



CITY OF PALMDALE

California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2014



Important dates in Palmdale and Antelope Valley History

1772	Captain Pedro Fages is the first white man to cross through the Antelope Valley. Indians told of white people before this time, who they thought were deserters from the Spanish army in the south, but none of their names were recorded.	1929	Classes started at Antelope Valley Junior College.		weekly summer event at Poncitán Square in downtown Palmdale, began.
1776	Father Garces came through the west end of the Valley on his way to the Mission of San Gabriel.	1933	U.S. Air Force built a base at Muroc Dry Lake. In 1949, the name was changed from Muroc Air Force Base to Edwards Air Force Base, in honor of Glen Edwards, a young captain who lost his life flying an experimental aircraft.	2002	Palmdale Plant 42 Heritage Airpark opened to the public.
1827	Jedediah Smith and party traveled through the west end of the Valley and Willow Springs.	1940	Angeles Forest Highway opened.	2003	Trader Joe's, Bed Bath & Beyond, Panera Bread, PetSmart, and T.J. Maxx opened.
1844	John C. Fremont and party came through the west end of the Valley.	1947	Captain Charles Yeager, flying over the Valley from Muroc Air Force Base in a X1 Bell aircraft, was the first man to break through the sound barrier.	2004	Home sales began in Anaverde Master Planned Community.
1857	Lieutenant Edward Beale and his famous camel cavalry traveled through the south end of the Valley heading for Fort Tejon.	1952	U.S. Government bought Palmdale Airport, renaming it Air Force Plant 42.	2005	The City's new \$15 million Palmdale Transportation Center opened, providing a state-of-the-art transportation facility. The regional multimodal hub offers connections between Antelope Valley Transit Authority local and commuter bus service, Metrolink commuter rail service, Santa Clarita Transit, Greyhound bus service and Amtrak Throughway bus service.
1876	The Southern Pacific Railroad completed its line through the Valley.	1953	Lockheed opened a plant in Palmdale, and the shift of industry from agriculture to aerospace was completed.		Starlight Concert Series moved to the new Palmdale Amphitheater.
1882-85	The Valley lost 30,000 head of antelope, almost half of the antelope for which it was named. Unusually heavy snows in the mountains and on the valley floor drove the antelope toward their normal feeding grounds in the eastern part of the Valley. Since they would not cross the railroad tracks, many starved to death. Others were attacked by coyotes and wildcats, or became easy prey for hunters.	1956	Palmdale High School opened on September 8.		Palmdale won the Princess Trophy for its first entry in the Rose Parade.
1886	Palmenthal was founded by Swiss and German families.	1962	On August 24, 1962, Palmdale was incorporated, making it the first city in the Antelope Valley. Palmdale's first mayor was Larry Chimbole, and the four councilmen elected were Richard Linaker, Marlin Gilbreath, Domenic Massari, and Lester Nichols.	2006	New \$23.9 million Sheriff's Station opened in Palmdale. DryTown Water Park opened.
1896	Palmdale Lake was constructed (then known as Alpine Reservoir).	1967	On October 3, William J. "Pete" Knight attained the highest speed ever – 4,520 mph (Mach 6.7) – in a fixed-wing aircraft, the X-15A-2.	2007	Plans unveiled for new 300 acre hybrid power plant. NASA Dryden Flight Research Center opened a satellite aircraft operations facility at USAF Plant 42, Site 9. Palmdale launched new anti-crime program, Partners for a Better Palmdale.
1899	Palmenthal's name changed to Palmdale.	1971	California State Aqueduct was completed.		Claim Jumper Restaurant, Souplantation, Buffalo Wild Wings, and Fire Island Grill restaurants opened.
1904	William Barton was the first to use a gasoline engine to pump water from his well. Other farmers were quick to adopt this method of pumping. It was a vast improvement over reliance on artesian wells. Its use marked the beginning of the local alfalfa industry, as the Valley quickly became one of the biggest alfalfa producers in California.	1974	Antelope Valley Freeway was completed.	2008	Palmdale became a Charter City. Palmdale Library consolidated Main and Youth libraries.
1905-13	The Los Angeles-Inyo Aqueduct was constructed across the Valley.	1977	Palmdale City Library opened to the public. It was the first building constructed by the City of Palmdale.	2009	Embassy Suites and Palmdale Regional Medical Center open in Palmdale; Macy's opened in the AV Mall.
1905-20s	The years of the big jackrabbit drives in the Valley. These drives became necessary when the rabbits would become so thick that they would destroy many acres of farmers' crops.	1980	Palmdale Cultural Center opened.	2010	Palmdale served as host City for Stage 6 of the Amgen Tour of California – the most difficult leg of the race, 135.3 miles from Palmdale to Big Bear Lake.
1910	The Corum family homesteaded the west side of Rogers Dry Lake. A small town, Muroc (which is Corum spelled backwards), developed. At the present time, this area is known as Edwards.	1981	The first space shuttle, Columbia STS-1, landed at Edwards Air Force Base on April 14. It was the world's first reusable spacecraft.	2011	Yard House restaurant opened; Steer'n Stein celebrated its 20th anniversary. Legacy Commons for Active Seniors celebrated its 1 year anniversary with a dedication ceremony. Palmdale Mayor James C. Ledford, Jr. was elected to an unprecedented eleventh term as mayor.
1912	Antelope Valley High School was founded for students.	1987	The Palmdale schoolhouse, the oldest still-standing building from the original Palmenthal settlement, found a permanent home in McAdam Park. It was officially dedicated in 1988.		Palmdale served as host City for Stage 6 of the Amgen Tour of California – again from Palmdale to Big Bear Lake.
1914	Pacific Light & Power Company brought the first electric power lines into the Valley. The company was later sold to the present Edison International.	1988	Palmdale voters elected Pete Knight mayor directly. Previously, the city council chose one of its own to serve as mayor.	2012	Palmdale celebrates 50th birthday. Announced formation of Palmdale Recycled Water Authority, a partnership between the City and Palmdale Water District. Irrigation with recycled water began at McAdam Park.
1915	The first Fair was held in Lancaster. Palmdale's first paper, The Palmdale Post, was published. (The first weekly paper in the Valley was the Lancaster News, published in 1885).	1990	The area's first regional shopping center, the Antelope Valley Mall, opened in Palmdale in September.	2013	'Miracle Mile' in East Palmdale sees continued growth with additions of In-Shape Gym, Pizza Experience, Ni Hao Sushi, Panera, Sweet Frog, and Buffalo's Cafe. Dick's Sporting Goods and H&M schedule Fall openings at AV Mall.
1921	Mint Canyon Highway was paved and its name changed to Sierra Highway.	1991	The Starlight Concert series began.		
1924	Palmdale Lake was reconstructed as Harold Reservoir.	1994	The Antelope Valley Auto Center opened.		
1924	Littlerock Dam was completed.	1996	The Palmdale Playhouse opened in September.		
		1998	Lockheed Martin Skunk Works, located at Air Force Plant 42, was awarded the contract to design and build the prototype for the next generation of the space shuttle – the X-33.	2014	
		1998	Palmdale Youth Library opened.		
		2000	Barnes & Noble opened near Target, Lowe's and Best Buy on 10th St. West.		
		2001	Thursday Night on the Square, a popular		

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

CITY OF PALMDALE, CALIFORNIA



For the Fiscal Year Ended

June 30, 2014

Prepared By

*Karen Johnston
Finance Manager*

*Hamed Jones,
Budget Manager*

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City of Palmdale
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2014

TABLE OF CONTENTS

Page No.

I. INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
Organization Chart - City of Palmdale	xi
Elected and Administrative Officers	xii
Location Map	xiii

II. FINANCIAL SECTION

Independent Auditors' Report	1
Managements' Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	17
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Governmental Fund Financial Statements	21
Balance Sheet	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balance	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Budgetary Comparison Statements - Major General and Special Revenue Funds	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - HA-Housing Asset Fund Special Revenue Fund	29
Budget and Actual - HA-Mobile Home Parks Special Revenue Fund	30
Fiduciary Fund Financial Statement	31
Statement of Fiduciary Net Position - Fiduciary Funds	32
Statement of Changes in Fiduciary Net Position	33
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	105
Schedule of Funding Progress - Public Employees Retirement System	106
Schedule of Funding Progress - Other Post Employment Defined Benefit Plan (OPEB)	106

City of Palmdale
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page No.</u>
REQUIRED SUPPLEMENTAL SECTION, CONTINUED	
Non-Major Governmental Funds	107
Fund Descriptions	107
Combining Statements - Fund Financial Statements	
Combining Balance Sheet	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
Budgetary Comparison Schedules	119
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Special Revenue Funds:	
Air Quality Improvement	120
Community Development Block Grant	121
Drainage	122
Drainage Benefit Assessment Funds	123
Federal Funds	124
Federal Home Program	125
Federal Jobs Program	126
Fire Facilities Impact Special Revenue Fund	127
Gas Tax	128
Housing Authority	129
Landscape Maintenance	130
Local Transportation - Article 3	131
Local Transportation - Article 8	132
Measure R	133
Miscellaneous Grants/Developer Contributions	134
Park Assessments	135
Park Development	136
Proposition A	137
Proposition C	138
Public Facilities Fund	139
Public Safety	140
South Antelope Valley Emergency Services	141
Sewer Maintenance Assessment District	142
Sewer Upgrade	143
State Grants	144
Street Lighting Assessment District	145
Traffic Impact	146
Water Park	147
Debt Service Funds:	
Palmdale Civic Authority	148
Palmdale Financing Authority	149

City of Palmdale
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2014

TABLE OF CONTENTS

Page No.

REQUIRED SUPPLEMENTAL SECTION, CONTINUED

Statement of Agency Funds	150
Combining Statement of Net Position	150
Assessment and Community Facilities Districts Agency Fund	151
Retiree Health Premium Trust Funds	152
Statement of Changes in Assets and Liabilities	153
Assessment and Community Facilities Districts Agency Fund	154
Retiree Health Premium Trust Funds	155

III. STATISTICAL SECTION

Introduction	157
Financial Trends	
Net Position by Component	158
Changes in Net Position	159
Fund Balances, Governmental Funds	160
Changes in Fund Balances, Governmental Funds	161
Revenue Capacity	
General Governmental Tax Revenues by Source	163
Assessed Value and Estimated Actual Value of Taxable Property	164
Direct and Overlapping Property Tax Rates	165
Principal Property Tax Payers	166
City Property Tax Levies and Collections	167
Debt Capacity	
Ratios of Outstanding Debt by Type	168
Ratio of General Bonded Debt Outstanding	169
Direct and Overlapping Governmental Activities Debt	170
Legal Debt Margin Information	171
Project Area 1 & 1A Pledged - Revenue Coverage	172
Project Area 2A Pledged - Revenue Coverage	173
Project Area 2A (20% Set Aside) Pledged Revenue Coverage	174
Demographic and Economic Information	
Demographic and Economic Statistics	175
Principal Employers - Antelope Valley	176
Operating Information	
Full-time Equivalent City Government Employees by Function/Program	177
Operating Indicators by Function/Program	179
Capital Asset Statistics by Function/Program	182

IV. OTHER INFORMATION

Successor Agency (Private Purpose Trust Fund) Debt Information	183
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Introductory

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014



PALMDALE

a place to call home

November 25, 2014

JAMES C. LEDFORD, JR.
Mayor

TOM LACKEY
Mayor Pro Tem

MIKE DISPENZA
Councilmember

STEVEN D. HOFBAUER
Councilmember

FREDERICK THOMPSON
Councilmember

38300 Sierra Highway

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Honorable Mayor, Members of the City Council,
and Citizens of the City of Palmdale:

Accepted practice recommends that all local governments publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Palmdale for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City of Palmdale. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Palmdale has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Palmdale's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Palmdale's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Palmdale's financial statements have been audited by Vavrinek, Trine, Day, & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palmdale for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examination on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

Auxiliary aids provided for

communication accessibility

upon 72 hours notice and request.

Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Palmdale's basic financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Palmdale was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Palmdale's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Palmdale's MD&A can be found immediately following the report of the independent auditors.

Palmdale History

Today's Palmdale has its roots in two small, early communities: Harold (Alpine Station) and Palmenthal. Harold was a natural location for a community because it was at the crossroads of the two major routes on the Valley floor, the Southern Pacific Railroad tracks and Fort Tejon Road (now Barrel Springs Road). In the late 1890s Harold was reduced to a few residents when the railroad decided to build a larger station for its booster engines. Booster engines were needed to get the train over the San Gabriel Mountains, and they needed to be started on flat land. Harold was not flat, and so the new station was built a short distance north of Harold, at what is now central Palmdale.

Palmenthal came to be in 1886 when between 50 and 60 families of Swiss and German descent were moving westward from the Midwest to California. As the settlers came to the Antelope Valley and saw our Joshua trees, they mistook them for palm trees. The families settled about three miles southeast of the present Civic Center and called their new town Palmenthal. The 1890s were a decade of boom and bust spurred on by the lure of cheap land and good living. In 1899 the community relocated to the heart of present-day Palmdale, and changed its name to Palmdale. So this is how Palmdale came to be. Palmenthal and Harold both came to be abandoned, and both settlements relocated to the center of the new city of Palmdale by the new Southern Pacific railroad station.

The Primary Government

The City of Palmdale was incorporated on August 24, 1962 and became a charter City in November 2009. The City is located 60 miles north of Los Angeles and is situated in the high desert at an elevation of 2,600 feet with an average mean temperature of 72 degrees Fahrenheit. Palmdale is an upper-middle class community, with a median household income of \$59,923 in 2012, which is comparable to Los Angeles at \$66,837. Palmdale residents enjoy a comfortable hometown feel with a strong family orientation, excellent education system and abundant opportunities in a safe environment.

There are eighty-eight cities in Los Angeles County with a total population of 10 million. Palmdale is the sixth largest and one of the fastest growing cities in the county. The City currently occupies a land area of 104 square miles and serves a population of 155,657. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Palmdale operates under the council/manager form of government. The five member City Council consists of an elected Mayor who serves a two-year term and four other members who are elected at large to overlapping four-year terms. The Mayor Pro Tem is selected from among the City Council members. The City Manager serves at the pleasure of the City Council and administers the City's affairs and carries out policies established by the City Council. The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and city attorney. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing various department heads. The City provides the following municipal services:

Municipal Services

Building Services
Economic Development
Engineering
Finance
Library
Parks, Recreation, and Cultural
Human Resources
Planning and Zoning
Public Safety
Public Works

The annual budget serves as the foundation for the City of Palmdale's financial planning and control. All departments of the City of Palmdale are required to submit requests for appropriation to the city manager on or before March 31 each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the council for review prior to May 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than July 1. The appropriated budget is by fund, function, and department. Department heads may make transfers of appropriations within a department.

The accompanying Comprehensive Annual Financial Report includes the financial activities of the City of Palmdale, the primary government, and its component units, which are the Palmdale Civic Authority, the Palmdale Financing Authority, the Housing Authority of the City of Palmdale, and the Industrial Development Authority of the City of Palmdale. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Palmdale Civic Authority, the Palmdale Financing Authority, the Housing Authority, and the Industrial Development Authority and, in addition, the financial benefit/burden relationship, these entities are presented on a blended basis.

The Palmdale Civic Authority (the Authority) was originally created under a joint powers agreement between the City of Palmdale (City) and the former Community Redevelopment Agency of the City of Palmdale (Agency) in May 1976, for the purpose of financing public improvements in the City. The Authority is financially accountable to the City and, accordingly, is a component unit of the City although it is a separate legal entity. Assets of the Authority, after providing for all debts and obligations, are to be transferred to the City upon final payment of the loans.

The Palmdale Financing Authority (the Authority) was created under a joint powers agreement between the City of Palmdale (City) and the Housing Authority of the City of Palmdale (Agency) on September 26, 2012 for the purpose of financing public improvements in the City. The Authority is financially accountable to the City and, accordingly, is a component unit of the City although it is a separate legal entity. Assets of the Authority, after providing for all debts and obligations, are to be transferred to the City upon final payment of the loans.

Housing Authority of the City of Palmdale (the Housing Authority) was established in April 1997, pursuant to provisions of the State of California Housing Authorities Law. The Housing Authority is subject to the financial accountability of the City Council of the City of Palmdale, California (the City) and, accordingly is a component unit of the City although it is a separate legal entity. The Housing Authority's primary purpose is to address the shortage of multi-family housing in the City of Palmdale with respect to which long-term affordability for low-income persons is ensured as the result of recorded agreements or covenants. The Housing Authority elected to become the Housing Successor as a result of the dissolution of the former Redevelopment Agency and on February 1, 2012, certain housing asset were transferred to the City's Successor Agency Housing Authority - Housing Asset Fund as the City has control of those assets, which may be used in accordance with the affordable housing provisions of California's Redevelopment Law, as amended by Health and Safety Code Section 34176.1.

Industrial Development Authority of the City of Palmdale (the IDA) was established in February 1995, and is authorized to issue bonds pursuant to the provisions of the California Industrial Financing Act (constituting Sections 91500 et seq. of the California Government Code, the "Law") for the purpose of providing financing for the acquisition, construction, and equipping of industrial facilities.

Dissolution of Redevelopment

As of January 31, 2012, the Community Redevelopment Agency of the City of Palmdale ceased to exist. The statewide dissolution of redevelopment, per AB1X26 which was upheld by the State Supreme Court in December 2011, has changed the way in which redevelopment activity is presented in the financial statements. In prior fiscal years, the activities of the Community Redevelopment Agency of the City of Palmdale were reported as a component unit within the City's financial statements, as well as in stand-alone reports prepared and reviewed by the City's independent auditors.

Accounting procedures now require the activities of the former Community Redevelopment Agency to be recorded in the fiduciary fund statements (as a Private Purpose Trust Fund), instead of the Governmental Funds statements.

Also, under the provision of AB-1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1,

2012, certain housing assets were transferred to the City's Successor Agency Housing Authority - Housing Asset Fund as the City has control of those assets, which may be used in accordance with the affordable housing provisions of California's Redevelopment Law, as amended by Health and Safety Code Section 34176.1.

On an ongoing basis, the City will need to plan on how to effectively deal with the dissolution of redevelopment. Not only will management need to work closely with the DOF and other State agencies to protect its interests, but alternative methods of funding capital projects and economic development will need to be found.

Economic Development, Job Creation and Housing

The City's Strategic Plan reflects the concerns the community of Palmdale has with respect to a number of economic development, job creation and housing development actions. The City's primary revenue source for funding these activities was our former Community Redevelopment Agency; however, this was eliminated by the State of California in a desperate attempt to divert local money to Sacramento. In one fell swoop, the City lost its most effective and flexible tool for reinvesting in the community and providing assistance in creating new jobs, affordable housing and new amenities for its residents.

Factors Affecting Financial Condition

Local Economy

The City's economy continued to improve during fiscal year 2013-14. The City's significant revenues are improving, sales tax revenue has increased, and the City of Palmdale's housing market is showing signs of recovery. Sales tax revenues were up 4.78 percent in fiscal year 2013-14 as compared to fiscal year 2012-13. Also, Property tax revenues were up 4.64 percent in fiscal year 2013-14 as compared to fiscal year 2012-13.

Unemployment rates for the City are reported down by the US Department Bureau of Labor Statistics, at 9.7% in September 2014. This represents a decline of 2.1% from one year ago when the unemployment rate was at 11.8% in 2013 and a decline of 5.9% from the highest unemployment rate reported during the recession period in 2010. The City's unemployment rate of 9.7% as compared to 7.8% for the County, 6.9% for the State, and 5.9% for the U.S.

The housing market in Palmdale is steadily improving with median home sale prices in Palmdale are up 15.0% as compared to 2013 and average price of a single family home is up by 15.3%. Similar gains in the housing market were reflected in declines in the number of foreclosures. Foreclosure activity dropped 25% during the four quarters ended September 2014 compared to the previous four quarters ended September 2013. The basic property values have increased 2.5% as compared to 2013. As property values continue to improve, we expect a modest recovery in both Building Permits and Property Tax receipts over the next several years.

Throughout this period of significant stress during the economic recession, the City has maintained a very strong available general fund reserve, supported by the City's strong management team and financial policies and practices and have still maintained a Long-term Issuer Credit Rating of Aa3 from Moody's Investor Services and A+ from Standard and Poor's Rating Services.

Long Term Financial Planning

As growth in the City's economically sensitive revenues remains on the slow track, the City focus is to maintain long-term health of the organization in order to deliver needed services to residents. We also continue to preserve the City's ability to respond to external financial challenges such as continued increases in our law enforcement contract, retirement contributions, and healthcare costs, as well as federal and state funding decreases.

Management's long term goal is to align revenues with expenditures and have been successful in slowing down the use of reserves for fiscal year 2013-14. However, the structural deficit is expected to continue through fiscal year 2016-17 due to increases in our pension rates as CalPERS continues to address their unfunded liability by approving changes in actuarial assumptions and methodologies, increases in the City's liability premiums, annual cost increases to the law enforcement contract, and slow economic recovery. The City will continue to use reserves to ensure that severe programmatic reductions are not made. In the final analysis, we are on a path to emerge from this structural deficit in the next two to three years. At the end of fiscal year 2013-14, unrestricted fund balance (the unassigned components of fund balance) in the General Fund is 38.7 percent of total general fund revenues and 43.3 percent of total general fund expenditures.

Strategic Plan – “Success Through Sustainability”

Our new Strategic Plan, adopted in 2013, which builds on the previous plan, is now firmly in place. The Strategic Plan, as illustrated by the “Wheel of Success” shown in exhibit A, outlines the City's three main goals — building a sustainable community, a sustainable economy and a sustainable organization — that represent our key focus and helps us define and determine the strategies and actions necessary to build a thriving and sustainable community. The outer ring of the “Wheel of Success” outlines twelve key strategic objectives that support these three goals of the Strategic Plan.

Each of the twelve key objectives has a business plan that is being developed, outlining the steps to achieve our core goals. In addition, each business plan will have performance measures to assist in charting our progress toward reaching that key objective. Sustainability is a necessity in order to achieve the goals and objectives, with partnerships at every level linking all the elements of the Strategic Plan.



Exhibit A: Wheel of Success

Twelve key objectives of the Strategic Plan and their Comprehensive Business Plans will advance our efforts to provide focus and strategic direction for our organization, and serve as a blueprint for creating economic, organizational and community sustainability.

