valuation date
Asset valuation method	15 year smoothed market
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%
Retirement age	59

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only one year of data is shown.

CITY OF GLENDALE

Required Supplementary Information

Last Ten Fiscal Years

(in thousands)

Schedule of Plan Contributions - Safety Plan

	Fiscal Year
	<u>2015</u>
Actuarially determined contributions	\$ 16,772
Contributions in relation to the actuarially determined contribution	<u>(16,772)</u>
Contribution deficiency (excess)	<u>-</u>
Covered-employee payroll	\$ 56,278
Contributions as a percentage of covered-employee payroll	29.802%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015 were from the June 30, 2012 CalPERS valuation report.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	29 years as of the valuation date
Asset valuation method	15 year smoothed market
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%
Retirement age	54

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only one year of data is shown.