- I. A Sustainable Community
 - ✓ Recreation and Culture
 - ✓ Neighborhood Preservation and Revitalization
 - ✓ Community Engagement
 - ✓ Safety

- II. A Sustainable Economy
 - ✓ Infrastructure
 - ✓ Diversification – Industry Clusters
 - ✓ Retail Revitalization
 - ✓ Regulatory Approach

III. A Sustainable Organization

- ✓ Quality Services
- ✓ Employee Development
- ✓ Financial Health
- ✓ Internal and External Communication

The Strategic Plan, in conjunction with the detailed Business Plans, will serve as a roadmap for our organization and the framework for our important programming and budgetary decisions.

Strategic Plan and Organizational Restructuring

Efforts to align the City's organizational structure with the key strategic plan initiatives were completed in fiscal year 2013-14 to optimize organizational effectiveness. The organization was restructured in a way that best allows us to achieve the goals of the City's Strategic Plan with the "customer" being one of our primary focuses. The City of Palmdale has completed restructuring and consolidation of our staff, resources and functions to align with the Strategic Plan, to provide better service to our residents, as well as helping to put us on a path of becoming a totally sustainable organization. We have combined Planning, Building & Safety and Engineering to create a Department of Development Services, to provide the most user friendly system possible for regulatory controls and approvals of permits and licenses. We also combined Economic Development with Communications to create an energized marketing arm to enable Palmdale to meet the competitive challenges of the 21st Century. Our Parks and Recreation Department is now Recreation and Culture, as we have combined our Library, Palmdale Playhouse and Parks & Recreation under one umbrella. Public Safety is now part of Neighborhood Services, which also manages our housing and code enforcement functions. A new Department of Administrative Services has also been created to create better alignment of the City's internal functions of Finance, Human Resources, Information Technology, City Clerk, Legislative Advocacy, and Emergency Management. We believe these changes will enable us to provide quality services to our residents more effectively.

Processes involving strategic plan and organizational restructuring have allowed the City the opportunity to not only reflect on five decades of growth and success, but also to revisit our focus for the future. Creating a successful future in Palmdale will depend on the continued implementation of the Strategic Plan, as well as making necessary adjustments that will sustain us in the years and decades ahead.

Award and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmdale for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the Excellence in Operational Budgeting Award from CSMFO and the Distinguished Budget Presentation Award from GFOA for the fiscal year 2014-2015 Budget.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor, City Council members, and the City Manager for their support for maintaining the highest standards of professionalism in the management of the City of Palmdale's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Karen Johnston". The signature is written in a cursive, flowing style.

Karen Johnston
Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
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Reporting**

Presented to

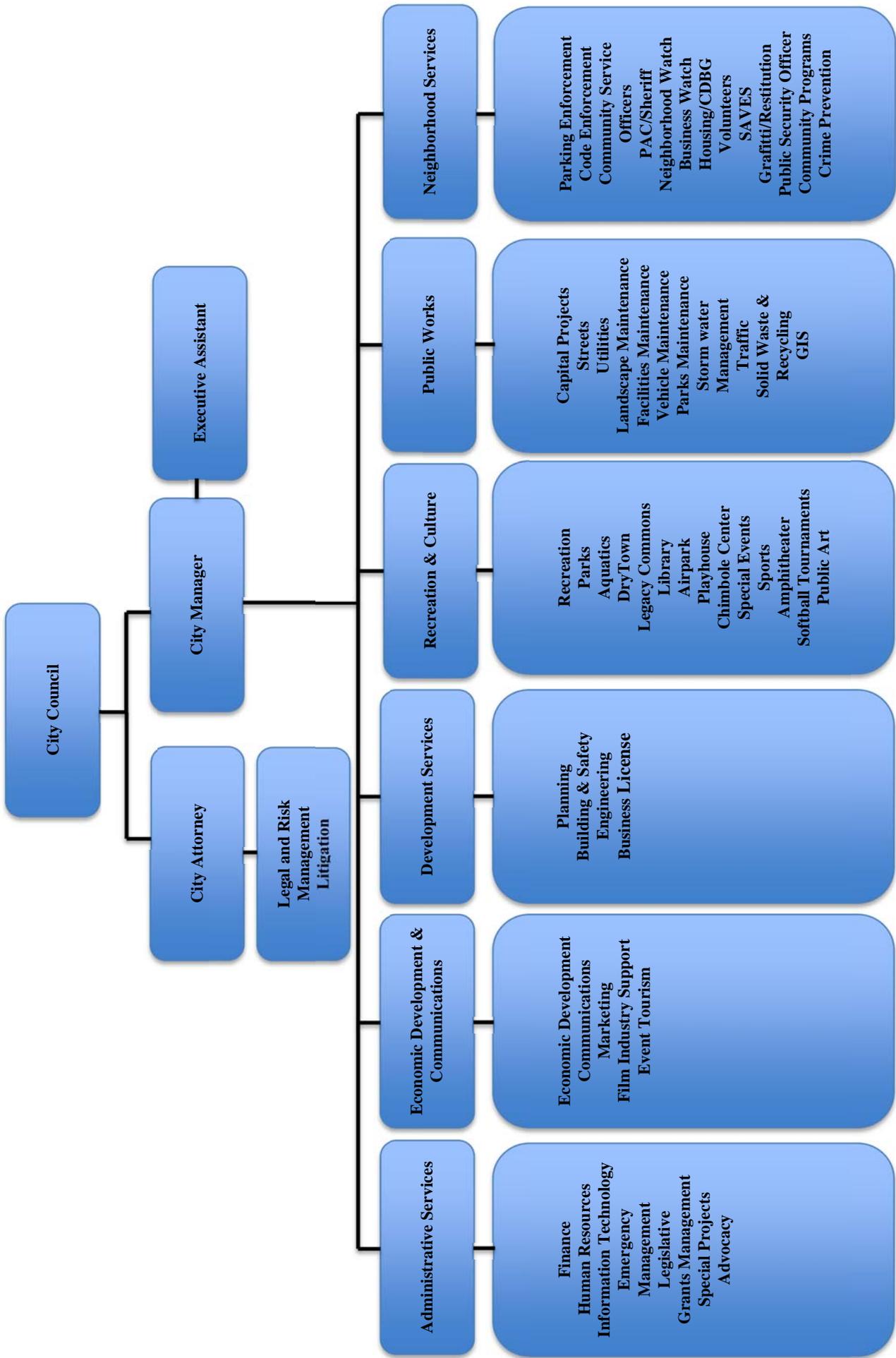
**City of
Palmdale
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Palmdale Organizational Chart



City Officials

Year Ended June 30, 2014

City Council

James C. Ledford, Jr.	Mayor
Tom Lackey	Mayor Pro Tem
Mike Dispenza	Councilmember
Steve Hofbauer	Councilmember
Fred Thompson	Councilmember

Administration and Department Heads

David Childs	City Manager
Matthew Ditzhazy	City Attorney
Anne Ambrose	Director of Administrative Services
Chuck Heffernan	Director of Development Services
Keri Smith	Director of Recreation and Culture
Michael Miller	Directors of Neighborhood Services
Mike Mischel	Public Works

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Financial

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014



INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
The City of Palmdale
City of Palmdale, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and each of the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. Also, as discussed in Note 22, the City reported a prior period adjustment to the Housing Asset Fund and Governmental Activities to properly account for escrow deposits. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and the schedules of funding progress on page 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and budgetary comparison schedules, statistical section and the other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, statistical section and the other information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California

November 25, 2014

City of Palmdale

Management's Discussion and Analysis

As management of the City of Palmdale, we offer readers of the City of Palmdale's financial statements this narrative overview and analysis of the financial activities of the City of Palmdale for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through xiv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Palmdale exceeded its liabilities at the close of the most recent fiscal year by \$856,362,328 (net position). Of this amount \$20,804,395 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$16,569,335. Details are discussed on page 8.
- As of the close of the current fiscal year, the City of Palmdale's governmental funds reported combined ending fund balances of \$189,253,943, an increase of \$15,309,767 in comparison with the prior year. Details are discussed on page 11.
- The City of Palmdale's total debt decreased by \$3,232,504 or 2.9 percent during the current fiscal year. The decrease is primarily due to regular scheduled annual debt payments and the effect of an accounting change. Details are discussed in Note 11 and Note 12.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Palmdale's basic financial statements. The City of Palmdale's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Palmdale's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Palmdale's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Palmdale is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Palmdale that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

City of Palmdale

Management's Discussion and Analysis

charges (business-type activities). The governmental activities of the City of Palmdale include general government, public safety, public services, community development, cultural and recreational, health and welfare, and interest on debt. The City does not have any business-type activities.

The government-wide financial statements include not only the City of Palmdale as the primary government, but also a legally separate Palmdale Civic Authority, the Palmdale Financing Authority, the Housing Authority of the City of Palmdale, and the Industrial Development Authority of the City of Palmdale. Financial information for these component units is reported on a blended basis. The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palmdale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Palmdale can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Palmdale maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Housing Authority-Housing Asset Fund Special Revenue Fund, the Housing Authority-Mobile Home Park Fund Special Revenue Fund, the Palmdale Civic Authority Debt Service Fund and the Palmdale Financing Authority Fund Debt Service Fund and all of which are considered to be major funds. Data from the remaining 31 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 110-117.

The City of Palmdale adopts an annual appropriated budget for its General Fund, its Housing Authority - Housing Asset Fund - Special Revenue Fund, and its Housing Authority Mobile Home Park - Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their respective budgets. The budgetary comparison statements can be found on pages 27-30.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the City of Palmdale's own programs. The basic fiduciary fund financial statement can be found on pages 31-33 of this report.

City of Palmdale

Management's Discussion and Analysis

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-103 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palmdale, assets exceeded liabilities by \$856,362,328 as of June 30, 2014.

The City of Palmdale's net investment in capital assets, reflects a balance of \$655,895,266. Investment in capital assets is defined as land, buildings, machinery and equipment, infrastructure, and construction in progress, net of accumulated depreciation, and less any related debt or deferred outflows of resources used to acquire these assets that is still outstanding. The City of Palmdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Palmdale's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Palmdale's Net Position

	Governmental Activities 2014	Governmental Activities 2013
Current and Other Assets	\$233,019,270	218,647,954
Capital Assets	<u>752,933,163</u>	<u>751,749,567</u>
Total Assets	<u>985,952,433</u>	<u>970,397,521</u>
Deferred Outflows of Resources	<u>395,813</u>	-
Long-Term Liabilities Outstanding	110,498,113	113,290,824
Other Liabilities	<u>19,487,805</u>	<u>19,431,208</u>
Total Liabilities	<u>129,985,918</u>	<u>132,722,032</u>
Net Position		
Net Investment in Capital Assets	655,895,266	648,717,242
Restricted	179,662,667	171,783,181
Unrestricted	<u>20,804,395</u>	<u>17,175,066</u>
Total Net Position	<u>\$856,362,328</u>	<u>837,675,489</u>

The City of Palmdale's restricted net assets of \$179,662,667 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$20,804,395 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Palmdale is able to report positive balances in all three categories of net assets for its governmental activities.

City of Palmdale

Management's Discussion and Analysis

City of Palmdale's Changes in Net Position

	Governmental Activities For the year ended June 30, 2014	Governmental Activities For the year ended June 30, 2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 34,704,678	34,452,656
Operating Grants and Contributions	12,637,721	9,142,066
Capital Grants and Contributions	35,822,039	19,661,447
General Revenues:		
Property Taxes	15,478,125	14,791,598
Sales Taxes	16,396,713	15,649,190
Other Taxes	9,630,627	8,373,909
Unrestricted Investment Earnings	391,725	(136,096)
Other	274,312	270,275
	<u>125,335,940</u>	<u>102,205,045</u>
Total Revenues		
Expenses:		
General Government	24,150,674	17,227,290
Public Safety	22,973,910	22,873,718
Public Services	47,723,268	49,082,866
Community Development	5,418,368	6,480,832
Recreation and Culture	10,863,071	9,732,400
Health and Welfare	2,830,718	1,402,424
Interest on Long-Term Debt	5,152,837	5,624,571
	<u>119,112,846</u>	<u>112,424,101</u>
Total Expenses		
Assets Transferred from Successor Agency (Note 18)	<u>10,346,241</u>	<u>(3,547,799)</u>
Increase (Decrease) in Net Position	16,569,335	(13,766,855)
Net Position - Beginning of Year, as restated	839,792,993	851,442,344
Net Position - End of Year	<u>\$ 856,362,328</u>	<u>837,675,489</u>

City of Palmdale

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City of Palmdale's net position by \$16,569,335, or 2.0 percent, during the current fiscal year. Key elements of the governmental activities net position increase are as follows:

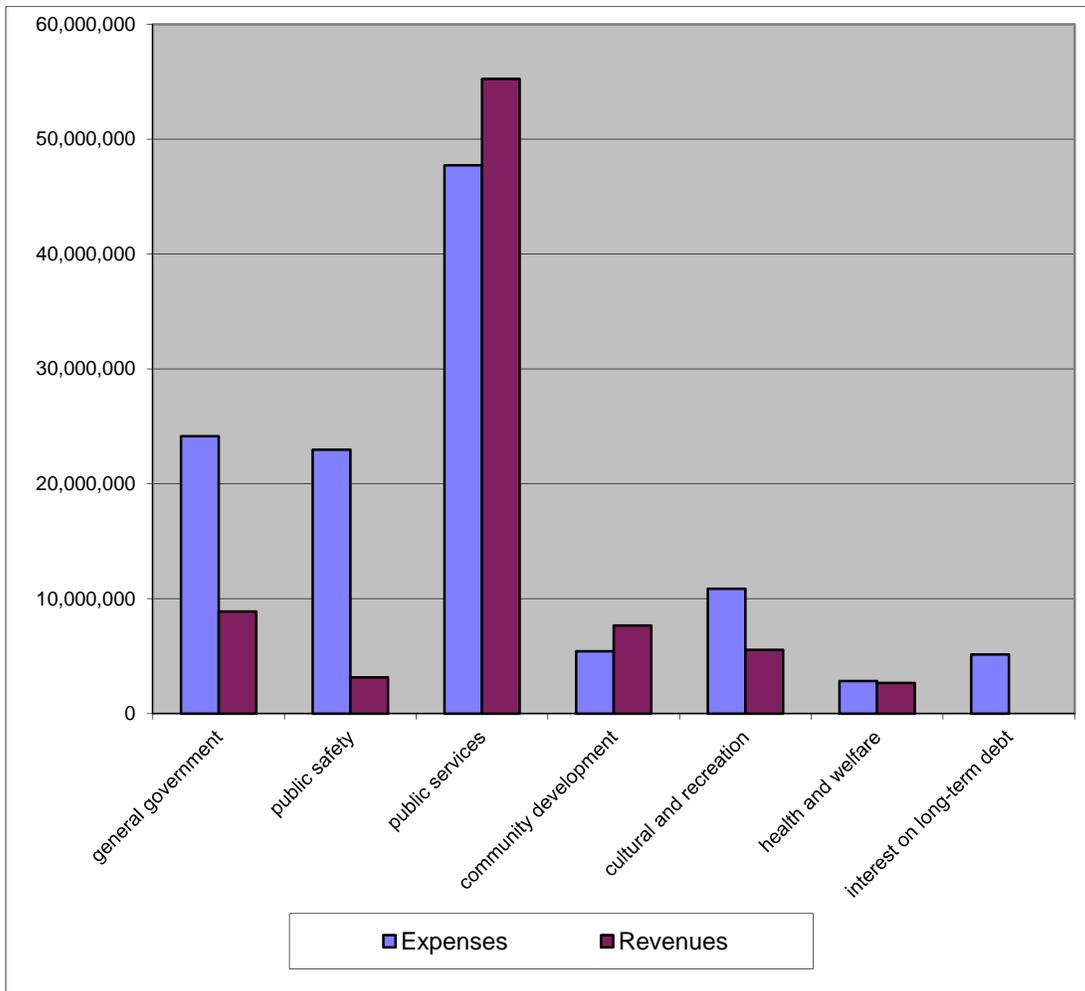
- Charges for Services increased by \$252,022, or 0.73 percent, as a result of decrease in administrative fees by \$3,209,347 collected from the Successor Agency for the former redevelopment and housing activities as compared to prior year. The decrease was offset by one-time revenues received for legal expense reimbursements of \$1,429,774, LA County Administrative fees reimbursed from prior year of \$631,822, and operational cost reimbursement for \$753,453. In addition, the decrease was offset by a total of \$0.65 million in general increases in fees collected for Engineer Fees, Building Permit Fees, and Parking Citation Fees.
- Operating grants and contributions increased by \$3,495,655 or 38.2 percent, as the result of increases in gas tax receipts by \$1.1 million, increases in Federal Home Program Grants received by \$1.4 million, increases in sponsorships and donations by \$0.9 million, and increases in Workforce Investment Act Grants received by \$0.9 million. The increases were offset by \$0.9 million decline in the deferred revenue recognized on the government-wide statements.
- Capital grants and contributions increased by \$16,160,592 or 82.19 percent, primarily as a result increases in donations in capital assets by \$9.3 million from the completion of developer infrastructure improvements on large capital projects transferred to the City during FY 2013-14. In addition, increases were received from a \$5.9 million bond settlement agreement to complete a capital project. Increases in Proposition A, Proposition C, and Measure R Sales Tax Allocations of \$1.6 million, increases in Article 8 State Funds by \$1.2 million offset by decreases in Federal, State and CDBG Grants of \$1.8 million.
- Property Taxes increased by \$686,527, or 4.6 percent due to an increase in FY 2013-14 taxable assessed values as compared to the assessed values in FY 2012-13.
- Sales and Use Taxes increased by \$747,523 or 4.8 percent primarily due to higher food and oil prices and increased fuel receipts.
- Other Taxes increased by \$1,256,718 or 15.01 percent primarily due to increases in Franchise Taxes received from electric, gas, cable and trash companies as the result of higher prices and usage.
- Extraordinary Item reported in the prior year is the result of the State Department of Finance determination that certain transfers made from the former Community Redevelopment Agency to the City were required to be returned to the Successor Agency. The Extraordinary Item reported in the current year consist of Housing Assets approved to be transferred to the Housing Asset Fund and valued at \$6,433,741 and Government Use assets transferred to the City from the Successor Agency valued at \$3,912,500. (Notes 18 and 19)
- General Government expenses increased by \$6,923,384, or 40.19 percent due to increases in legal cost by \$4.7 million, increases in Health Claims paid in the current year as compared to the prior year by \$0.6 million, increases in the OPEB and Liability Insurance Reserve adjustment by \$0.7 million, and a onetime write-off of Assessment District settlement workout of \$1.0 million.

City of Palmdale

Management’s Discussion and Analysis

- Public Service expenses decreased by \$1,359,598, or 2.8 percent primarily due to a decrease in depreciation expensed in the current year as to prior year.
- Community Development expenses decreased by \$1,062,464 or 16.4 percent primarily due to decreases in Community Development Block Grant and Neighborhood Stabilization Program Grant expenses in the FY 2013-14 as compared to FY 2012-13.
- Recreation and Culture expenses increased by \$1,130,671 or 11.6 percent primarily due to increases one-time general maintenance cost paid by the CFD 2003-1 Assessment District and increases in non-capital outlay for repairs and maintenance cost at several park sites.
- Health and Welfare expenses increased by \$1,428,294 or 101.8 percent primarily due to increases Workforce Investment Act Grant expenses and SAVES sponsorships received in the current year as compared to the prior year.
- Interest on long-term debt decreased by \$471,734 or 8.4 percent due to regularly scheduled interest payment decreases.

Program Expenses and Program Revenues-Governmental Activities

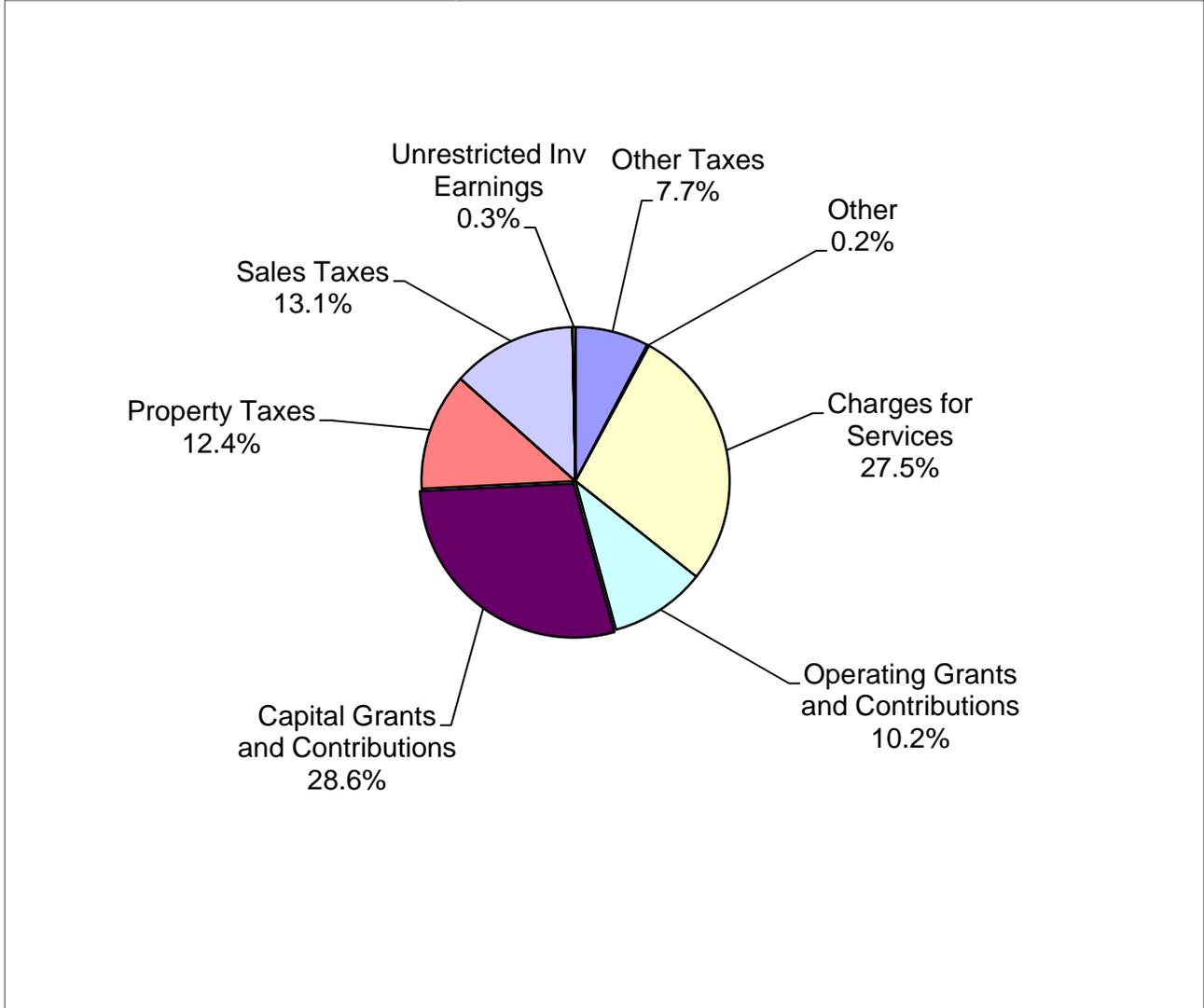


City of Palmdale

Management’s Discussion and Analysis

The Statement of Activities reflects total expenses of \$119,112,846. Program and general revenues totaling \$125,335,940 were received by the government, also an extraordinary gain was reported of \$10,346,241 to reflect assets transferred to the City from the Private Purpose Trust (Note 18), resulting in an increase in net position of \$16,569,335. The graph on this page compares the cost of each governmental activity to the program revenue generated.

Revenues by Source-Governmental Activities



Total revenues in the Statement of Activities for the year ended June 30, 2014 were \$125,335,940. Of this amount, \$83,164,438 of the resources came from program revenues, and \$42,171,502 came from general revenues received by the government. The largest revenues are Charges for Services, followed by Capital Grants and Contributions, Sales Taxes, and Property Taxes. The Transfer of Assets of the former redevelopment agency from the fiduciary funds to the City was reported as an extraordinary item. (See Note 18 and 19).

City of Palmdale

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the City of Palmdale uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the City of Palmdale's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Palmdale's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Palmdale's governmental funds reported combined ending fund balances of \$189,253,943, an increase of \$15,309,767 in comparison with the prior year. The fund balances, which are more fully discussed and detailed on page 47 and page 61 of the notes to the financial statements, have been classified into the following categories:

- \$10,880,149 is "Nonspendable" because the resources are not in a spendable form (i.e., prepaids, long-term receivables, or non-financial assets held for resale).
- \$166,795,455 is "Restricted" due to the existence of externally enforceable legal restrictions that are related primarily to special revenue funding sources and debt service reserves.
- \$5,717,857 is "Assigned" for specific purposes such as continuing appropriations, encumbrances, compensated absences, self-insurance and health insurance claims.
- \$5,860,482 is "Unassigned" and represents residual resources that cannot be properly classified in one of the other fund balance categories. This category is made up of positive unassigned balances of \$21.6 million in General Fund, offset overall by negative unassigned balances totaling \$15.4 million in other City Funds.

The General Fund is the chief operating fund of the City of Palmdale. At the end of the current fiscal year, the total fund balance of the general fund was \$40,900,220. Of this amount, \$10,880,149 was nonspendable, \$3,053,154 was restricted, \$5,717,857 was assigned, and \$21,249,060 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 43.3 percent of total general fund expenditures, while total fund balance represents 81.9 percent of that same amount.

The City of Palmdale's general fund balance increased by \$2,365,250 during the current fiscal year. This increase is attributable primarily to increases in revenues of \$3,277,647 offset by increases in expenditures of \$1,146,116. Property Tax revenue increased 4.64 percent and Sales Tax revenue increased 4.78 percent as compared to prior year resulting in an additional \$1.4 million in revenues for the general fund. In addition, the general fund received increases in Franchise Tax revenue of \$1.3 million and \$0.4 million in the Net Increase in the Fair Value of Investments in FY2013-14 as compared to FY2012-13. The increase in revenue was offset by increases in expenditures as the result of increase legal fees and healthcare claims paid during the current fiscal year as compared to prior year

The Housing Authority - Housing Asset Fund has a fund balance of \$63,184,685 and is restricted for low and moderate-income capital projects. This fund is used to record the assets formally held by the Community Redevelopment Agency Low and Moderate Income Housing Fund. The assets that were approved by the State Department of Finance to be retained by the Low and Moderate Housing Fund

City of Palmdale

Management's Discussion and Analysis

were transferred to the Housing Authority-Housing Asset Fund as the City has control of those assets, which may be used in accordance affordable housing provisions of California's Community Redevelopment Law, as amended by Health and Safety Code 34176.1.

The Housing Authority – Mobile Home Park is used to account for revenues and expenditures related to the operation of three mobile home parks. The total fund balance was at a deficit of \$14,269,467. The deficit was reduced by \$1,338,165 as the result of a combination of increases in rental revenues and an increase in cost recorded as Land Held for Resale for the Mobile Home Rehab program as compared to prior year.

The Palmdale Civic Authority – Debt Service Fund has a fund balance of \$5,494,174 and is used to account for resources accumulated and payments made for principal and interest on 1) Revenue bonds secured by Successor Agency to the Community Redevelopment Agency project area sales taxes and /or property tax revenues and 2) Certificates of Participation issued to construct the civic center complex, street and signal improvements and parks and recreation facilities. The bonds are secured with a lease agreement that obligates the City and the Successor Agency Trust Fund to make payments to the Palmdale Civic Authority for the use and enjoyment of certain property and improvements.

The Palmdale Financing Authority Debt Service Fund is used to account for resources accumulated and payments made for principal and interest on Lease Revenue Bonds secured by lease payments by the City of Palmdale as rental for certain property pursuant to a lease agreement. The fund was created on September 26, 2012 for the purpose of financing public improvements in the City and for the redemption of the 1999 Certificates of Participation Bonds. The bonds are secured with a lease agreement that obligates the City to make payments to the Palmdale Financing Authority for the use and enjoyment of certain property and improvements. The Palmdale Financing Authority Debt Service Fund is a component unit and the City feels it is necessary to report it as a major fund

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase of appropriations by \$2,231,760 as the result of additional budget needed to cover unanticipated legal fees and capital project expenses. Differences between the final amended budget and actual resulted in a \$13,746,930 decrease in appropriations and can be briefly summarized as follows:

- \$1,529,593 decrease in general governmental activities.
- \$1,200,217 decrease in public safety contracts.
- \$8,938,276 decrease in public services.
- \$70,721 decrease in community Development programs
- \$1,270,517 decrease in cultural and recreational programs.
- \$52,959 decrease in health and welfare services.
- \$678,461 decrease in capital projects.
- \$6,186 decrease in debt service payments.

The decrease is due to not only expenditures coming in less than anticipated but also the result of activities that were budgeted but not completed during the current fiscal year and reclassifying activities to special revenue funds to comply with GASB 54. See Note No.1 R. Overall, the reclassifying of expenditures resulted in a \$9,534,855 reduction of transfers in and offsetting reduction to expenditures.

City of Palmdale

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The City of Palmdale's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$752,933,163 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, infrastructure and construction in progress. The Capital Assets increased by \$1,183,596 in 2013-14 as compared to 2012-13. The increase is due primarily due to the transfer of Governmental Use assets and Housing Assets from the Successor Agency to the City offset by Depreciation on the capital assets.

(Net of Depreciation)

	Governmental Activities 2014	Governmental Activities 2013
Land and Improvement	\$ 116,115,769	105,352,069
Buildings and Structures	52,784,319	49,573,856
Machinery and Equipment	2,490,537	2,689,750
Infrastructure	574,425,615	586,596,134
Construction in Progress	7,116,923	7,537,758
	<u>\$ 752,933,163</u>	<u>751,749,567</u>

Major capital asset events during the current fiscal year included the following:

- Completion of various streets and resurfacing projects totaling \$14,808,412, of which \$9,913,843 were contributed by Developers.
- Completion of various traffic signal projects totaling \$250,000.
- Completion of various storm drain and basin repair and mitigation improvements in the amount of \$812,800, all of which were contributed by Developers.
- Completion of various sewer improvements in the amount of \$2,203,900, all of which were contributed by Developers.
- Completion of various park facility improvement projects in the amount of \$219,873.
- Completion of Public Works Maintenance Facility in the amount of \$4,555,163.

Additional information on the City of Palmdale's capital assets can be found on page 65, Note 10.

Long-Term Debt. At the end of the current fiscal year, the City of Palmdale had total bonded debt outstanding of \$96,930,052. The Tax Allocation Bonds and the Revenue Bonds are secured by pledges of sales taxes and/or property taxes generated in the former Community Redevelopment Agency project areas. Certificates of Participation and Lease Revenue Bonds require the City to pay a semi-annual base rental to the Palmdale Civic Authority (PCA) and the Palmdale Financing Authority (PFA). The rentals will be used by the PCA and PFA to pay debt service as the Certificates of Participation and Lease Revenue Bonds come due.

City of Palmdale

Management's Discussion and Analysis

City of Palmdale's Outstanding Debt Revenue Bonds and Certificates of Participation

	Governmental Activities 2014	Governmental Activities 2013
Revenue Bonds	\$ 21,697,752	23,661,202
Certificates of Participation and Lease Revenue Bonds	74,925,000	76,550,000
Deferred Loss on Refinancing	-	(439,792)
Bond Premiums	307,300	358,664
Total	<u>\$ 96,930,052</u>	<u>100,130,074</u>

The City of Palmdale's total debt was \$110,498,113 of which \$96,930,052 was Revenue Bonds and Certificates of Participation as noted on the schedule above. The remainder of the debt was comprised of \$2,926,191 in compensated absences, \$2,595,125 in self-insurance liability claims, \$962,260 in capital leases payable for equipment purchases and \$7,084,485 in notes payable, primarily for Fairway Business Park land acquisition, developer infrastructure and a Section 108 HUD Loan.

The City of Palmdale's total debt decreased by \$3,232,504 or 2.9 percent, during the current fiscal year. The decrease is primarily due to regular scheduled annual debt payments.

Additional information on the Successor Agency's debt can be found on pages 86-99, Note 19 and at the Other Information Section beginning at page 183.

Additional information on the City of Palmdale's debt can be found on pages 66-77, Note 11 and Note 12.

Economic Factors and Next Year's Budgets and Rates

The City took into consideration the following factors in preparing the budget for the 2014-15 fiscal year:

- Modest Property tax increases as property values slowly increase.
- Continued slow paced growth in housing development.
- Modest sales tax increases as the result of increases in sales activity and higher oil prices and increased fuel receipts.
- City funds impacted by State and Federal budget actions.

The dissolution of redevelopment (per AB1X26 and AB1484) has and will continue to impact the City for a number of years. The City and Successor Agency have been busy responding to the numerous new reporting and auditing requirements of AB1X26 and AB1484. In addition to instituting new reporting and auditing requirements, as reflected in these financial statements, the City and the Successor Agency have had to interpret new statutes and their requirements and deadlines. Management is currently working through the "meet and confer" process on the other than low and moderate income housing fund DDR in an effort to reach an agreement with the State Department of Finance (DOF) on the transfer of \$7.3 million in funds. These are significant challenges the City and Successor Agency face in FY 2014-

City of Palmdale

Management's Discussion and Analysis

15, with impacts likely felt for several years in the future. Additional information can be found at Note 19 and 20B.

Requests for Information

This financial report is designed to provide a general overview of the City of Palmdale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, requests for any of the separately issued component unit financial statements or additional financial information should be addressed to the City of Palmdale, Office of the Finance Director, 38300 Sierra Highway, Suite D, Palmdale, California, 93550.

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Government-Wide Financial Statements

City of Palmdale
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Cash	\$ 77,013
Investments	108,149,494
Accounts Receivable	9,705,602
Interest Receivable	2,221,898
Property Taxes Receivable	332,371
Due from Other Governmental Units	20,009,151
Net OPEB Asset	176,273
Notes and Liens	52,682,119
Deposits and Prepaids	323,574
Land Held for Resale	3,336,987
Permit Held for Resale	10,113,934
Restricted Assets:	
Cash and Investments	25,887,741
Interest Receivable	3,113
Capital Assets:	
Not Being Depreciated:	
Land and Improvements	116,115,769
Construction in Progress	7,116,923
Being Depreciated, Net of Accumulated Depreciation:	
Buildings and Structures	52,784,319
Machinery, Equipment and Other Improvements	2,490,537
Infrastructure	574,425,615
Total Assets	985,952,433
Deferred Outflows of Resources:	
Deferred Charge on Refunding	395,813
Total Deferred Outflows of Resources	395,813
Liabilities:	
Accounts Payable	7,727,514
Accrued Salaries & Employee Benefits	1,215,310
Due to Other Governmental Units	14,283
Deposits	2,916,925
Accrued Interest Payable	2,375,751
Claims and Judgments	3,552,149
Unearned Revenue	1,685,873
Noncurrent Liabilities:	
Due Within One Year	6,100,503
Due in More than One Year	104,397,610
Total Liabilities	129,985,918
Net Position:	
Net Investment in Capital Assets	655,895,266
Restricted for:	
Public Safety	3,012,843
Public Services	73,014,023
Community Development	96,393,183
Cultural & Recreational	4,124,145
Health & Welfare	50
Debt Service	3,118,423
Unrestricted	20,804,395
Total Net Position	\$ 856,362,328

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 24,150,674	\$ 8,451,711	\$ 412,729	\$ 27,244	\$ (15,258,990)
Public Safety	22,973,910	2,462,495	587,933	100,101	(19,823,381)
Public Services	47,723,268	13,521,227	6,568,845	35,150,863	7,517,667
Community Development	5,418,368	5,173,147	2,306,082	191,561	2,252,422
Cultural and Recreational	10,863,071	4,820,809	376,430	352,270	(5,313,562)
Health and Welfare	2,830,718	275,289	2,385,702	-	(169,727)
Interest on Long-Term Debt	5,152,837	-	-	-	(5,152,837)
Total Governmental Activities	\$ 119,112,846	\$ 34,704,678	\$ 12,637,721	\$ 35,822,039	\$ (35,948,408)

General Revenues:

Taxes:

Property Taxes	\$ 15,478,125
Sales and Use Taxes	16,396,713
Unrestricted Motor Vehicle in Lieu	65,670
Franchise Taxes	5,847,596
Transient Occupancy Taxes	2,824,182
Property Transfer Tax	377,364
Business License Taxes	515,815
Unrestricted Investment Earnings	391,725
Other	274,312

Total General Revenues 42,171,502

Extraordinary Items:

Assets Transferred from Successor Agency (Note 18) 10,346,241

Change in Net Position 16,569,335

Net Position - Beginning of Year, as restated 839,792,993

Net Position - End of Year \$ 856,362,328

See Accompanying Notes to the Financial Statements

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Governmental Fund Financial Statements

The General Fund is the City's primary operating fund and has been classified as a major fund. It accounts for all financial resources of the general government that are not already required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds are used to account for specific revenues that are restricted or committed to expenditure for a specific purpose other than debt service or capital projects. The following funds have been classified as major funds:

Housing Authority (HA) Housing Asset Fund – Used to account for the restricted housing assets of the former CRA Housing Development Fund, which were transferred to the Successor Agency Fund and then transferred to the Housing Authority – Housing Asset Fund upon acceptance of the Housing Successor role by the City (Refer to Note 19). Revenues received from assets previously held by the former CRA Housing Development Fund are restricted to be used in accordance with affordable housing provisions of California's Community Redevelopment Law, as amended by Health and Safety Code Section 34176.1.

Housing Authority (HA) Mobile Home Parks - This fund is used to account for revenues and expenditures restricted to the operations of three mobile home parks.

Debt Service Funds are used to account for the accumulation of resources for and the payment made for principal and interest on bonded debt and other long-term obligations. The following funds have been classified as major funds:

Palmdale Civic Authority Fund – This fund is used to account for resources accumulated and payments made for principal and interest on 1) Revenue bonds secured by Successor Agency to the Community Redevelopment Agency project area sales taxes and/or property tax revenues and 2) Certificates of Participation issued to construct the civic center complex, street and signal improvements and parks and recreation facilities.

Palmdale Finance Authority Fund - This fund accounts for resources accumulated and payments made for principal and interest on Lease Revenue Bonds secured by lease payments by the City of Palmdale as rental for certain property pursuant to a lease agreement.

City of Palmdale
Balance Sheet
Governmental Funds
June 30, 2014

Assets	Special Revenue Funds			Debt Service Funds		Total Other Governmental Funds	Total Governmental Funds
	General	HA Housing Asset Fund	HA Mobile Home Park	Palmdale Civic Authority	Palmdale Financing Authority		
Assets:							
Cash	65,427	-	2,000	-	-	9,586	\$ 77,013
Investments	33,659,116	4,690,327	212,897	33,654	-	69,553,500	108,149,494
Receivables:							
Accounts and Interest Receivable	3,721,659	1,258,301	1,383,435	26	-	5,564,079	11,927,500
Property Taxes Receivable	129,603	-	-	-	-	202,768	332,371
Due from Other Funds	1,530,581	-	-	-	-	-	1,530,581
Advances Due from Fiduciary Funds (Note 19D)	388,572	15,857,215	-	-	-	-	16,245,787
Due from Other Governmental Units	3,179,505	-	-	-	-	583,859	3,763,364
Notes and Liens	56,799	20,976,088	-	-	-	10,211,479	31,244,366
Interfund Promissory Note (Note 4D)	-	14,303,333	-	-	-	-	14,303,333
Advances Due from Other Funds	-	1,510,985	-	-	-	-	1,510,985
Deposits and Prepays	320,844	750	-	-	-	1,980	323,574
Restricted Assets:							
Investments	151,937	5,355,805	-	5,457,460	-	14,922,539	25,887,741
Interest Receivable	-	-	-	3,034	-	79	3,113
Land Held for Resale	-	1,930,347	230,461	-	-	1,176,179	3,336,987
Permit Held for Resale	10,113,934	-	-	-	-	-	10,113,934
Total Assets	53,317,977	65,883,151	1,828,793	5,494,174	-	102,226,048	228,750,143
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts Payable	5,563,972	54,475	74,485	-	-	3,249,892	8,942,824
Due to Fiduciary Funds	14,283	-	-	-	-	-	14,283
Due to Other Funds	-	-	-	-	-	1,530,581	1,530,581
Accrued Self Insurance Liability	951,868	-	-	-	-	-	951,868
Advances Due to Other Funds	-	-	1,510,985	-	-	-	1,510,985
Interfund Promissory Note	-	-	14,303,333	-	-	-	14,303,333
Deposits	2,694,755	-	209,457	-	-	12,713	2,916,925
Unearned Revenue	124,460	1,508,000	-	-	-	53,413	1,685,873
Total Liabilities	9,349,338	1,562,475	16,098,260	-	-	4,846,599	31,856,672
Deferred Inflows of Resources							
Unavailable Revenue-Reimbursements	3,068,419	1,135,991	-	-	-	3,435,118	7,639,528
Total Deferred Inflows of Resources	3,068,419	1,135,991	-	-	-	3,435,118	7,639,528
Fund Balances:							
Nonspendable	10,880,149	-	-	-	-	-	10,880,149
Restricted	3,053,154	63,184,685	230,461	5,494,174	-	94,832,981	166,795,455
Assigned	5,717,857	-	-	-	-	-	5,717,857
Unassigned	21,249,060	-	(14,499,928)	-	-	(888,650)	5,860,482
Total Fund Balances	40,900,220	63,184,685	(14,269,467)	5,494,174	-	93,944,331	189,253,943
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 53,317,977	65,883,151	1,828,793	5,494,174	-	102,226,048	\$ 228,750,143

See Accompanying Notes to the Financial Statements

City of Palmdale
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2014

Total Fund Balances - Total Governmental Funds (page 22) \$ 189,253,943

Amounts reported for Governmental Activities in the Statement of
 Net Position (page 18) are different because:

Notes Receivable Related to Revenue Bonds Payable are not current financial resources and
 and not reported in the Governmental Funds Balance Sheet 21,437,753

Capital Assets used in governmental activities are not current financial resources
 and therefore are not reported in the Governmental Funds Balance Sheet.

Governmental Capital Assets	\$ 1,204,608,697	
Less Accumulated Depreciation	<u>(451,675,534)</u>	752,933,163

Net OPEB Asset contributions in excess of the ARC are not current financial resources
 and therefore are not reported in the Governmental Funds Balance Sheet. 176,273

Accounts receivable not available to pay for current-period expenditures
 are unavailable in the funds 7,639,528

Interest Due on Long-Term Debt do not require current financial
 resources and therefore are not reported as a liability in the Governmental
 Funds Balance Sheet.

Interest Payable	(2,375,751)
------------------	-------------

Deferred charge on refunding are deferred outflows of resources
 and not reported in the Governmental Fund Balance Sheet. 395,813

Long-Term Liabilities are not due and payable in the current period and therefore
 are not reported as a liability in the Governmental Funds Balance Sheet.

Compensated Absences	\$ 2,926,191	
Claims Payable	1,643,257	
Claims and Judgements	3,552,149	
Capital Leases Payable	962,260	
Notes Payable	7,084,485	
Bonds & Certificates of Participation Payable	96,622,752	
Plus Issuance Premiums	<u>307,300</u>	<u>(113,098,394)</u>

Net Position of Governmental Activities (page 18) \$ 856,362,328

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			Debt Service Funds		Total	Total
	General	HA Housing Asset Fund	HA Mobile Home Park	Palmdale Civic Authority	Palmdale Financing Authority	Other Governmental Funds	Governmental Funds
Revenues:							
Property Taxes	\$ 15,478,125	-	-	-	-	-	\$ 15,478,125
Sales and Use Taxes	16,396,713	-	-	-	-	-	16,396,713
Other Taxes	9,564,956	-	-	-	-	4,649,226	14,214,182
Subventions and Grants	124,216	-	-	-	-	18,521,736	18,645,952
Park Development Fees	-	-	-	-	-	320,085	320,085
Licenses and Permits	1,562,728	-	-	-	-	89,942	1,652,670
Motor Vehicle License Fees	65,562	-	-	-	-	-	65,562
Fines and Forfeitures	375,776	-	-	-	-	374,752	750,528
Special Assessments	-	-	-	-	-	14,402,577	14,402,577
Use of Property	502,843	26,816	4,563,695	-	-	64,599	5,157,953
Charges for Current Services	8,029,702	97,194	-	-	-	7,226,570	15,353,466
Drainage Fees	-	-	-	-	-	290,262	290,262
Traffic Impact Fees	-	-	-	-	-	811,905	811,905
Facilities Impact Fees	-	-	-	-	-	157,036	157,036
Interfund Interest	-	636,401	-	-	-	-	636,401
Interest	172,446	44,585	1,149	102,860	1	362,813	683,854
Net Increase in the Fair Value of Investments:	165,043	20,333	934	149	-	294,317	480,776
Developer Contributions	-	-	-	-	-	144,500	144,500
State Contributions	-	-	-	-	-	31,117	31,117
Successor Agency Contributions	12,415	415,096	-	2,961,616	-	-	3,389,127
County Contributions	-	-	-	-	-	139,682	139,682
Other	3,473,277	1	-	-	-	753,914	4,227,192
Total Revenues	55,923,802	1,240,426	4,565,778	3,064,625	1	48,635,033	113,429,665
Expenditures:							
Current:							
General Government	17,055,137	-	-	-	-	2,229,968	19,285,105
Public Safety	22,076,133	-	-	-	-	850,228	22,926,361
Public Services	719,704	-	-	-	-	16,519,278	17,238,982
Community Development	536,559	1,171,397	2,600,048	-	-	566,346	4,874,350
Cultural and Recreational	7,810,973	-	-	-	-	2,152,471	9,963,444
Health and Welfare	447,191	-	-	-	-	2,377,411	2,824,602
Capital Outlay	678,350	8,750	-	-	-	10,090,568	10,777,668
Debt service:							
Principal	616,442	-	-	3,615,000	-	222,000	4,453,442
Interfund Interest	-	-	636,401	-	-	-	636,401
Interest	33,521	-	-	4,654,229	260,510	191,283	5,139,543
Total Expenditures	49,974,010	1,180,147	3,236,449	8,269,229	260,510	35,199,553	98,119,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,949,792	60,279	1,329,329	(5,204,604)	(260,509)	13,435,480	15,309,767
Other Financing Sources (Uses):							
Transfers In	3,662,766	-	8,836	5,140,868	256,517	1,932,949	11,001,936
Transfers Out	(7,247,308)	(21,048)	-	-	-	(3,733,580)	(11,001,936)
Total Other Financing Sources (Uses)	(3,584,542)	(21,048)	8,836	5,140,868	256,517	(1,800,631)	-
Net Change in Fund Balances	2,365,250	39,231	1,338,165	(63,736)	(3,992)	11,634,849	15,309,767
Fund Balances - Beginning of Year (As Restated)	38,534,970	63,145,454	(15,607,632)	5,557,910	3,992	82,309,482	173,944,176
Fund Balances - End of Year	\$ 40,900,220	63,184,685	(14,269,467)	5,494,174	-	93,944,331	\$ 189,253,943

See Accompanying Notes to the Financial Statements

City of Palmdale
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Position
 For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (page 24) \$ 15,309,767

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position (page 19) are different because:

Governmental Funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions - Current Year (Net Deletions)	\$ 33,835,744	
Less Depreciation Expense	<u>(32,652,149)</u>	1,183,595

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Grant Revenues Earned, but not received within the 60-day Accrual Period		1,116,889
Interest Revenue Earned but not received within the 60-day Accrual Period		463,454

Repayment of long-term note receivables decreases the note in the Government-Wide Statement of Net Position (1,960,000)

Long-Term Debt Proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Principal repayments of long-term debt and escrow agent payments are expenditures/uses in the Governmental Funds, but they reduce long-term liabilities in the Government-Wide Statement of Net Position. Also premiums are recognized in the current period in the Governmental Funds, whereas these amounts are amortized in the Government-Wide Statement of Activities. This is the amount by which repayments exceeded proceeds.

Self Insurance Liability Claims Payable	\$ (445,776)	
Principal Repayments:		
Capital Leases	257,586	
Notes Payable	580,857	
Bonds & Certificates of Participation Payable	<u>3,615,000</u>	4,007,667

Some Expenses reported in the Government-Wide Statement of Activities and Changes in Net Position do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Compensated Absences	\$ 17,035	
Claims and Judgements	(3,552,149)	
Accrued OPEB Obligations	(3,629)	
Accrued Interest on Debt	(80,115)	
Accreted Interest on Bonds	59,435	
Amortization of Deferred Loss	(43,979)	
Amortization of Bond Premiums	<u>51,365</u>	<u>(3,552,037)</u>

Change in Net Position of Governmental Activities (page 19) \$ 16,569,335

See Accompanying Notes to the Financial Statements

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Budgetary Comparison Statements

City of Palmdale

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 14,419,710	15,069,600	15,478,125	408,525
Sales and Use Taxes	16,128,240	15,899,600	16,396,713	497,113
Other Taxes	8,405,000	8,822,730	9,564,956	742,226
Subventions and Grants	111,100	114,990	124,216	9,226
Licenses and Permits	1,199,500	1,363,980	1,562,728	198,748
Motor Vehicle License Fees	-	65,560	65,562	2
Fines and Forfeitures	375,200	370,000	375,776	5,776
Use of Property	471,910	455,630	502,843	47,213
Charges for Current Services	4,445,160	6,450,900	8,029,702	1,578,802
Interest	105,500	105,530	172,446	66,916
Net Increase in the Fair Value of Investments	-	-	165,043	165,043
Other Agency Contributions	12,400	12,400	12,415	15
Other	3,135,110	3,551,540	3,473,277	(78,263)
Total Revenues	48,808,830	52,282,460	55,923,802	3,641,342
Expenditures:				
Current:				
General Government	16,712,520	18,584,730	17,055,137	1,529,593
Public Safety	23,476,660	23,276,350	22,076,133	1,200,217
Public Services	9,964,230	9,657,980	719,704	8,938,276
Community Development	703,090	607,280	536,559	70,721
Cultural and Recreational	8,719,950	9,081,490	7,810,973	1,270,517
Health and Welfare	600,000	500,150	447,191	52,959
Capital Outlay	628,500	1,356,810	678,350	678,460
Debt Service:				
Principal	650,710	622,630	616,442	6,188
Interest	33,520	33,520	33,521	(1)
Total Expenditures	61,489,180	63,720,940	49,974,010	13,746,930
Excess (Deficiency) of Revenues: Over (Under) Expenditures				
	(12,680,350)	(11,438,480)	5,949,792	17,388,272
Other Financing Sources (Uses):				
Transfers In	15,298,980	14,615,880	3,662,766	(10,953,114)
Elim Operating Transfers In	1,600,040	1,917,040	-	(1,917,040)
Elim Operating Transfers Out	(1,494,040)	(1,918,090)	-	1,918,090
Transfers Out	(5,575,020)	(5,630,560)	(7,247,308)	(1,616,748)
Total Other Financing Sources (Uses)	9,829,960	8,984,270	(3,584,542)	(12,568,812)
Net Change in Fund Balance	(2,850,390)	(2,454,210)	2,365,250	4,819,460
Fund Balance - Beginning of Year	34,393,561	34,393,561	38,534,970	-
Fund Balance - End of Year	<u>\$ 31,543,171</u>	<u>31,939,351</u>	<u>40,900,220</u>	<u>8,960,869</u>

See Accompanying Notes to the Financial Statements

City of Palmdale

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority - Housing Asset Fund - Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ -	-	26,816	26,816
Charges for Current Services	84,790	92,360	97,194	4,834
Interfund Interest	721,670	636,400	636,401	1
Interest	246,310	268,160	44,585	(223,575)
Net Increase in the Fair Value of Investments	-	-	20,333	20,333
Successor Agency Contributions	380,000	780,100	415,096	(365,004)
Other	-	-	1	1
Total Revenues	1,432,770	1,777,020	1,240,426	(536,594)
Expenditures:				
Current:				
Community Development	1,921,290	6,499,740	1,171,397	5,328,343
Capital Outlay	-	8,750	8,750	-
Total Expenditures	1,921,290	6,508,490	1,180,147	5,328,343
Excess (Deficiency) of Revenues: Over (Under) Expenditures	(488,520)	(4,731,470)	60,279	4,791,749
Other Financing Sources (Uses):				
Transfers In	636,410	721,680	-	(721,680)
Transfers Out	(12,400)	(12,400)	(21,048)	(8,648)
Total Other Financing Sources (Uses)	624,010	709,280	(21,048)	(730,328)
Net Change in Fund Balance	135,490	(4,022,190)	39,231	4,061,421
Fund Balance - Beginning of Year (As restated)	56,076,843	56,076,843	63,145,454	-
Fund Balance - End of Year	\$ 56,212,333	52,054,653	63,184,685	11,130,032

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority Mobile Home Parks Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ 4,326,350	4,468,300	4,563,695	95,395
Interest	-	-	1,149	1,149
Net Increase in the Fair Value of Investments	-	-	934	934
Total Revenues	<u>4,326,350</u>	<u>4,468,300</u>	<u>4,565,778</u>	<u>97,478</u>
Expenditures:				
Current:				
Community Development	2,758,380	2,858,780	2,600,048	258,732
Debt Service:				
Interfund Interest	636,400	636,400	636,401	(1)
Total Expenditures	<u>3,394,780</u>	<u>3,495,180</u>	<u>3,236,449</u>	<u>258,731</u>
Excess (Deficiency) of Revenues: Over (Under) Expenditures	<u>931,570</u>	<u>973,120</u>	<u>1,329,329</u>	<u>356,209</u>
Other Financing Sources (Uses):				
Transfers In	-	-	8,836	8,836
Transfers Out	(721,680)	(721,680)	-	721,680
Total Other Financing Sources (Uses)	<u>(721,680)</u>	<u>(721,680)</u>	<u>8,836</u>	<u>730,516</u>
Net Change in Fund Balance	<u>209,890</u>	<u>251,440</u>	<u>1,338,165</u>	<u>1,086,725</u>
Fund Balance - Beginning of Year	<u>(15,607,632)</u>	<u>(15,607,632)</u>	<u>(15,607,632)</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ (15,397,742)</u></u>	<u><u>(15,356,192)</u></u>	<u><u>(14,269,467)</u></u>	<u><u>1,086,725</u></u>

See Accompanying Notes to the Financial Statements

Fiduciary Fund Financial Statement

The City's Fiduciary Funds are Agency Funds, Retiree Health Premium Trust Funds, and Private-purpose Trust Funds. Agency Funds, Retiree Health Premium Trust Funds, and Private-purpose Trust Funds are used to account for assets held by the City as an agency for other governmental units, private organizations, individuals and/or other funds.

Assessment and Community Facilities Districts Fund

This fund is used to account for receipts and disbursements associated with 1915 Act Assessment Bonds and Special Tax Bonds, which are administered by, but are not the liability of, the City.

Retiree Health Premium Trust Funds

This fund is used to account for the receipt of City funds held in trust to provide Eligible Retirees with a supplement to reduce their premiums for participating in the City's Health Plan.

Successor Agency Private-purpose Trust Funds

This fund is used to account for the assets, liabilities and activities of the former Community Redevelopment Agency of the City of Palmdale in a trustee capacity to pay enforceable obligations of the former Community Redevelopment Agency. As more fully explained at Note 19, on February 1, 2012 in accordance with Assembly Bill (ABX126 and 1484) all redevelopment agencies in the State of California were dissolved. Assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund that is used to account for assets held by the City of Palmdale's former Redevelopment Agency. The City has agreed to serve as the successor agency to hold the assets until all enforceable obligations of the prior redevelopment agency have been paid in full and they are distributed to other units of state and local government.

City of Palmdale
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds	OPEB Trust Funds	Successor Agency Private Purpose Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash	\$ -	\$ -	\$ 3,304,200
Investments	132,112	-	12,005,713
Receivables:			
Property Taxes Receivable	98,468	-	6,354
Due from Other Government Units	-	-	14,283
Notes and Liens	-	-	1,506,675
Land Held for Resale	-	-	11,673,527
Restricted Assets:			
Cash and Investments	1,072,510	1,856,980	-
Money Market Funds	7,311,134	-	684,476
Mutual Funds	-	3,046,886	-
Interest Receivable	962	-	6
Capital Assets:			
Not Being Depreciated:			
Land and Improvements	-	-	4,044,224
Construction in Progress	-	-	1,987,118
Being Depreciated, Net of Accumulated Depreciation:			
Buildings and Structures	-	-	254,829
	<u>8,615,186</u>	<u>4,903,866</u>	<u>35,481,405</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	-	-	1,839,583
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>1,839,583</u>
	<u>8,615,186</u>	<u>4,903,866</u>	<u>37,320,988</u>
Liabilities:			
Accounts Payable	9,828	-	56,750
Advances Due to Housing Asset Fund	-	-	15,857,215
Due to Other Governmental Units	583,859	-	388,572
Deposits	151,859	-	-
Accrued Interest Payable	-	-	2,144,684
Long-Term Liabilities:			
Due Within One Year	-	-	8,248,852
Due in More than One Year	7,869,640	-	125,119,877
	<u>\$ 8,615,186</u>	<u>-</u>	<u>151,815,950</u>
Net Position:			
Net Position Restricted for OPEB Benefits		4,903,866	-
Net Position Held in Trust		<u>-</u>	<u>(114,494,962)</u>
		<u>4,903,866</u>	<u>(114,494,962)</u>
		<u>\$ 4,903,866</u>	<u>\$ 37,320,988</u>

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	OPEB Trust Funds	Successor Agency Private Purpose Trust Funds
Additions:		
Contributions to Retiree Medical Trust	\$ 337,177	\$ -
Property Taxes	-	38,103,328
Use of Property	-	5,500
Charges for Current Services	-	165,185
Investment and interest income	149,749	11,587
Net Investment Gains (Losses)	229,712	-
Total Additions	716,638	38,285,600
Deductions:		
Benefits paid to participants	292,793	-
General Government	-	479,680
Community Development	-	2,126,884
Intergovernmental-Tax Sharing	-	22,250,372
Depreciation	-	8,763
Interest Expense	-	8,707,681
Total Deductions	292,793	33,573,380
Extraordinary Loss Upon Dissolution of the Redevelopment Agency (Note 18)	-	(10,346,241)
Change in Net Position held in Trust	423,845	(5,634,021)
Net Position Held in Trust or Restricted at July 1, 2013	4,480,021	(108,860,941)
Net Position Held in Trust or Restricted at June 30, 2014	\$ 4,903,866	\$ (114,494,962)

See Accompanying Notes to the Financial Statements

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**Notes to the
Financial Statements**



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014

City of Palmdale
Table of Contents to the
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note	Page No.
1. Summary of Significant Accounting Policies.....	39
Description of the Reporting Entity.....	39
Financial Statement Presentation, Basis of Accounting and Measurement Focus.....	41
Budgets and Budgetary Accounting.....	43
Cash and Investments.....	44
Trust Fund Investments.....	44
Short-Term Interfund Receivables and Payables.....	44
Advances Between Funds.....	45
Prepaid Items.....	45
Land Held for Resale.....	45
Permit Held for Resale.....	45
Restricted Assets.....	45
Capital Assets.....	45
Deferred Outflows/Inflows of Resources.....	46
Compensated Absences.....	47
Long-Term Obligations.....	47
Fund Equity.....	47
Deficit Fund Equity.....	48
Expenditures Exceeding Appropriations.....	49
Property Taxes.....	49
Use of Estimates.....	50
Implemented Accounting Pronouncements.....	50
2. Cash and Investments.....	51
Investments Authorized by the California Code and the City of Palmdale’s Investment Policy.....	52
Investment Authorized by the Debt Agreements.....	52
Disclosures Related to Interest Rate Risk.....	53
Disclosures Relating to Credit Risk.....	53
Concentration of Credit Risk.....	54
Custodial Credit Risk.....	54
Investment in State Investment Pool.....	55
Disclosures by Reporting Unit.....	55
3. Interfund Transfers.....	56
4. Interfund Assets/Liabilities.....	56
Due From/To Other Funds for the year ended June 30, 2014.....	56

City of Palmdale
Table of Contents to the
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note	Page No.
Advances Due From/To Drainage Funds at June 30, 2014.....	57
Advances Due From/To Other Funds at June 30, 2014.....	58
Interfund Promissory Note Receivable and Payable at June 30, 2014.....	58
5. Notes Receivable-Successor Agency Cash Flow Loan.....	58
City Loans	59
Successor Agency – Cash Flow Loan.....	59
Federal Home Program Loans.....	59
CDBG/NSP Program Loans.....	60
Housing Program.....	60
Successor Agency – Bond Debt.....	60
6. Fund Balance Classification.....	61
7. Joint Ventures.....	62
Antelope Valley Transit Authority.....	62
Palmdale Recycled Water Authority.....	62
8. Risk Management.....	62
9. Unearned Revenue/Unavailable Revenue.....	64
10. Capital Assets.....	65
11. Capital Leases.....	66
12. Long Term Debt.....	66
Notes Payable.....	66
Hoprock Infrastructure Note Payable.....	66
Section 108 HUD Note Payable.....	67
HOME Loan Note Payable.....	67
Revenue Bonds.....	68
1994 Revenue Bonds Payable (\$44,999,493).....	68
1997 Revenue Bonds Payable (\$10,890,000).....	69
2003 Revenue Bonds Payable (\$19,220,000).....	70
2009 Revenue Bonds Payable (\$6,380,000).....	71
2012 Lease Revenue Bond Payable (\$8,695,000).....	72
Certificates of Participation.....	73
2002 Certificates of Participation Payable (\$43,215,000).....	73
2004 Certificates of Participation Payable (\$13,455,000).....	74
2007 Certificates of Participation Payable (\$19,960,000).....	75
Change in Long-Term Liabilities.....	77

City of Palmdale
Table of Contents to the
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note	Page No.
13. Special Assessment Districts and Community Facilities District Bonds.....	78
Bonds Outstanding.....	78
Assessment District No. 88-1 (10 th Street West) Limited Obligation Improvement Bonds.....	78
Assessment District No. 90-2 (7 th Street West) Limited Obligation Improvement Bonds.....	78
Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds.....	78
Community Facilities District No. 93-1 (Ritter Ranch) Special Tax Bonds.....	79
Community Facilities District No. 2003-1 (Anaverde Improvement Area A) Special Tax Bonds.....	79
Community Facilities District No. 05-1 (Trade & Commerce Center) Special Tax Bonds.....	79
Community Facilities District No. 05-1 (Trade & Commerce Center Area) Special 2007 Tax Refunding Bonds, Series A.....	79
Assessment District No. 2006-1 (Godde Hills Estates Sewer Improvements) Limited Obligation Improvement Bonds.....	80
Defaults in Payment of Debt Service on Bonds Outstanding.....	80
Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds.....	80
14. Residential Mortgage Revenue Bond Programs.....	80
15. Retirement Plan.....	81
Public Employees' Retirement System.....	81
Public Agency Retirement Systems.....	82
16. Other Post-Employment Benefits.....	83
17. Permit Held for Resale.....	85
18. Extraordinary Item.....	86
19. Successor Agency Trust for Assets of the Former Redevelopment Agency of the City of Palmdale.....	86
General Discussion.....	86
Land Held for Resale.....	87
Capital Assets.....	87
Advances Due to Housing Authority – Housing Asset Fund.....	88
Due to Other Governmental Units.....	89
Successor Agency Long-Term Debt.....	89
Change in Long-Term Liabilities.....	89
Loan Agreement.....	90
Notes Payable.....	90
2010 Series A and Series B Refunding Notes.....	90
Dillard's Infrastructure Note Payable.....	91
Note Payable Related to Revenue Bonds.....	91

City of Palmdale
Table of Contents to the
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note	Page No.
Note Payable Related to 1994 Revenue Bonds Payable (\$44,999,493).....	91
Note Payable Related to 1997 Revenue Bonds Payable (\$10,890,000).....	92
Note Payable Related to 2003 Revenue Bonds Payable (\$19,220,000).....	93
Note Payable Related to 2009 Revenue Bonds Payable (\$6,000,000).....	93
Tax Allocation Bonds.....	94
1998 Tax Allocation Bonds Payable (\$30,625,000).....	94
1999 Tax Allocation Bonds Payable (\$2,722,056).....	95
2002 Tax Allocation Bonds Payable (\$5,329,758).....	95
2003 Tax Allocation Bonds Payable (\$5,965,000).....	96
2003 Tax Allocation Bonds Payable (\$7,250,000).....	96
2004 Tax Allocation Bonds Payable (\$18,535,000).....	97
2004 Tax Allocation Bonds Payable (\$6,090,000).....	97
2005 Tax Allocation Bonds Payable (\$14,115,000).....	98
2005 Tax Allocation Bonds Payable (\$2,805,000).....	98
20. Commitments and Contingencies.....	99
Contracts and Purchase Orders.....	99
Successor Agency Due Diligence Review for Accounts Other than Housing.....	100
Grants.....	100
Claims and Judgments.....	101
Land Held for Resale.....	101
Obligations of the Successor Agency Private Purpose Trust Fund.....	101
Litigation.....	101
21. New Accounting Pronouncements.....	102
22. Cumulative Effect of a Change in Accounting Principle and Prior Period Adjustment.....	102
23. Subsequent Event.....	103

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(1) Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The City of Palmdale (the City) was incorporated on August 24, 1962, under the general laws of the State of California and became a charter City in 2009. The City operates under a Council-Manager form of government and provides the following services: library, recreational and culture, public improvements, planning and zoning, building and safety, street maintenance, and general administrative services. The City contracts with the County of Los Angeles to provide law enforcement, animal control, limited street maintenance for snow and hazardous materials removal, and emergency services. Fire service is provided by a separate County Fire Protection District and is not under the City's jurisdiction.

As required by Generally Accepted Accounting Principles, the accompanying comprehensive annual financial report includes the financial activities of the City of Palmdale, the primary government, and its component units, legal separate entities for which the City is considered to be financially accountable. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The City is considered to be financially accountable for an organization if the City's governing body is substantially the same as the component unit's governing body, and there is a financial benefit or burden relationship between the City and component unit, or the City has operational responsibility for a component unit. Additionally, blending would be appropriate if the component unit provides services entirely, or almost entirely, to the City or for the benefit of the City. Lastly, if the component units' total debt outstanding is expected to be repaid with City resources, blending is also appropriate for the component unit. All of the City's component units are considered to be blended component units because in all cases the City Council serves as the governing board for each component unit and the City benefits from the use of certain property and improvements as well as a burden in administering the debt service repayment. Blended component units, although legally separate entities, are, in substance, part of the City's operations, therefore data from these units are reported with the interfund data of the primary government. Management of the City has operational responsibility for each component unit, as it manages the activities of each component unit in a similar manner in which it manages other of its own programs and activities. Additionally, the City is responsible for repayment of debt within the component units using resources of the primary government.

The component units included within the financial reporting entity of the City of Palmdale are the Palmdale Civic Authority (Authority), the Palmdale Financing Authority (PFA), the Industrial Development Authority (IDA), and the Housing Authority of the City of Palmdale (Housing Authority). The component units above are included because they meet the definition provided in

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

the previous paragraph and of the significance of their operational or financial relationships with the City. As such, these entities are presented on a blended basis.

Separate component unit financial statements are issued for the Palmdale Civic Authority, Palmdale Financing Authority, and the Housing Authority and may be obtained from the City's Finance Department, 38300 Sierra Highway, Suite D, Palmdale, CA 93550.

The Palmdale Civic Authority is a joint powers authority organized under Section 6500 et seq. of the California Government Code on May 1, 1976, between the City and the former Community Redevelopment Agency for the purpose of acting as a vehicle for financing various projects of the City and the Agency.

The Authority is a distinct legal entity separate and apart from the City and the former Community Redevelopment Agency. The City Council acts as the governing body of the Authority by serving as its board members. The activity of the Authority is reported in the Palmdale Civic Authority Debt Service and Capital Projects Funds.

The Palmdale Financing Authority is a joint powers authority organized under Section 6500 et seq. of the California Government Code on September 26, 2012, between the City and the Housing Authority for the purpose of acting as a vehicle for financing various projects of the City and Housing Authority.

The Palmdale Financing Authority is a distinct legal entity separate and apart from the City and the Housing Authority, and its debts and obligations are not debts or obligations of the City or the Housing Authority. The City Council acts as the governing body of the Palmdale Financing Authority by serving as its board members. The activity of the Palmdale Financing Authority is reported in the Palmdale Financing Authority Debt Service Funds.

The Industrial Development Authority was organized under Section 91500 et seq. of the California Government Code on February 8, 1995, for the purpose of financing industrial development in the City. The IDA works with manufacturers and industrial companies to develop new industrial sites in Palmdale. The IDA is a distinct legal entity separate and apart from the City and the Agency, and its debts and obligations are not debts or obligations of the City or the Agency. The City Council acts as the governing body of the IDA by serving as its board members. There has been no activity in the Industrial Development Authority Fund during the fiscal year.

The Housing Authority of the City of Palmdale was established on April 9, 1997, pursuant to the State of California Health and Safety Code, Section 34200, entitled "Housing Authorities Law." The Housing Authority was formed for the purpose of working with mobile home parks located in the City. Upon dissolution of the former Redevelopment Agency of the City of Palmdale, the Housing Authority assumed the authority to perform housing functions previously performed by the dissolved Community Redevelopment Agency and all rights, powers, duties,

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

obligations, and housing assets, were transferred to the Housing Authority during 2011-12. The Housing Authority is a distinct legal entity separate and apart from the City and the Agency, and its debts and obligations are not debts or obligations of the City or the Agency. The City Council acts as the governing body of the Housing Authority by serving as its board members. The activity of the Housing Authority is reported in the Housing Asset, Mobile Home Parks, and Housing Authority Special Revenue Funds.

The financial statements of the City of Palmdale have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

B. Financial Statement Presentation, Basis of Accounting, and Measurement Focus

The accounts of the City are organized on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are to be controlled.

Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities and, likewise, the primary government is reported separately from discretely presented component units. The City of Palmdale has no business-type activities or discretely presented component units. Interfund activity, including payables and receivables have been eliminated in the Statement of Activities and the Statement of Net Position.

Interfund services provided are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-Wide presentation.

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 for services to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function,

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2) grants and contributions that are restricted to meeting the operational requirements of a particular function and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Government-Wide Financial Statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the City's assets, deferred outflows of resources, and liabilities (including capital assets, infrastructure assets, and long-term liabilities) are reported in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds individually and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the difference in fund balance or equity as presented in these statements to the net position presented in the Government-Wide Financial Statements.

Governmental Fund Financial Statements are presented using the *current financial resources measurements focus* and the *modified accrual basis of accounting*. Accordingly, only current assets, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to be used 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. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Those revenues susceptible to accrual are incremental property taxes, franchise taxes, special assessments, licenses, interest, and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other revenue items are recorded when received in cash.

The City has presented all major funds that qualified as major funds, which included the General Fund, the Housing Authority Housing Asset Special Revenue Fund, Housing Authority Mobile Home Park Special Revenue Fund, and the Palmdale Civic Authority Debt Service Fund. In addition, the City electively added, as a major fund, the Palmdale Financing Authority Debt

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Service Fund because the City believes it is necessary to report the activities of all component units as a major fund. Specific fund descriptions and purpose of each fund can be found on page 21 for all major funds. Summarization of all non-major governmental funds is presented under the Other Governmental Funds column. The individual fund statements and descriptions and purpose of the non-major funds can be found on pages 107-117.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the City's own programs. Trust funds are accounted for using the accrual basis of accounting while the Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize assets and liabilities.

The Agency Fund is used to account for receipts and disbursements associated with 1915 Act Assessment Bonds and Special Tax Bonds which are administered by, but are not the liability of, the City.

The OPEB Trust fund is used to account for Other Post-Employment Benefits. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Successor Agency Private Purpose Trust Funds is used to account for the assets, deferred outflows of resources, liabilities, and activities of the dissolved Community Redevelopment Agency in a trustee capacity to pay obligations of the former Community Redevelopment Agency. Revenues are recognized when allocated in the amount that is necessary to pay the enforceable obligations and obligations are recognized when due and payable and approved by the oversight board.

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital project funds, which adopt project-length budgets.

The budget process begins in January when budget request forms are distributed to each department. These requests are assembled by the Finance Department and are presented to the City Manager in March. Budget meetings are then held with each department. The proposed budget is presented to the City Council on or before May 31 of each year. The Council holds a public hearing in June and must adopt a final budget by July 1 of each fiscal year. If Council continues the public hearing and/or adoption of the budget beyond June 30, the Finance Department is required to obtain written authorization for the continuation of spending for the new fiscal year at a public meeting of the Council prior to July 1.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level. The category level includes salaries and benefits, training and meetings, operating expenditures, contingency, debt service, and capital outlay. Supplemental appropriations during the year must be approved by the City Council if they are over \$25,000 or between funds, except for shifts in appropriations relating to personnel changes that may be done administratively by the City Manager. The City manager can approve budget transfers up to \$25,000 within a fund. Supplemental appropriations were made during the year and are reflected in the budgeted numbers contained in the accompanying financial statements. Unexpended appropriations at year-end may be added to the subsequent year's adopted budget by the Finance Manager with the approval of the City Manager per Council Resolution 92-120, Section 5.

A separate unaudited budgetary report-comparing budget to actual at the category level has been issued for the General Fund, Special Revenue Funds, and Debt Service Funds. This budgetary report is available from the City's Finance Department, 38300 Sierra Highway, Suite D, Palmdale, California 93550.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts, and other commitments) outstanding at year-end are reported as assigned fund balance in the General Fund since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

D. Cash and Investments

Cash includes amounts in demand deposits and petty cash on hand. Investments include amounts in Federal Agency Securities, Certificates of Deposit, the Local Agency Investment Fund, money market funds, and investment agreements. The U.S. Treasury and Agency Securities were adjusted to fair value based on market prices on June 30, 2014. The Local Agency Investment Fund is reported at the carrying value because the fair value was not materially different. Amounts invested in money market funds and investment agreements are reported at fair value or guaranteed amounts per investment agreement, which is equal to cost as of June 30, 2014.

E. Trust Fund Investments

Investments held in Trust are reported at fair value, which is estimated based on published market prices.

F. Short-Term Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the balance sheet.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

G. Advances Between Funds

Non-current portions of interfund loans receivable, reported as advances from other funds, are offset by a restricted fund balance account to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Prepaid Items

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.

I. Land Held for Resale

Land held for resale is recorded at the lower of cost or market in the governmental and fiduciary funds.

J. Permit Held for Resale

Costs associated with a permit held for resale are recorded in the General Fund at the lower of acquisition cost or estimated resale value. Fund balances are classified as nonspendable in amounts equal to the carrying value of permit held for resale since such assets are not available to finance the City's current operations.

K. Restricted Assets

Restricted assets represent unexpended proceeds, interest thereon, and bond reserve amounts related to bond anticipation notes, revenue bonds, tax allocation bonds and certificates of participation. The bond resolutions and indentures require that the bond reserves be maintained in amounts equal to the maximum amount of principal and interest to be paid in any single future fiscal year for each issue.

The debt service funds report restricted assets for resources set aside for current and future principal and interest payments on the bonds. The capital projects funds report restricted assets for proceeds of bond issuances, and interest thereon, which are restricted for use in construction. In cases where capital construction is being financed partially by restricted bond proceeds and partially from the City's own resources, the City typically uses restricted assets first as appropriate opportunities arise, but reserves the right to selectively defer the use of bond proceeds to future projects.

L. Capital Assets

Capital assets, which include property, plant, equipment, and public domain infrastructure assets (e.g., roads, bridges, curbs, and gutters, streets, and sidewalks, drainage systems, and lighting

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

systems), are reported in the applicable governmental columns in the Government-Wide Financial Statements. Capital assets and Intangible assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and \$125,000 respectively and an estimated useful life in excess of two years. Such assets are recorded at cost where historical costs are available and at an estimated original cost where not historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-Wide Financial Statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and Structures	50
Improvements other than Buildings	5-10
Machinery and Equipment	5-15
Infrastructure	20-50

M. Deferred Outflows/Inflows of Resources

In addition, to assets, the statement of financial position and the Statement of Fiduciary Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and in the statement of fiduciary net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: State Mandated Cost Reimbursements and Grant Reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and administrative leave, and compensatory and floating holiday time. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and administrative leave, compensatory and floating holiday time, and associated employer-related salary costs are accrued when incurred in the Government-Wide Financial Statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the general fund and various special revenue funds.

O. Long-Term Obligations

In the Government-Wide Financial Statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums/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 reported as charges in the period the cost is incurred.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period the cost is incurred.

P. Fund Balance

In the Fund Financial Statements, governmental funds report fund balance in to five components whereby each component identifies the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five components of the fund balance are as follows:

Nonspendable: Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintain intact such as an endowment.

Restricted: Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions ore enabling legislation.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Committed: Resources that are constrained to specific purposes by a formal action of the City Council, which constitutes the most binding constraint such as an ordinance. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

Assigned: Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed or the residual balance of all other governmental funds except the General Fund. This policy delegates to the Finance Manager the authority to assign fund balance where the City's intent is for the amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

Unassigned: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balances, and finally unassigned fund balance.

Q. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2014 in the amount indicated:

Non-major Special Revenue Funds:

Federal Grants Fund	\$ 816,352
State Grants Fund	72,298

Management anticipates that these deficits will be resolved in future years as outstanding reimbursable grants are received.

Housing Authority Mobile Home Park Fund \$ 14,269,467

Management anticipates that this deficit will be resolved in future fiscal years as additional operating revenues become available and the Mobile Home Park occupancy levels remain high and consistent each year at the three mobile home parks and also as the promissory note and advances are paid off.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

R. Expenditures Exceeding Appropriations

The legal level of budgetary control is at the category level, personnel, training and meetings, operating, capital and debt expenditure level. Budget appropriations approved were reported to the City Council as being paid out of General Fund and funded through transfers in from special revenue funds. The following special revenue funds reclassified transfers out to the expenditure function level of the special revenue fund financial statements to comply with GASB 54 requirements. Funds with expenditures exceeding appropriations were as follows: Gas Tax Fund, Public Safety Fund, Prop A Fund, Prop C Fund, Article 8 fund, Park Development Fund, Traffic Impact Fund, Drainage Funds, Federal Grant Funds, State Grant Funds, Park Assessments, Landscape Maintenance Fund, and Sewer Maintenance Fund.

The following is a summary of the excess of expenditures over appropriations:

	Total	General Government	Public Safety	Public Services	Cultural & Recreational
General Fund	\$(9,534,853)	\$ (488,116)	\$ (850,228)	\$ (7,881,291)	\$ (315,218)
Gas Tax	458,368	176,116	-	282,252	-
Public Safety	629,576	-	629,576	-	-
Prop A	2,022,069	-	-	2,006,851	15,218
Prop C	220,000	-	-	220,000	-
Article 8	5,085,498	-	-	5,085,498	-
Park Development	265,000	65,000	-	-	200,000
Traffic Impact	65,000	65,000	-	-	-
Drainage	64,920	52,000	-	12,920	-
Federal Funds	162,357	-	123,752	38,605	-
State Grants	235,165	-	-	235,165	-
Park Assessments	196,900	-	96,900	-	100,000
Landscape Maintenance	65,000	65,000	-	-	-
Sewer Maintenance					
Assessment District	65,000	65,000	-	-	-

S. Property Taxes

With the passage of Assembly Bill No. 1197, the City of Palmdale, previously a “no property tax” city began to receive property taxes in fiscal year 1989-90. In addition, the former Community Redevelopment Agency (CRA) received incremental property taxes on property within its project areas over a base-assessed valuation on the date the project area was established. Upon dissolution of the former CRA incremental property tax will be received by the Private Purpose Trust. The Los Angeles County Assessor and Tax Collector perform the duties of assessing and collecting property taxes, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on January 1 preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Implemented Accounting Pronouncements

Effective July 1, 2013, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The Statement affected the presentation of certain assets and liabilities of the governmental funds.

Effective July 1, 2013, the City adopted GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The Statement did not have any significant impact on the City's financial statements.

Effective July 1, 2013, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are not administered through trust covered by the scope of this statement and to defined contribution plans that provide

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

postemployment benefits other than pension. The statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The Statement did not have any significant impact on the City's financial statements.

Effective July 1, 2013, the City adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The Statement did not have any significant impact on the City's financial statements.

(2) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 77,013
Investments	108,149,494
Restricted cash and investments	<u>25,887,741</u>
	<u>134,114,248</u>
Statement of Fiduciary Net Position:	
Cash	3,304,200
Investments	12,137,825
Restricted Cash and Investments	<u>13,971,986</u>
	<u>29,414,011</u>
Total Cash and Investments	<u>\$ 163,528,259</u>

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

Cash on Hand	\$ 16,924
Deposits with Financial Institution	8,516,279
Investments:	
Pooled	\$ 116,188,824
Held by Trustees	<u>38,806,232</u>
	154,995,056
Total Cash and Investments	<u>\$ 163,528,259</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

A. Investments Authorized by the California Government Code and the City of Palmdale's Investment Policy

The table below identifies the investment types that are authorized for the City of Palmdale by the California Government Code (or the City of Palmdale's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City of Palmdale's investment policy, where more restrictive) that addresses interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements with the City of Palmdale, rather than the general provisions of the California Government Code or the City of Palmdale's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Federal Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	2%
Municipal Obligations	5 years	10%	15%
Negotiable Certificates of Deposit	5 years	30%	None
Overnight Bank Investment Pool	N/A	10%	None
Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$50,000,000

*Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

The City of Palmdale's investment policy also authorizes Demand Deposits of up to \$2,000,000 (and \$2,500,000 in the aggregate) with Bank of America or Wells Fargo Bank. As of June 30, 2014, a demand deposit of \$3,330,402 is expected to be expended in a short period of time and is held on behalf of the Successor Agency Private Purpose Trust Fund. On July 1, 2014, Debt payments totaling \$2,351,891 were made reducing the demand deposit balance.

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt (see Note 12) rather than the general provisions of the California Government Code. Certificates of Participation and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds, are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Investment Policy of the City of Palmdale, Section 4.1 and 4.2, provide guidelines for managing risk. One of the ways that the City of Palmdale manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City of Palmdale's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Palmdale's investments by maturity.

Remaining Maturity (in months)	<u>Total</u>	<u>12 Month or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Investment Type:					
Federal Agency Securities	\$ 69,775,560	\$ -	\$ 5,009,820	\$ 64,765,740	\$ -
Negotiable Certificates of Deposit	3,254,465	1,000,408	1,256,390	997,667	-
Money Market Mutual Funds	83,016	83,016	-	-	-
Local Agency Investment Fund	43,532,538	43,532,538	-	-	-
Held by Trustees:					
Money Market Mutual Funds	32,285,415	32,285,415	-	-	-
Mutual Funds	4,903,866	4,903,866	-	-	-
Investment Agreements	<u>1,616,951</u>	<u>-</u>	<u>956,951</u>	<u>-</u>	<u>660,000</u>
Total	<u>\$ 155,451,811</u>	<u>\$ 81,805,243</u>	<u>\$ 7,223,161</u>	<u>\$ 65,763,407</u>	<u>\$ 660,000</u>

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Palmdale's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Investment Type	Total	Minimum Legal Rating	Not Required to be Rated	NR/Aaa*	A/A2*	AA+/Aaa*	AAA/Aaa*
Federal Agency Securities	\$ 69,775,560	N/A	\$ -	\$ -	\$ -	\$ 69,775,560	\$ -
Certificates of Deposit	3,254,465	N/A	3,254,465	-	-	-	-
Money Market Mutual Funds	83,016	A	-	-	-	-	83,016
Local Agency Investment Pool	43,532,538	N/A	43,532,538	-	-	-	-
Held by Bond Trustee:							
Money Market Funds	32,285,415	A	-	-	-	-	32,285,415
Mutual Funds	4,903,866	N/A	4,903,866	-	-	-	-
Investment Agreements	1,616,951	N/A	-	956,951	660,000	-	-
Total	<u>\$ 155,451,811</u>		<u>\$ 51,690,869</u>	<u>\$ 956,951</u>	<u>\$ 660,000</u>	<u>\$ 69,775,560</u>	<u>\$ 32,368,431</u>

*Ratings are from S&P & Moody's, respectively.

E. Concentration of Credit Risk

The investment policy of the City of Palmdale contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Reportable investments in any one issuer that represent 5% or more of the total City of Palmdale's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 31,849,470
Freddie Mac	Federal Agency Securities	16,994,000
Federal Ntl Mtg Assoc.	Federal Agency Securities	17,963,500

F. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Palmdale's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure 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). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

As of June 30, 2014, \$6,604,671 of the City of Palmdale's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts, but not in the name of the City. In addition, as of June 30, 2014, City of Palmdale investments in the following investment types were held by the safekeeping department of the broker-dealer (counterparty) used by the City of Palmdale to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$ 3,254,465
Federal Agency Securities	\$ 69,775,560

G. Investment in State Investment Pool

The City of Palmdale 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 fair value of the City of Palmdale's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Palmdale's pro-rata share of the fair value 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, which are recorded on the amortized cost basis.

H. Disclosures by Reporting Unit

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, major fund, non-major in the aggregate, etc.) are as follows:

\$660,000 of investments (including amounts held by bond trustees) reported in the PCA Debt Service Fund (a major fund of the City) is held in the form of a guaranteed investment contract issued by Societe Generale, with ratings of A/A2 from S&P & Moody's respectively. The investment agreement matures on June 25, 2023.

\$956,951 of investments (including amounts held by bond trustees) reported in the PCA Debt Service Fund (a major fund of the City) are held in the form of a guaranteed investment contract issued by Bayerische Landesbank with ratings of NR/Aaa from S&P & Moody's respectively. The investment agreement matures on July 1, 2015.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(3) Interfund Transfers – Interfund transfers for the year ended June 30, 2014 were as follows:

Transfer To:	Transfer From:	Amount
Major Funds		
General Fund	Housing Authority Housing Asset Fund	\$ 12,212
	Non-Major Funds	<u>3,650,554</u>
		3,662,766
HA Mobile Home Park Fund	Housing Authority Housing Asset Fund	8,836
PCA Debt Service Fund	General Fund	5,140,868
PFA Debt Service Fund	General Fund	256,517
Non-Major Governmental Funds	Non-Major Governmental Funds	83,025
	General Fund	<u>1,849,924</u>
		<u>1,932,949</u>
Total Interfund Transfers		<u><u>\$ 11,001,936</u></u>

Transfers resulted from the following transactions:

- 1) Moving revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them.
- 2) Moving receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due.
- 3) Using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(4) Interfund Assets/Liabilities

A. Due From/To Other Funds for the Year Ended June 30, 2014 were as follows:

The amounts payable to the General Fund relate to temporary cash flow loans made to several non-major funds that all are scheduled to be collected in the subsequent year.

Payable To:	Payable From:	Amount
Major funds		
General Fund	Non-Major Governmental Funds	<u>\$ 1,530,581</u>
Total Due From/To Other Funds		<u><u>\$ 1,530,581</u></u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

B. Advances Due From/To Drainage Funds at June 30, 2014

Beginning in fiscal year ending June 30, 1993, advances were made from the Amargosa, Portal Ridge, and Pearland Drainage funds to cover shortfalls in funding in the Anaverde Drainage Funds. Government code Section 66006 stipulates that developer impact fees shall be kept in a separate fund and earn interest until expended for the purpose for which the fee was originally collected. In accordance with this Government Code Section, interest has been accrued on a monthly basis with a rate equal to the monthly LAIF rate since the inception of the advances.

The Drainage Funds financial statements are presented as one combined statement within this report. Due to this presentation the advances have been eliminated.

	<u>Receivable</u>	<u>Payable</u>
Amargosa Drainage	\$ 751,520	\$ -
Anaverde Drainage	-	7,676,641
Portal Ridge Drainage	288,900	-
Pearland Drainage	<u>6,636,221</u>	<u>-</u>
	<u>\$7,676,641</u>	<u>\$ 7,676,641</u>

The total fund equity of the individual funds is as follows:

	<u>Fund Equity</u>
Amargosa Drainage	\$ 1,272,741
Anaverde Drainage	(9,015,664)
Big Rock Drainage	7,541
Portal Ridge Drainage	442,578
Pearland Drainage	12,609,493
Littlerock Drainage	<u>113,523</u>
	<u>\$ 5,430,212</u>

An annual AB1600 report is issued each year. This report contains additional data on the individual Drainage Funds. A copy of this report can be obtained from the City of Palmdale, Finance Department, 38300 Sierra Highway, Suite D, Palmdale, California 93550.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

C. Advances Due From/To Other Funds at June 30, 2014

	Receivable	Payable
Major Funds		
Special Revenue Funds:		
Housing Authority-Housing Asset Fund	\$ 1,510,985	\$ -
Housing Authority-Mobile Home Parks Fund	-	1,510,985
Total Major Funds	\$ 1,510,985	\$ 1,510,985

The Housing Authority-Mobile Home Parks Fund has advances due to the Housing Authority-Housing Asset Fund of \$1,510,985, resulting from the acquisition and operation of three mobile home parks purchased during fiscal year 2002-2003. Upon acquisition, the Housing Authority assumed the prior park owner's liabilities which were payable to the former CRA Low and Moderate Income Housing fund and City under the terms of an operating agreement. The operating agreement establishes priorities for the use of revenues from operation of the parks, and provides for repayment of the advances from net income once expenses, debt service, operating, and capital reserve requirements are met. In the interim, additional liabilities and program/project management fees will continue to accrue to the long-term advances due the Housing Authority - Housing Asset Fund if there are shortfalls in expected payment. These advances will be repaid when net income is sufficient under the operating agreement.

D. Interfund Promissory Note Receivable and Payable as of June 30, 2014

The Housing Authority-Mobile Home Parks Fund issued a Promissory Note to the former Redevelopment Low and Moderate Income Housing Fund to generate proceeds to fund additional housing programs. The Promissory Note is to be repaid from the Mobile Home Parks operating revenue when net income is sufficient under the operating agreement. As the result of the dissolution of the Community Redevelopment Agency, the Promissory Note asset was transferred to the Housing Authority Housing Asset Fund. All proceeds from repayment of the Promissory Note must be used in accordance with applicable housing related provisions of Community Redevelopment Law. During fiscal year 2013-2014, the Housing Authority Mobile Home Parks fund paid \$721,667 principal and \$636,401 interest for a total of \$1,358,068 to the Housing Authority Housing Asset Fund. The balance of the Promissory Note as of June 30, 2014 is \$14,303,333.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(5) Notes Receivable

The City has the following Note Receivables outstanding at the end of June 30, 2014:

	June 30, 2014
Notes Receivable:	
BAIP	\$ 14,472
Graffiti	42,327
Successor Agency-Cash Flow	2,755,937
Federal Home Program	6,131,229
CDBG/NSP Program	1,324,313
Housing Programs	20,976,088
Successor Agency-Bond Debt	21,437,753
Total	\$ 52,682,119

A. City Loans

The City made loans as part of a local business incentive program and loans for Graffiti reimbursement charges. The loan balances are \$14,472 for BAIP and \$42,327 for Graffiti loans as of June 30, 2014.

B. Successor Agency-Cash Flow Loan

The City approved a cash flow loan agreement not to exceed \$7,889,081 between the City of Palmdale and the Successor Agency in order for the Successor Agency to pay certain enforceable obligations when Redevelopment Property Tax Trust Fund (RPTTF) was insufficient. The Oversight Board approved the loan on September 27, 2012. Interest on the loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually. As of June 30, 2014, the loan balance due from Successor Agency to Other Special Revenue Funds is \$2,755,937. These loans were borrowed from Fire Facilities Impact Fund for \$1,787,511 and Traffic Impact Fund for \$968,426 and recorded as Notes and Liens. The State Department of Finance has approved the loan as an enforceable obligation of the Successor Agency payable on June 1 and January 2 of each year solely from property tax receipts available. All loan payments shall first be used to pay all accrued interest and then to reduce the principal balance.

C. Federal Home Program Loans

The City provides loans to developers for development and rehabilitation of affordable housing. All loan payments will be used to pay for future program expenditures. The balances of the loans were \$6,131,229 at June 30, 2014.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

D. CDBG/NSP Program Loans

Through the Community Development Block Grant and the Neighborhood Stabilization Program, the City provides subsidies to families for purchase of single family affordable housing. Each year a portion of the loan is forgiven if the participant is compliant or repayment of the loan would be received if the home is sold during the compliance period. The balances of the loans were \$1,324,313 at June 30, 2014.

E. Housing Program

The Housing Program Grants loans for mortgage assistance, mobile home rehabilitation and development of affordable homes. All loan payments will be used to pay for future program expenditures. The balances of the Notes Receivables were \$20,976,088 at June 30, 2014.

F. Successor Agency-Bond Debt

The City and the former Community Redevelopment Agency have entered into loan and repayment agreements whereby the Authority has loaned the proceeds of Revenue Bond debt issuances to the former Agency. The loan agreements between the Authority and the former Community Redevelopment Agency require the former Agency to pay the Authority under the same terms as the bonds were issued.

Upon dissolution of the former Community Redevelopment Agency, Note Payables related to the Revenue Bonds were approved enforceable obligations by the State Department of Finance.

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>June 30, 2014</u>
Loans Receivable Related to:				
1994 Revenue Bonds	\$ 581,203	\$ 26,550	\$ (205,000)	\$ 402,753
1997 Revenue Bonds	2,560,000	-	(805,000)	1,755,000
2003 Revenue Bonds	14,485,000	-	(845,000)	13,640,000
2009 Revenue Bonds	<u>5,745,000</u>	<u>-</u>	<u>(105,000)</u>	<u>5,640,000</u>
Total Loans Receivable	<u>\$23,371,203</u>	<u>\$ 26,550</u>	<u>\$(1,960,000)</u>	<u>\$21,437,753</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

As of June 30, 2014, future loan payments are as follows:

Fiscal Year Ended	1994 Loan to RDA		1997 Loan to RDA		2003 Loan to RDA		2009 Loan to RDA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 202,933	\$ -	\$ 850,000	\$ 74,480	\$ 875,000	\$ 638,338	\$ 115,000	\$ 366,491	\$ 2,042,933	\$ 1,079,309
2016	199,820	-	905,000	25,340	910,000	602,637	125,000	358,613	2,139,820	986,590
2017	-	-	-	-	950,000	564,844	130,000	350,243	1,080,000	915,087
2018	-	-	-	-	1,000,000	520,250	125,000	341,872	1,125,000	862,122
2019	-	-	-	-	1,035,000	469,375	150,000	332,846	1,185,000	802,221
2020-24	-	-	-	-	6,020,000	1,494,250	890,000	1,501,087	6,910,000	2,995,337
2025-28	-	-	-	-	2,850,000	144,250	4,105,000	754,811	6,955,000	899,061
	<u>\$ 402,753</u>	<u>\$ -</u>	<u>\$ 1,755,000</u>	<u>\$ 99,820</u>	<u>\$ 13,640,000</u>	<u>\$ 4,433,944</u>	<u>\$ 5,640,000</u>	<u>\$ 4,005,963</u>	<u>\$ 21,437,753</u>	<u>\$ 8,539,727</u>

(6) Fund Balance Classification

The Governmental Fund Balances at June 30, 2014 were classified as follows:

	General	Special Revenue Funds		Debt Service Funds		Other Governmental Funds	Total Governmental Funds
		HA Housing Asset Fund	HA Mobile Home Parks	Palmdale Civic Authority Fund	Palmdale Financing Authority Fund		
Nonspendable:							
Advances	\$ 388,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,572
Deposits and Prepaids	320,844	-	-	-	-	-	320,844
Permit for Resale	10,113,934	-	-	-	-	-	10,113,934
Note and Liens	56,799	-	-	-	-	-	56,799
Total Nonspendable	<u>10,880,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,880,149</u>
Restricted:							
City Programs	2,105,999	-	-	-	-	134,473	2,240,472
Debt Service	-	-	-	5,494,174	-	14,206,993	19,701,167
Public Safety	425,118	-	-	-	-	2,951,053	3,376,171
Public Services	179,544	-	-	-	-	63,847,693	64,027,237
Low and Moderate Income Housing	-	63,184,685	230,461	-	-	9,567,972	72,983,118
Recreation and Culture	321,431	-	-	-	-	4,063,342	4,384,773
Health and Welfare	21,062	-	-	-	-	49	21,111
Housing Authority Operations	-	-	-	-	-	61,406	61,406
Total Restricted:	<u>3,053,154</u>	<u>63,184,685</u>	<u>230,461</u>	<u>5,494,174</u>	<u>-</u>	<u>94,832,981</u>	<u>166,795,455</u>
Assigned:							
Compensated Absences	1,727,367	-	-	-	-	-	1,727,367
Self Insurance Claims	1,643,257	-	-	-	-	-	1,643,257
Health Insurance	2,347,233	-	-	-	-	-	2,347,233
Total Assigned	<u>5,717,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,717,857</u>
Unassigned:							
	<u>21,249,060</u>	<u>-</u>	<u>(14,499,928)</u>	<u>-</u>	<u>-</u>	<u>(888,650)</u>	<u>5,860,482</u>
Total Fund Balance	<u>\$ 40,900,220</u>	<u>\$ 63,184,685</u>	<u>\$ (14,269,467)</u>	<u>\$ 5,494,174</u>	<u>\$ -</u>	<u>\$ 93,944,331</u>	<u>\$ 189,253,943</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(7) Joint Ventures

A. Antelope Valley Transit Authority

The City of Palmdale is a member of the Antelope Valley Transit Authority (Authority), a joint powers authority of the County of Los Angeles and the cities of Palmdale and Lancaster. The Authority was formed to provide public transit service to Palmdale and Lancaster. The governing board consists of one person from each member agency. Each member has one vote.

The Authority entered into a “Reimbursement Agreement” with the County of Los Angeles to repay the obligation incurred by the County on their behalf. The Authority is funded in part by revenues allocated to the City and redirected to the Authority and in part by a shared formula based on the level of service provided to the jurisdiction.

Separate financial statements of the Authority are available from the Authority office located at 1031 W. Avenue L-12, Lancaster, California, 93534.

B. Palmdale Recycled Water Authority

As of September 26, 2012, the City of Palmdale became a member of the Palmdale Recycled Water Authority (Authority), a joint exercise of powers agreement between the City of Palmdale and Palmdale Water District. The Authority was formed to jointly study, promote, develop, distribute, construct, install, finance, use, and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities, and irrigation systems. The governing board consists of five Directors. The governing body of each Member shall appoint and designate two Directors who shall be authorized to act for and on behalf of the Member on matters within the powers of the Authority. The fifth Director shall be appointed jointly by both Members. The Authority is funded by Member contributions.

Separate financial statements of the Authority are available from the City of Palmdale Finance Department at 38300 Sierra Highway, Suite D, Palmdale, CA 93550.

(8) Risk Management

The City is self insured and exposed to various risk of loss related to general liability and health, dental, and vision needs of employees. Under the City’s risk management program, the City retains the risk for general liability claims for the first \$250,000 per occurrence and carries excess general liability and automobile insurance with total policy limits of \$26,000,000. There have been not settlements related to these programs that exceeded insurance coverage in the last three years. The City transitioned to a self-insurance health plan in January 2009 and purchases stop

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

loss coverage for the health benefits program for health claims in excess of \$125,000 per covered person with annual policy limits of \$2,000,000 per covered person. The City retains the risk for dental and vision claims. Carl Warner and Company, a third-party claims administrator, administers the general liability program. The health, dental, and vision claims are administered by Benefit and Risk Management Services, Inc., a third-part claims administrator.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk. Charges to the General Fund and other funds are determined from an analysis of claims costs, and are recorded as expenditures in the various funds.

During fiscal year 2013-2014, \$167,756 was paid in general liability claims and \$404,198 was paid in liability administrative costs. At June 30, 2014, \$1,717,257 was accrued for general liability claims in the Government-Wide Financial Statements. The portion estimated to be due within one year is \$74,000 and is calculated based on settlements paid during a sixty day period subsequent to fiscal year end. These accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

During fiscal year 2013-2014, \$1,662,371 was paid in health claims and \$358,672 was paid in health administrative costs. At June 30, 2014, \$795,875 was accrued for health liability claims in the Government-Wide Financial Statements. The accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

During fiscal year 2013-2014, \$183,821 was paid in dental and vision claims and \$18,227 was paid in dental and vision administrative costs. At June 30, 2014, \$81,993 was accrued for dental and vision claims in the Government-Wide Financial Statements. The accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

The total liability is calculated considering the effects of inflation, recent favorable claim settlement trends, including frequency and amount of payouts, anticipated future investment earnings on funds held to pay losses, and other economic and social factors.

It is the City's practice to obtain a full actuarial study annually to perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends, and information. While the ultimate amounts of losses incurred through June 30, 2014, are dependent on future developments, the City's management believes that the aggregate accrual is adequate to cover such losses. The liabilities for general liability claims are reported using a discount rate of 3.0% while a 25.0% margin was added to the estimated health, dental, and vision claims for potential adverse deviation. The estimates do not include any

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

additional provision for administrative expenses associated with the adjudicating or processing the unpaid claims.

Changes in the balances of the City's claims liabilities for the current and prior fiscal year are as follows:

	<u>General Liability</u>	<u>Medical Benefits</u>	<u>Vision Claims</u>	<u>Total</u>
Balance, June 30, 2012	\$ 1,149,422	\$ 209,693	\$ 5,452	\$ 1,364,567
Claims Incurred	156,538	1,801,603	260,435	2,218,576
Claims Paid	<u>(50,119)</u>	<u>(1,952,450)</u>	<u>(248,238)</u>	<u>(2,250,807)</u>
Balance, June 30, 2013	1,255,841	58,846	17,649	1,332,336
Claims Incurred	629,172	2,399,400	248,165	3,276,737
Claims Paid	<u>(167,756)</u>	<u>(1,662,371)</u>	<u>(183,821)</u>	<u>(2,013,948)</u>
Balance, June 30, 2014	<u>\$ 1,717,257</u>	<u>\$ 795,875</u>	<u>\$ 81,993</u>	<u>\$ 2,595,125</u>

(9) Unearned Revenue/Unavailable Revenue

Unearned Revenue – Governmental Funds and governmental activities report unearned revenues on the balance sheet in connection with resources that have been received, but not yet earned. Accordingly, this type of unearned revenue is also reported on the Statement of Net Position. At the end of the current fiscal year, the components of unearned revenue were as follows:

General Fund:

Fees received for recreational programs not yet held	\$ 95,462
Fees received for facility rental not yet used	26,068
Fees received for business licenses paid in advance	<u>2,930</u>
	<u>124,460</u>

Park Development Fund:

Fees received for park improvements	<u>53,413</u>
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Housing Asset Fund:

Lease Revenues received in advance	<u>1,508,000</u>
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Total Unearned Revenues for Governmental Funds	<u>\$ 1,685,873</u>
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Unavailable Revenue – Governmental funds also report deferred inflows of resources on the balance sheet in connection with resources that have been earned, but are not yet available to finance expenditures of the current fiscal period. This type of unavailable revenue is unique to governmental funds, since it is tied to the modified accrual basis of accounting. Accordingly, these unavailable revenues are not reported on the Statement of Net Position. At the end of the current fiscal year, the components of unavailable revenue resulting from grant revenue not received with 60-day accrual period were as follows:

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Major Funds:

General Fund	\$ 3,068,419
HA Housing Asset Fund	1,135,991
Non-Major Special Revenue Funds:	
Federal Funds Fund	816,352
Federal Home Program Fund	1,004,527
Fire Facilities Impact Fund	317
Misc Grants/Developer Contributions	153,610
Proposition C Fund	1,030,760
State Grants Fund	429,381
Traffic Impact Fund	171
Total Unavailable Revenue for Governmental Funds	\$ 7,639,528

(10) Capital Assets

Capital Assets of the City for year ended June 30, 2014, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 105,352,069	\$ 10,763,700	\$ -	\$ 116,115,769
Construction in Progress	7,537,758	10,071,298	(10,492,133)	7,116,923
Total Capital Assets, Not Being Depreciated	112,889,827	20,834,998	(10,492,133)	123,232,692
Capital Assets, being Depreciated				
Buildings & Structures	63,841,255	4,555,163	-	68,396,418
Improvements other than Buildings	91,349	47,160	-	138,509
Machinery and Equipment	13,383,209	603,782	(453,543)	13,533,448
Infrastructure	981,012,644	18,294,986	-	999,307,630
Total Capital Assts, being Depreciated	1,058,328,457	23,501,091	(453,543)	1,081,376,005
Less Accumulated Depreciation for:				
Buildings & Structures	14,267,399	1,344,700	-	15,612,099
Improvements other than Buildings	84,298	5,422	-	89,720
Machinery and Equipment	10,700,510	836,521	(445,331)	11,091,700
Infrastructure	394,416,510	30,465,505	-	424,882,015
Total Accumulated Depreciation	419,468,717	32,652,148	(445,331)	451,675,534
Total Capital Assets, being Depreciated, Net	638,859,740	(9,151,057)	(8,212)	629,700,471
Total Capital Assets, Net	\$ 751,749,567	\$ 11,683,941	\$ (10,500,345)	\$ 752,933,163

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

For the year ended June 30, 2014, depreciation expense on capital assets was charged to the governmental functions as follows:

General Government	\$ 814,024
Cultural and Recreation	843,999
Health and Welfare	541,647
Public Safety	61,143
Public Services	<u>30,391,335</u>
 Total Depreciation Expense	 <u><u>\$ 32,652,148</u></u>

(11) Capital Leases

Computer Equipment Lease – On October 1, 2012, the City entered into a five year lease purchase agreement with Holman Capital Corporation to finance the acquisition of computers, servers, and related software. Interest on the lease is payable semi-annual at 2.9% per annum. Lease payments for the year ended June 30, 2014, amounted to \$291,107.

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	291,107
2016	291,107
2017	291,107
2018	<u>145,554</u>
Total minimum lease payments	1,018,875
Less amount representing interest	<u>(56,615)</u>
Present value of minimum lease payments	<u><u>\$ 962,260</u></u>

(12) Long-Term Debt

A. Notes Payable

Hoprock Infrastructure Note Payable – The City entered into an Improvement Reimbursement Agreement to reimburse the developer for the installation of public improvements for the development at the corner of 47th Street East and Avenue R. The agreement provides for the reimbursement amount to be \$2,200,000 for the installation of the improvements that are to the benefit of the general public. The City has pledged a one percent of sales tax revenues generated from retail sites on the property to repay the Note. Each reimbursement payment will be in an amount equal to 50% of the sales tax revenue actually received by the City, generated by the sales of the retail development on the property as reported in the latest quarterly report. Reimbursement payments are due 30 days after the City receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter. The reimbursement payments made

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

for the current year were \$358,857 and the balance remaining to be paid from pledged future revenues total \$490,485 as of June 30, 2014.

Section 108 HUD Note Payable – On January 11, 2006, the City issued a Variable Rate Note by entering into the Department of Housing and Urban Development contract for Loan Guarantee Assistance under Section 108 of the Housing and Urban Development Act of 1974. The City received advanced proceeds of \$5,000,000 and used the proceeds for property acquisition, relocation, and demolition costs associated with the development of the proposed Senior Center. Interest on the note is equal to .2% above the applicable London Interbank Offered (LIBOR) and is payable semi-annually on February 1, August 1, beginning February 1, 2006. Principal installments are payable August 1 of each year from 2006 through 2025. The payment schedule detailed below uses a blended interest rate ranging from 4.63% to 5.37% due to the note’s variable interest rate. The balance outstanding as of June 30, 2014 is \$3,744,000.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 233,000	\$ 181,455	\$ 414,455
2016	244,000	171,079	415,079
2017	255,000	152,588	407,588
2018	268,000	140,513	408,513
2019	280,000	134,895	414,895
2020-2024	1,630,000	443,138	2,073,138
2025-2026	834,000	45,704	879,704
Totals	<u>\$ 3,744,000</u>	<u>\$ 1,269,372</u>	<u>\$ 5,013,372</u>

HOME Loan Note Payable – In December of 2005, the City entered into an agreement with the Department of Housing and Community Development for the State of California HOME Investment Partnerships Program (HOME) to help approve the construction loan closing for the Courson Connection Project. The City has received advanced proceeds of \$2,850,000 from HOME and has passed through those funds to the developer, Courson Senior Partners LP, for the construction of the 75 units of Senior Housing in the Courson Connection Project. The repayment of the loan will be over a 55-year term through residual receipts from the Project. As of June 30, 2014, no residual receipts from the project have been received from the developer. Interest on the note is equal to 3%. The outstanding balance as of June 30, 2014 is \$2,850,000 with \$653,938 of unpaid accrued interest.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

B. Revenue Bonds

1994 Revenue Bonds Payable (\$44,999,493) – On June 29, 1994, the Palmdale Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 of each year through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the Civic Authority's 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency (CRA) for use in Project Area No. 2A to finance redevelopment activities in or of benefit to the project area and to fully advance refund the former CRA Agency's Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former CRA to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The Note Receivable is recorded on the City's Statement of Net Position.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 1994 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged property tax and sales tax generated in Project Area No. 2A to repay the Civic Authority, but reserves the option under the repayment agreement to use property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due. Net sales tax and property tax collected and pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$402,752 which was the amount of the remaining principal on the Bonds.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 202,932	\$ -	\$ 202,932
2016	199,820	-	199,820
Totals	<u>\$ 402,752</u>	<u>\$ -</u>	<u>\$ 402,752</u>

1997 Revenue Bonds Payable (\$10,890,000) – On May 28, 1997, the Palmdale Civic Authority issued \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year through 2015.

The 1997 Series A Term Bonds maturing on July 1, 2012, and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011 and July 1, 2013, respectively, in the amount of principal. The 1997 Series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at par thereafter.

The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former CRA to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The Note Receivable is recorded on the City’s Statement of Net Position.

The Civic Authority has a Note Receivable due from the former Community Redevelopment Agency related to the 1997 bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use property tax generated in Project Area No. 2A, to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due. Net sales tax and property tax collected and pledged for the current year could not be determined. At year-end, pledged future revenues totaled \$1,854,820 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 850,000	\$ 74,480	\$ 924,480
2016	905,000	25,340	930,340
Totals	<u>1,755,000</u>	<u>99,820</u>	<u>1,854,820</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2003 Revenue Bonds Payable (\$19,220,000) – On May 13, 2003, the Palmdale Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014, may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023 and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Redevelopment Agency require the former CRA to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The Note Receivable is recorded on the City’s Statement of Net Position.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 2003 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due. Property tax received totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$18,073,944 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 875,000	\$ 638,338	\$ 1,513,338
2016	910,000	602,637	1,512,637
2017	950,000	564,844	1,514,844
2018	1,000,000	520,250	1,520,250
2019	1,035,000	469,375	1,504,375
2020-2024	6,020,000	1,494,250	7,514,250
2025-2026	2,850,000	144,250	2,994,250
Totals	<u>\$ 13,640,000</u>	<u>\$ 4,433,944</u>	<u>\$ 18,073,944</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2009 Revenue Bonds Payable (\$6,380,000) - On June 5, 2009, the Palmdale Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year through 2027.

The 2009 series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021, and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former CRA to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The Note Receivable is recorded on the City's Statement of Net Position.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 2009 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due. Property tax totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$9,618,134 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 140,000	\$ 338,726	\$ 478,726
2016	150,000	332,376	482,376
2017	155,000	325,359	480,359
2018	145,000	318,182	463,182
2019	170,000	310,312	480,312
2020-2024	985,000	1,398,229	2,383,229
2025-2028	4,155,000	694,950	4,849,950
Totals	<u>\$ 5,900,000</u>	<u>\$ 3,718,134</u>	<u>\$ 9,618,134</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2012 Lease Revenue Bond Payable (\$8,695,000) - On December 19, 2012, the Palmdale Financing Authority issued \$8,695,000 of Lease Refunding Revenue Bonds (2012 Bonds). Interest on the 2012 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.00% per annum. Principal installments are payable September 1 of each year from 2015 to 2029.

The 2012 Bonds maturing on or after September 1, 2015, are subject to extraordinary mandatory redemption from net proceeds of an insurance, title insurance, condemnation or eminent domain award on any interest payment date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments. The 2012 Bonds maturing on or after September 1, 2023, may be redeemed on or after September 1, 2022, from proceeds of optional lease prepayments made by the City, without premium.

The proceeds of the 2012 Bonds were used to refinance an existing lease and refund the related Certificates of Participation, to satisfy the reserve requirement of the bonds, and pay the costs incurred in connection with the issuance of the bonds.

The 2012 Bonds represent direct, undivided fractional interests in a lease of the City's Development Services Building and the South Valley WorkSource Center. The City has the right, subject to certain conditions, to substitute alternate property for the above properties, as the property subject to the lease.

The lease agreement requires the City to pay a semi-annual base rental on August 15 and February 15 to the Authority for the use of the facilities through September 2029. The rentals will be used by the Authority to pay principal and interest with respect to the 2012 Bonds as they become due. Title to the land and facilities covered by the lease and the 2012 Bonds is vested in the Authority, for the benefit of the 2012 Bond holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 2012 Bond holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 260,510	\$ 260,510
2016	490,000	255,610	745,610
2017	500,000	243,210	743,210
2018	515,000	227,985	742,985
2019	530,000	212,310	742,310
2020-2024	2,890,000	809,387	3,699,387
2025-2029	3,185,000	353,176	3,538,176
2030	585,000	9,872	594,872
Totals	<u>8,695,000</u>	<u>2,372,060</u>	<u>11,067,060</u>

C. Certificates of Participation

2002 Certificates of Participation Payable (\$43,215,000) – On December 10, 2002, the Palmdale Civic Authority issued \$43,215,000 of Certificates of Participation (2002 Certificates). Interest on the 2002 Certificates is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 5.25% per annum. Principal installments are payable September 1 of each year from 2004 to 2032. The 2002 Certificates maturing on September 1, 2024 and September 1, 2032, are subject to mandatory sinking fund redemption beginning on September 1 in each year on and after September 1, 2023 and September 1, 2025, respectively, in the amount of the principal component of scheduled lease payments required to be made by the City together with interest accrued thereon. The 2002 Certificates maturing on or after September 1, 2004, are subject to mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds, towards the prepayment of lease payments. The 2002 Certificates maturing on or after September 1, 2014, may be redeemed from proceeds of optional lease prepayments made by the City at par thereafter.

The proceeds of the 2002 Certificates were used to finance a portion of the development of (1) a 33-acre eastside park site, (2) an additional 40 acres in the existing Marie Kerr 17-acre park site, and (3) approximately four miles of Avenue S, between the Antelope Valley Freeway and 40th Street East.

The 2002 Certificates represent direct, undivided fractional interests in a lease of Marie Kerr Park, the Eastside Park Site, Domenic Massari Park, Desert Sands Park, the Palmdale City Hall, the Palmdale Main Library, the Larry Chimbole Cultural Center, and the four-mile of Avenue S Improvements discussed above.

The lease agreement requires the City to pay a semi-annual base rental on August 15 and February 15 to the Authority for the use of the facilities through September 2032. The rentals will

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

be used by the Authority to pay principal and interest with respect to the 2002 Certificates as they become due. Title to the land and facilities covered by the lease and the 2002 Certificates are vested in the Authority, for the benefit of the 2002 Certificate holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 2002 Certificate holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 750,000	\$ 1,973,713	\$ 2,723,713
2016	845,000	1,939,700	2,784,700
2017	945,000	1,900,606	2,845,606
2018	1,055,000	1,854,150	2,909,150
2019	1,180,000	1,796,800	2,976,800
2020-2024	8,070,000	7,855,050	15,925,050
2025-2029	12,595,000	5,264,375	17,859,375
2030-2033	14,345,000	1,502,375	15,847,375
Totals	<u>\$ 39,785,000</u>	<u>\$ 24,086,769</u>	<u>\$ 63,871,769</u>

2004 Certificates of Participation Payable (\$13,455,000) – On November 30, 2004, the Palmdale Civic Authority issued \$13,455,000 of Certificates of Participation (2004 Certificates). Interest on the 2004 Certificates is payable semi-annually on May 1 and November 1 at rates ranging from 2.00% to 4.625% per annum. Principal installments are payable November 1 of each year to 2024. The 2004 Certificates maturing after are subject to mandatory redemption from the net proceeds of an insurance title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds toward the prepayment of lease payments. The 2004 Certificates maturing on or after November 1, 2015, may be redeemed on or after November 1, 2014, from proceeds of optional lease prepayments made by the City, at decreasing premiums of 2% in 2015 to 1% in 2016 and at par thereafter.

The proceeds of the 2004 Certificates were used to finance new traffic signal installation projects and finance the rehabilitation or reconstruction of various City arterial and neighborhood streets. The 2004 Certificates represent direct, undivided fractional interests in a lease of various arterial streets located in the City as discussed above.

The lease agreement requires the City to pay a semi-annual base rental on October 15 and April 15 to the Authority for the use of facilities through November 2024. The rentals will be used by the Authority to pay principal and interest with respect to the 2004 Certificates as they become due. Title to the land and facilities covered by the lease and the 2004 Certificates is vested in the

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Authority, for the benefit of the 2004 Certificate holders, during the lease term. Upon completion of the term of the lease and payment in full to the 2004 Certificate holders, title to the property shall vest in the City.

The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 635,000	\$ 351,578	\$ 986,578
2016	660,000	327,694	987,694
2017	685,000	302,047	987,047
2018	710,000	274,575	984,575
2019	740,000	245,113	985,113
2020-2024	4,190,000	707,222	4,897,222
2025	955,000	22,084	977,084
Totals	<u>\$ 8,575,000</u>	<u>\$ 2,230,313</u>	<u>\$ 10,805,313</u>

2007 Certificates of Participation Payable (\$19,960,000) – On April 12, 2007, the Palmdale Civic Authority issued \$19,960,000 of Certificates of Participation (2007 Certificates). Interest on the 2007 Certificates is payable semi-annually on April 1 and October 1 at rates ranging from 5.705% to 6.311% per annum. Principal installments are payable April 1 of each year to 2037. The 2007 Certificates maturing on April 1, 2017 and April 1, 2037, are subject to mandatory sinking fund redemption beginning on April 1 in each year in the amount of the principal component of scheduled lease payments required to be made by the City together with interest accrued thereon, without premium. The 2007 Certificates maturing on or after April 1, 2008, are subject to mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the redemption of lease payments. The 2007 Certificates maturing on or after April 1, 2018, may be redeemed on or after April 1, 2017, from proceeds of optional lease prepayments made by the City, without premium.

The 2007 Certificates are subject to extraordinary redemption, in whole, on any date upon the election of the City to do so prior to (a) the commencement of construction of a power generating plant on the property, or (b) the closing of a construction loan to finance a power generating plant on the property, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments, without premium. The 2007 Certificates are subject to extraordinary redemption, in whole or in part, on any date on or after April 1, 2010, from the proceeds derived by the City of the sale of all or a portion of the property to the extent that the City credits these proceeds towards the prepayment of lease payments, without premium.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The proceeds of the 2007 Certificates were used to finance the acquisition of certain real property for future use as the site of a power generating plant and for other City uses. The 2007 Certificates represent direct, undivided fractional interests in a lease of the certain property to be the location of a power generating plant as discussed above.

The lease agreement requires the City to pay a semi-annual base rental on September 15 and March 15 to the Authority for the use and occupancy of the property through April 2037. The rentals will be used by the Authority to pay principal and interest with respect to the 2007 Certificates as they become due. Title to the property covered by the lease and the 2007 Certificates is vested in the Authority, for the benefit of the 2007 Certificate holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 2007 Certificate holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 370,000	\$ 1,120,625	\$ 1,490,625
2016	395,000	1,099,517	1,494,517
2017	415,000	1,076,982	1,491,982
2018	440,000	1,053,306	1,493,306
2019	465,000	1,025,537	1,490,537
2020-2024	2,810,000	4,648,367	7,458,367
2025-2029	3,820,000	3,641,447	7,461,447
2030-2034	5,190,000	2,274,169	7,464,169
2035-2037	3,965,000	510,875	4,475,875
Totals	<u>\$ 17,870,000</u>	<u>\$ 16,450,825</u>	<u>\$ 34,320,825</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

D. Change in Long-Term Liabilities – Activity for the year ended June 30, 2014 were as follows:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Compensated Absences Payable:	2,943,226	1,549,961	1,566,996	2,926,191	1,578,102
Total Compensated Absences	<u>2,943,226</u>	<u>1,549,961</u>	<u>1,566,996</u>	<u>2,926,191</u>	<u>1,578,102</u>
Liability Claims (General Fund):					
Health, Dental, and Vision Claims	76,495	2,647,565	1,846,192	877,868	76,495
Liability Claims	1,255,841	629,172	167,756	1,717,257	74,000
Total Liability Claims	<u>1,332,336</u>	<u>3,276,737</u>	<u>2,013,948</u>	<u>2,595,125</u>	<u>150,495</u>
Lease Payable:					
Computer Lease	1,219,846	-	257,586	962,260	265,110
Total Leases Payable	<u>1,219,846</u>	<u>-</u>	<u>257,586</u>	<u>962,260</u>	<u>265,110</u>
Notes Payable:					
Hoprock Infrastructure	849,342	-	358,857	490,485	-
Section 108 HUD Loan	3,966,000	-	222,000	3,744,000	233,000
HOME Loan	2,850,000	-	-	2,850,000	-
Total Notes Payable	<u>7,665,342</u>	<u>-</u>	<u>580,857</u>	<u>7,084,485</u>	<u>233,000</u>
Bonds Payable					
1994 Revenue Bonds	581,202	26,550	205,000	402,752	202,932
1997 Revenue Bonds	2,560,000	-	805,000	1,755,000	850,000
2003 Revenue Bonds	14,485,000	-	845,000	13,640,000	875,000
2009 Revenue Bonds	6,035,000	-	135,000	5,900,000	140,000
2012 Lease Revenue Bonds	8,695,000	-	-	8,695,000	-
2002 Certificates of Participation	40,445,000	-	660,000	39,785,000	750,000
2004 Certificates of Participation	9,190,000	-	615,000	8,575,000	635,000
2007 Certificates of Participation	18,220,000	-	350,000	17,870,000	370,000
Plus: Deferred Issuance Premiums \$43.2M	217,588	-	30,650	186,938	30,471
Plus: Deferred Issuance Premiums \$19.2M	141,077	-	20,715	120,362	20,393
Total Bonds Payable	<u>100,569,867</u>	<u>26,550</u>	<u>3,666,365</u>	<u>96,930,052</u>	<u>3,873,796</u>
Total Governmental Activities	<u>\$ 113,730,617</u>	<u>\$ 4,853,248</u>	<u>\$ 8,085,752</u>	<u>\$ 110,498,113</u>	<u>\$ 6,100,503</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(13) Special Assessment District and Community Facilities District Bonds

None of the Bonds described below constitute indebtedness of the City payable from its general funds, and the City is in no way obligated for their repayment except to the extent of any assessments, or special taxes collected and pledged for their repayment. The City is only acting on behalf of the Bondholders in collecting the assessments and special taxes levied to repay the Bonds, forwarding the collections to the Bondholders and initiating foreclosure proceedings, if necessary. Accordingly, these special assessment and special tax Bonds payable are not recorded as a liability in the accompanying financial statements. The amounts collected and held by the City pending disbursement to the Bondholders are accounted for in an agency fund.

A. Bonds Outstanding

Assessment District No. 88-1 (10th Street West) Limited Obligation Improvement Bonds – In July 1989, The City issued \$34,834,852 of special assessment Bonds for the construction and acquisition of the infrastructure improvements relating to the Regional Shopping Center and the Auto Center. On August 2, 2005, the City of Palmdale issued \$8,675,000 of Series A and \$3,436,684 of Subordinate Series B 10th Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) Limited Obligation Refunding Bonds to refund a portion of the City's outstanding 10th Street West Assessment District No. 88-1 Series 1989-A Limited Obligation Improvement Bonds. The \$3,436,684 in Subordinate Series 2005-B Bonds was prepaid in full during the 2011-12 Fiscal Year. As of June 30, 2014, a total of \$1,150,000 in Series 2005-A Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the 10th Street West Assessment District No. 88-1.

Assessment District No. 90-2 (7th Street West) Limited Obligation Improvement Bonds – In September 1990, the City issued \$29,093,269 of special assessment Bonds for the construction and acquisition of infrastructure improvements relating to the Regional Shopping Center and the Auto Center. On August 23, 2007, the City of Palmdale issued \$2,135,000 of Series A, \$8,250,000 of Series B, and \$3,205,000 of Series C 7th Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007) Limited Obligation Refunding Bonds to refund a portion of the City's outstanding 7th Street West Assessment District No. 90-2 Series 1990-A Limited Obligation Improvement Bonds. The \$3,205,000 in Series 2007-C Bonds was prepaid in full during the 2007-08 Fiscal Year, the Series 2007-B Bonds were prepaid in full during the 2011-12 Fiscal Year, and remaining balance of the original 90-2 Bonds were paid off during the 2011-12 Fiscal Year. As of June 30, 2014, a total of \$820,000 in Series 2007-A Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the 7th Street West Assessment District No. 90-2.

Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds – In December 1991, the City issued \$7,970,000 of special tax Bonds. Proceeds were used for the development of public improvements for the Sierra Gateway Center, a master-planned, mixed-use business park, which is proposed to ultimately include 2.5 million square feet of industrial, office, and

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

retail buildings. The Bond issue provided for the acquisition of land, acquisition and construction of storm drainage retention facilities, landscaping, and street, water, and utility improvements. As of June 30, 2014, a total of \$7,425,000 in Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Sierra Gateway Community Facilities District No. 91-1.

Community Facilities District No. 93-1 (Ritter Ranch) Special Tax Bonds – In April 1995, the City issued \$50,000,000 of special tax Bonds for the design, acquisition and construction of public improvements for a master-planned community known as Ritter Ranch consisting of facility, recreational, school, and commercial uses. As of June 30, 2014, a total of \$30,875,000 in Bonds was outstanding for Ritter Ranch Community Facilities District No. 93-1. The principal and interest on the Bonds are to be paid from the collection of special taxes levied on the property in the Ritter Ranch Community Facilities District No. 93-1.

Community Facilities District No. 2003-1 (Anaverde Improvement Area A) Special Tax Bonds – On February 23, 2005, the City issued \$28,500,000 of Special Tax Bonds, Series 2005-A and \$1,500,000 of Special Tax Bonds, Subordinate Series 2005-B for the acquisition and construction of certain public capital improvements necessary for the development of a 5,200-unit master-planned community known as Anaverde. As of June 30, 2014, a total of \$24,260,000 in Series 2005-A Bonds and \$1,310,000 in Subordinate Series 2005-B Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Anaverde Community Facilities District No. 2003-1.

Community Facilities District No. 05-1 (Trade & Commerce Center) Special Tax Bonds – On August 2, 2005, the City of Palmdale issued \$5,765,000 of Series A and \$1,460,000 of Subordinate Series B Community Facilities District No. 05-1 (Trade and Commerce Center Area) 2005 Special Tax Refunding Bonds to refund a portion of the City's outstanding 10th Street West Assessment District No. 88-1 Series 1989-A Limited Obligation Improvement Bonds and refund certain outstanding CFD 99-1 (Trade and Commerce Center) special tax bonds. The Subordinate Series B Bonds were converted to Series A Bonds during the 2011-12 Fiscal Year. As of June 30, 2014, a total of \$6,445,000 in Series A Bonds was outstanding. The principal and interest on the bonds are to be paid from the collection of special taxes on the property in the Trade & Commerce Center Community Facilities District No. 05-1.

Community Facilities District No. 05-1 (Trade & Commerce Center Area) 2007 Special Tax Refunding Bonds, Series A – On August 23, 2007, the City of Palmdale issued \$6,460,000 of Series A Community Facilities District No. 05-1 (Trade and Commerce Center Area) 2007 Special Tax Refunding Bonds to refund a portion of the City's outstanding 7th Street West Assessment District No. 90-2 Series 1990-A Limited Obligation Improvement Bonds. As of June 30, 2014, a total of \$6,145,000 Series A 2007 Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Trade & Commerce Center Community Facilities District No. 05-1.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Assessment District No. 2006-1 (Godde Hills Estates Sewer Improvements) Limited Obligation Improvement Bonds – In November 2006, the City issued \$2,220,000 of special assessment Bonds for the construction of sewer improvements in the community known as Godde Hills Estates. As of June 30, 2014, a total of \$1,465,000 in Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the Property in the Godde Hills Estates Sewer Improvements Assessment District No. 2006-1.

B. Defaults in Payment of Debt Service on Bonds Outstanding

Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds – On December 1, 1997, there were insufficient funds on hand to make the full payment of the scheduled principal and interest on the Community Facilities District No. 91-1 Bonds due to delinquencies within the District. In accordance with procedures for Community Facilities Districts (which are different from those for Assessment Districts), payments of interest only were made proportionally to the Bondholders as listed in the table below.

<u>Fiscal Year</u>	<u>Interest</u>	<u>Fiscal Year</u>	<u>Interest</u>
1997-1998	\$ 241,881	2006-2007	144,418
1998-1999	148,474	2007-2008	142,787
1999-2000	148,283	2008-2009	141,179
2000-2001	123,693	2009-2010	147,131
2001-2002	141,376	2010-2011	149,729
2002-2003	130,703	2011-2012	154,943
2003-2004	129,454	2012-2013	158,128
2004-2005	126,712	2013-2014	160,207
2005-2006	140,404		
		Totals	<u><u>\$2,529,502</u></u>

Interest only proportionate payments will continue to occur on or about the regularly scheduled debt service payment dates with available funds on hand.

(14) Residential Mortgage Revenue Bond Programs

The Multifamily Mortgage Program is designed to provide funds for the construction and permanent financing of apartment complexes. Bonds are paid from monthly rental payments generated by the development and from remaining bond proceeds held by the trustees, U.S. Bank Corporate Trust Services, Chase, and Wells Fargo. As of June 30, 2014, there were \$3,301,342 Multifamily Mortgage Revenue Bonds outstanding.

The bonds described above do not constitute indebtedness of the Agency or the City, and there exists no legal or moral obligation on the part of the Agency or the City to make payments on such bonds from any source other than the revenue and assets pledged thereto. The program is completely administered by the trustees. Accordingly, these programs and the mortgage revenue bonds issued there under have been excluded from the accompanying financial statements.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(15) Retirement Plan

A. Public Employees' Retirement System

Plan Description – The City of Palmdale's defined benefit pension plan (Miscellaneous Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City of Palmdale selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report available from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy – Active plan members in the Miscellaneous Plan are required to contribute 8.00% of their annual covered salary. However, the City on behalf of the employees as an additional benefit pays 1% of this contribution. The City of Palmdale is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 27.689% for miscellaneous employees. Palmdale has only miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Also, the City of Palmdale's Council has the authority for establishing or amending the plan's provision or contribution rate.

Annual Pension Cost – For fiscal year 2013-2014, the City of Palmdale's annual pension cost was \$3,851,220 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% long-term investment rate of return (net of administrative expenses); (b) a projected salary increase 3.00% annually for miscellaneous members; and (c) 2.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 30 years.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Three years of trend information regarding annual pension costs including costs paid on behalf of the employees is summarized as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 3,634,082	100%	-
6/30/2013	3,588,508	100%	-
6/30/2014	3,851,220	100%	-

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the plan was 71.3% percent funded. The actuarial accrued liability for benefits was \$130,488,876 and the Market value of assets was \$93,080,373, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,408,503. The covered payroll (annual payroll of active employees covered by the plan) was \$13,588,668, and the ratio of the UAAL to the covered payroll was 275.3 percent.

Asset Valuation Method – On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5-year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Public Agency Retirement Systems

Plan Description – The City provides pension benefits for all of its part-time employees not covered by PERS through the Public Agency Retirement System (PARS) pursuant to the requirements of 3121(b)(7)(F) of the Internal Revenue Code. This is a defined contribution plan created in accordance with Internal Revenue Code Sections 401(a) and 501 and administered by Phase II Systems. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(16) Other Post-Employment Benefits

Plan Description:

On January 1, 2009, the City of Palmdale adopted a single employer defined benefit, as well as a single employer defined contribution Other Post Employment Benefit (OPEB) healthcare plan. The plans are administered by Benefit and Risk Management Services, Inc. of Folsom, California. To receive a post-employment health care benefit, an eligible or vested employee must retire from the City on or after attaining age 50 with at least five years of service and elect retiree health benefits within 120 days of separation. Retirees who opt out of the health plan may re-enroll under eligible qualifying events.

Beginning January 1, 2009, the City through local resolution amended the post-employment health care benefits and offered two benefit options to current retirees and to full-time employees employed at December 31, 2008. The options included a defined contribution option and defined benefit option. All full-time employees hired after December 31, 2008 are not eligible for any post-employment benefits. The City of Palmdale retains the authority and may elect at any time to amend post-employment health care benefits through local ordinance or resolution. Contributions are not currently required to be made by employees for either of the plans.

Funding Policies:

Defined Contribution: Full time employees under age 45 on December 31, 2008 and employees aged 45 and greater who choose a defined contribution option will receive a defined contribution account. Annual allocations begin at \$100 and increase with age up to a maximum \$2,000 annual allocation. Individual balances grow with investment earnings and annual City contributions. Beginning account balances were determined based on years of service, annual benefit times the life annuity factor at expected retirement age. Currently, 10 employees are receiving benefits. Annual contributions for the beginning account balances and the annual contribution is made when the employee is fully vested as described above. The City made a total contribution of \$335,825 in FY 2013-2014 for vested and non-vested employees participating in the Defined Contribution option, which is equal to the required contributions. Currently, plan members and beneficiaries are not required to contribute to the plan.

Defined Benefit Plan: Current retirees receive a maximum of \$250 deposited into the Plan per month beginning January 1, 2009. Employees age 45 and greater on December 31, 2008 and choose a defined benefit plan of \$250 per month at retirement, will receive either a maximum contribution of \$250 per month or a pro-rated contribution for less than 10 years of service. As of June 30, 2014, there were 48 retirees who met those eligibility requirements and 10 who were active participating member in the plan.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Actuarial Methods and Assumptions:

Annual OPEB Cost and Net OPEB Obligation (Asset): The City's annual other post-employment benefit (OPEB) cost (expenses) is calculated based on the annual required contribution of the employer (ARC), determined as part of the June 30, 2014 actuarial valuation. The actuarial valuation was prepared in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions*. The actuarial assumptions included (a) 6.0% discount rate; (b) health trend rates of 8% per year decreasing to an ultimate rate of 4.5% in 2022; (c) 55% active HRA Standard plan participant rate, 25% active PPO Standard plan participant rate, 10% Kaiser HMO plan participant rate; (d) 2012 CalPERS Retirement Plan mortality, termination, and retirement tables; (e) 30 year level dollar amortization of UAAL on an open basis; (f) Projected Unit Credit actuarial method; (g) Expected invested return rate of 6.0% for Trust Assets; (h) Discount rate of 4.00% for the value of unfunded future payments; and (i) 2.75% inflation rate. The discount rate used was based on investment rate of return on underlying assets to be held in an irrevocable trust. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Funding Status and Funding Progress:

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset). This assumes employer continues to pay direct subsidy and implicit subsidy benefits out of the Defined Benefit Trust Plan and makes no future contributions to the trust.

Annual Required Contribution	\$ 1,353
Interest on Net OPEB Asset	(10,794)
Adjustment to Annual Required Contribution	<u>13,070</u>
Annual OPEB Cost (expense)	\$ 3,629
Contributions Made	-
Net Increase (Decrease) OPEB Obligation (asset)	3,629
Net OPEB Obligations (asset), Beginning of the Year	<u>(179,902)</u>
Net OPEB Obligations (asset), End of the Year	<u><u>\$ (176,273)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Fiscal Year End	Annual OPEB Cost ¹	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2012	\$ 317,841	\$ -	0%	\$ (505,910)
June 30, 2013	326,008	-	0%	(179,902)
June 30, 2014	3,629	-	0%	(176,273)

Note 1: Significant reduction is the result of the retirees "implicit subsidy" assumption change.

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Market Value of Assets	(AAL) Actuarial Accrued Liability	(UAAL) Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2014	\$ 1,790,465	\$ 1,388,813	\$ (401,652)	128.9%	\$ 16,537,297	N/A

The above noted actuarial accrued liability was based on the June 30, 2014 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations contained in the report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplemental Information following the notes to the basic financial statements.

(17) Permit Held for Resale

In FY 2006-07, the City began a process to obtain a permit for the construction of an electrical power plant within the City's boundaries. The City received the California Energy Commission ("CEC") certificate to construct and operate the Palmdale Hybrid Power Plant (PHPP) (the "CEC Permit") on August 10, 2011. The CEC Permit remains valid and in full force and effect and, pursuant to CEC regulations, is valid for five years (i.e., commencement of construction must occur by August 10, 2016 unless extended for good cause. On October 19, 2011, the project received its Prevention of Significant Deterioration ("PSD") permit from the U.S. Environmental Protection Agency. The City has spent a total of \$10,113,934 on the permit process and does not anticipate any substantial additional cost to complete the process. Receipt of the permit above creates additional assurance that the project will be constructed and the City continues to pursue

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

additional activities to improve project readiness for construction. In May 2013, the City entered into a purchase and sale agreement with a developer to purchase all rights and assets pertaining to the Palmdale Hybrid Power Project and is scheduled to be finalized by 2015-16. The Permit Held for Resale is reported on the Statement of Net Position and the Governmental Funds Balance Sheet.

(18) Extraordinary Item:

Under the provision of AB-1484, on February 1, 2012, the City elected to become the Housing Successor and retain the housing assets of the former redevelopment agency. Certain housing assets were transferred to the City's Successor Agency Housing Authority – Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law. Certain Housing Assets that were reported as Land Held for Resale under the Successor Agency were in fact land that should have been transferred to the Housing Asset Fund. The Assets were included on the Housing Asset Transfer Form and approved to be transferred to the Housing Asset Fund. As a result, during fiscal year ended June 30, 2014, the land was transferred to the City. The transfer consisted of Land totaling \$6,433,741 and is reported as an extraordinary item on the Government-Wide Statement of Activities and capitalized on the Statement of Net Position.

The Successor Agency to the Community Redevelopment Agency of the City of Palmdale transferred certain properties used for a governmental purpose to the City as authorized by California Health and Safety Code Section 34181(a). The transfer was approved by the Successor Agency and Oversight Board and by the California State Department of Finance. The transfer consisted of Land totaling \$3,912,500 and is reported as an extraordinary item on the Government-Wide Statement of Activities.

(19) Successor Agency Trust for Assets of the Former Redevelopment Agency of the City of Palmdale

A. General Discussion

On December 29, 2011, the California Supreme Court upheld Assembly Bill X126 (“the Bill”) that provides for the dissolution of all Redevelopment Agencies in the State of California. This action impacted the reporting entity of the City of Palmdale that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a Redevelopment Agency, either the City or another unit of local government will agree to serve as the “Successor Agency” to hold the assets until they are distributed to other units of state and local government. On January 4, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as part of City Resolution Number CC 2012-002.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

After enactment of the law, which occurred on June 28, 2011, Redevelopment Agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor Agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Redevelopment Agency until all enforceable obligations of the prior Redevelopment Agency have been paid in full and all assets have been liquidated.

B. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or estimated fair market value. During fiscal year 2010-2011, properties were conveyed to the City pursuant to Section 33220(g) of the Health and Safety Code to provide redevelopment and retain local control. As a result of AB1484, the same properties were reconveyed back to the Successor Agency Trust Fund through a quitclaim process on November 9, 2012. The reconveyance was legally deemed to be reported as of June 30, 2014. Land Held for Resale was transferred at a carrying value of \$11,673,527 that and reported on the Successor Agency Private Purpose Trust Fund financial statements.

C. Capital Assets

Capital Assets of the Successor Agency Trust Fund for the year ended June 30, 2014 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Private Purpose Trust Fund:				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 14,390,465	\$ -	\$ (10,346,241)	\$ 4,044,224
Construction in Progress	1,987,118	-	-	1,987,118
Total Capital Assets, Not Being Depreciated	<u>16,377,583</u>	<u>-</u>	<u>(10,346,241)</u>	<u>6,031,342</u>
Capital Assets, Being Depreciated				
Buildings and Structures	438,152	-	-	438,152
Machinery and Equipment	6,920	-	-	6,920
Total Capital Assets, Being Depreciated	<u>445,072</u>	<u>-</u>	<u>-</u>	<u>445,072</u>
Less Accumulated Depreciation for:				
Buildings and Structures	174,560	8,763	-	183,323
Machinery and Equipment	6,920	-	-	6,920
Total Accumulated Depreciation	<u>181,480</u>	<u>8,763</u>	<u>-</u>	<u>190,243</u>
Total Capital Assets, Being Depreciated, Net	<u>263,592</u>	<u>(8,763)</u>	<u>-</u>	<u>254,829</u>
Total Capital Assets, Net	<u>\$ 16,641,175</u>	<u>\$ (8,763)</u>	<u>\$ (10,346,241)</u>	<u>\$ 6,286,171</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

For the year ended June 30, 2014, depreciation expense on capital assets was charged to the private purpose trust fund in the amount of \$8,763.

D. Advances Due to Housing Authority-Housing Asset Fund

	Receivable	Payable
Major Governmental Funds:		
Housing Authority - Special Revenue Funds:		
Housing Authority - Housing Asset Fund	\$ 15,857,215	\$ -
Successor Agency Trust Fund:		
Dissolved - CRA Project Area No. 1 Fund	-	3,410,513
Dissolved - CRA Project Area No. 2A Fund	-	12,446,702
Total	\$ 15,857,215	\$ 15,857,215

In fiscal years 2004-2005 and 2005-2006, the State required the former Community Redevelopment Agency (CRA) to shift tax increment of \$1,862,827 to the Education Revenue Augmentation Fund (ERAF). To assist in funding this shift, the former CRA Housing Development fund advanced \$355,538 and \$1,507,289 (50% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service Funds, respectively. The 2004-2005 advance of \$939,215 and the 2005-2006 advance of \$923,612 will be repaid by the Successor Agency from available future property tax revenues with no interest charged.

In fiscal year 2009-2010, the State required the former Community Redevelopment Agency (CRA) to shift tax increment of \$11,605,102 to the Supplemental Education Revenue Augmentation Fund (SERAF). To assist in funding this shift, the former CRA Housing Development Fund advanced \$2,533,394 and \$9,091,708 (100% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service Funds, respectively. The 2009-2010 advance of \$11,605,102 will be repaid by the Successor Agency from available future property tax revenues with no interest charged.

In fiscal year 2010-11, the State required the former Community Redevelopment Agency (CRA) to shift tax increment of \$2,389,286 to the Supplemental Education Revenue Augmentation Fund (SERAF). To assist in funding this shift, the former CRA Housing Development Fund advanced \$521,581 and \$1,867,705 (100% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service Funds, respectively. The 2010-2011 advance of \$2,389,286 will be repaid by the Successor Agency from available property tax revenues with no interest charged.

The advances due to Housing Authority described above are approved enforceable obligations in existence at the date of dissolution and will be repaid by the Successor Agency from future property tax. The repayment amount cannot exceed one-half of the increase between the amount distributed to the taxing entities and the 2012-13 base year (or residuals). The first payment is expected to be received during the ROPS period of July-December 2015 or ROPS 15-16A and is estimated to be approximately \$1,316,000 with no interest charged.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

E. Due to Other Governmental Units

The Successor Agency has advances due to the City as of June 30, 2014 of \$388,572 for approved obligations paid by the City on behalf of the Agency.

F. Successor Agency Long-Term Debt

1) Successor Agency Long Term Debt – Change in Long Term Liabilities – The following debt activity (as detailed on pages 89-99 for the year ended June 30, 2014, are not debts or obligations of the City. They were transferred to the Successor Agency of the former Community Redevelopment Agency which are now accounted for in the Private Purpose Trust Fund:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Loan Agreement:					
City of Palmdale	\$ 7,737,131	\$ 18,806	\$ 5,000,000	\$ 2,755,937	\$ 2,755,937
Total Notes Payable	<u>7,737,131</u>	<u>18,806</u>	<u>5,000,000</u>	<u>2,755,937</u>	<u>2,755,937</u>
Notes Payable - Developers:					
Fairway Business Park	24,658,340	-	1,265,627	23,392,713	1,344,967
Dillard's Infrastructure	533,579	-	78,770	454,809	-
Total Notes Payable - Developers	<u>25,191,919</u>	<u>-</u>	<u>1,344,397</u>	<u>23,847,522</u>	<u>1,344,967</u>
Notes to Palmdale Civic Authority:					
Related to: 1994 Revenue Bonds	581,202	26,550	205,000	402,752	202,932
Related to: 1997 Revenue Bonds	2,560,000	-	805,000	1,755,000	850,000
Related to: 2003 Revenue Bonds	14,485,000	-	845,000	13,640,000	875,000
Related to: 2009 Revenue Bonds	5,745,000	-	105,000	5,640,000	115,000
Total Notes to Palmdale Civic Authority	<u>23,371,202</u>	<u>26,550</u>	<u>1,960,000</u>	<u>21,437,752</u>	<u>2,042,932</u>
Total Notes Payable	<u>48,563,121</u>	<u>26,550</u>	<u>3,304,397</u>	<u>45,285,274</u>	<u>3,387,899</u>
Bonds Payable					
1998 Tax Allocation Bonds	25,985,000	-	675,000	25,310,000	710,000
1999 Tax Allocation Bonds	2,795,000	-	105,000	2,690,000	110,000
2002 Tax Allocation Bonds	9,475,060	515,803	-	9,990,863	-
2003 Tax Allocation Bonds	4,455,000	-	180,000	4,275,000	180,000
2003 Tax Allocation Bonds	7,030,000	-	30,000	7,000,000	35,000
2004 Tax Allocation Bonds	17,625,000	-	300,000	17,325,000	310,000
2004 Tax Allocation Bonds	5,800,000	-	155,000	5,645,000	160,000
2005 Tax Allocation Bonds	11,040,000	-	525,000	10,515,000	550,000
2005 Tax Allocation Bonds	2,595,000	-	35,000	2,560,000	35,000
Plus: Deferred Issuance Premium	34,514	-	17,859	16,655	15,016
Total Bonds Payable	<u>86,834,574</u>	<u>515,803</u>	<u>2,022,859</u>	<u>85,327,518</u>	<u>2,105,016</u>
Total	<u>\$ 143,134,826</u>	<u>\$ 561,159</u>	<u>\$ 10,327,256</u>	<u>\$ 133,368,729</u>	<u>\$ 8,248,852</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2) Loan Agreement

The Successor Agency, Oversight Board and the California Department of Finance approved a cash flow loan agreement not to exceed \$7,889,081 between the City of Palmdale and the Successor Agency in order for the Successor Agency to pay certain enforceable obligations when Redevelopment Property Trust Tax (RPTTF) was insufficient. The Oversight Board has approved the loan on September 27, 2012. Interest on the loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually. As of June 30, 2014, the City of Palmdale balance loaned to the Successor Agency from Special Revenue Funds is a total of \$2,755,937. The loan is an enforceable obligation of the Successor Agency payable on June 1 and January 2 of each year solely from property tax receipts available. All loan payments shall first be used to pay all accrued interest and then to reduce the principal balance. The final payment will be made during fiscal year 2014-15.

3) Notes Payable

2010 Series A and Series B Refunding Notes – The former Community Redevelopment Agency (CRA) issued a promissory Note for the purchase of 120 acres of industrial property known as the Fairway Business Park. On May 16, 2007, the former CRA approved a Settlement Agreement and Mutual General Release, which provided for the former CRA to pay a settlement amount of \$23,043,000 for the property and \$4,975,309 for accrued, unpaid interest. On September 1, 2010, the former Community Redevelopment Agency of the City of Palmdale issued \$11,001,339 of 2010 Series A Tax Allocation Refunding Revenue Notes (2010 Series A Notes) and \$16,504,000 of 2010 Series B Tax Allocation Refunding Revenue Notes (2010 Series B Notes). The net proceeds of the 2010 Series A & B Tax Allocation Refunding Revenue Notes were used to refinance the former Community Redevelopment Agency's outstanding Fairway Business Park note payable.

The principal and interest on the Notes were payable from pledged property tax from the former Redevelopment Project Area No. 1. Interest on the notes is payable semi-annually on March 1 and September 1, beginning March 1, 2011. Principal installments are payable September 1 and March 1 of each year through 2026. The 2010 Series A Notes bear a fixed interest rate of 5.97% per annum and the 2010 Series B Notes bear a fixed interest rate of 6.2% per annum.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$2,750,660. The outstanding balance of the notes as of June 30, 2014 is \$23,392,713.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

Dillard's Infrastructure Note Payable – The former Community Redevelopment Agency entered into a Third Implementation Agreement to a Disposition and Development Agreement to reimburse the developer for improvements relating to the construction of a Dillard's department store. The agreement provides for a maximum reimbursement of \$1,851,038 to Dillard's for costs of the public Infrastructure improvements necessary for the site. The former Community Redevelopment Agency has pledged a one percent of sales tax revenues generated from Dillard's department store to repay the Note. The amount to be reimbursed quarterly is based upon 50 percent of the sales tax revenue actually received by the former Community Redevelopment Agency, generated by the sales occurring at the Dillard's department store as reported by the latest quarterly report. Reimbursement payments are due 30 days after the Agency receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter.

Upon dissolution of the former Community Redevelopment Agency the Note Payable was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The reimbursement payment made from the current year was \$78,770, and the balance remaining to be paid from pledged future revenues total \$454,809 as of June 30, 2014.

4) Note Payable Related to Revenue Bonds

Note Payable Related to: 1994 Revenue Bonds Payable (\$44,999,493) – On June 29, 1994, the Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 each year from 2000 through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the former Community Redevelopment Agency's 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount of \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency for use in Project Area No. 2A to finance redevelopment activities in or of

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

benefit to the project area and to fully advance refund the former Community Redevelopment Agency's Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1994 Bonds was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The principal only paid for the current year was \$205,000. At year-end, pledged future revenues totaled \$402,752 which was the amount of the remaining principal on the Bonds.

Note Payable Related to: 1997 Revenue Bonds Payable (\$10,890,000) – On May 28, 1997, the Civic Authority issues \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year through 2015.

The Series A Term Bonds maturing on July 1, 2012 and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011 and July 1, 2013, respectively, in the amount of principal. The 1997 series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at decreasing premiums of 2.00% in 2007 to 1.00% in 2008 and at par thereafter.

The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency required the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use incremental property tax generated in Project Area No. 1 to repay the civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1997 Bonds was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$925,820. At year-end, pledged future revenues totaled \$1,854,820 of which \$1,755,000 was the remaining principal and \$99,820 was interest on the Bonds.

Note Payable Related to: 2003 Revenue Bonds Payable (\$19,220,000) – On May 13, 2003, the Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year from 2004 through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014 may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023, and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2003 Bonds was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$1,517,738. Property taxes totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$18,073,944 of which \$13,640,000 was the amount of the remaining principal and \$4,433,944 was interest on the Bonds.

Note Payable Related to: 2009 Loan Payable (\$6,000,000) – On June 5, 2009, the Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year from 2010 through 2027.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The 2009 Series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021, and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The former Community Redevelopment Agency has pledged property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2009 Bonds was an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$478,713. Property taxes totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$9,645,963 of which \$5,640,000 was the amount of the remaining principal and \$4,005,963 of interest on the Bonds.

5) Tax Allocation Bonds

1998 Tax Allocation Bonds Payable (\$30,625,000) – On September 22, 1998, the former Community Redevelopment Agency issues \$30,625,000 of 1998 Tax Allocation Refunding Bonds (1998 Bonds). Interest on the 1998 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.75% to 5.00% per annum. Principal installments are payable September 1 of each year from 2000 to 2034.

The 1998 Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2009, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 1998 Bonds maturing on or after September 1, 2009, may be redeemed at par.

The proceeds of the 1998 Bonds were used to advance refund in part the former Community Redevelopment Agency's obligations with respect to the 1994 Revenue Bonds. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1998 Bonds as they become due.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19).

The current year payments of principal and interest were \$1,957,375. Net sales tax and property taxes pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$40,822,000 of which \$25,310,000 was the amount of the remaining principal and \$15,512,000 interest on the Bonds.

1999 Tax Allocation Bonds Payable (\$2,722,056) – On March 30, 1999, the former Community Redevelopment Agency issued \$2,722,056 of 1999 Subordinate Lien Tax Allocation Bonds (1999 Bonds). The 1999 Bonds constitute convertible capital appreciation bonds. Interest on the 1999 Bonds will accrete at a rate of 4.25% per annum on June 1 and December 1 to and including December 1, 2004, (the Conversion Date) and will not be payable during such period but will increase the accreted value of the 1999 Bonds to an amount equal to their final compounded amount on the conversion date. From and after the conversion date, interest on the 1999 Bonds is payable semi-annually on June 1 and December 1 at 5.5% per annum. Principal installments are payable December 1 of each year through 2029.

The 1999 Bonds maturing on or after December 1, 2014, may be redeemed on or after December 1, 2014, at decreasing premiums of 2% in 2014 to 1% in 2016 and at par thereafter.

The proceeds of the 1999 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1999 Bonds as they become due.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest were \$255,838. Property taxes received totaled \$11,629,617 for the year. At year-end, pledged future revenues totaled \$4,039,700 of which \$2,690,000 was the amount of the remaining principal and \$1,349,700 interest on the Bonds.

2002 Tax Allocation Bonds Payable (\$5,329,758) – On August 20, 2002, the former Community Redevelopment Agency issued \$5,329,748 of 2002 Subordinate Lien Tax Allocation Bonds (2002 Bonds). The 2002 Bonds constitute capital appreciation bonds that

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

are not subject to redemption prior to their respective stated maturities. Interest on the 2002 Bonds compound at rates ranging from 4.88% to 5.68% per annum on June 1 and December 1, and will be payable solely at maturity or upon earlier redemption of the respective Bonds. The Bonds will mature and be payable December 1 of each year from 2016 through 2032.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2002 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2002 Bonds as they become due. No principal or interest was paid for the current year. Net sales tax and property tax revenues pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$17,255,000 of which \$9,990,863 was the amount of the remaining principal and \$7,264,137 interest on the Bonds.

2003 Tax Allocation Bonds Payable (\$5,965,000) – On December 9, 2003, the former Community Redevelopment Agency issued \$5,965,000 of 2003 Series C Tax Allocation Refunding Bonds (2003 Series C Bonds). Interest on the 2003 Series C Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.75% per annum. Principal installments are payable September 1 of each year to 2028.

The 2003 Series C Bonds maturing on September 1, 2028, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series C Bonds maturing on or after September 1, 2008, may be redeemed at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2003 Series C Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series B Taxable Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$372,523. At year-end, pledged future revenues totaled \$6,152,604 of which \$4,275,000 was the amount of the remaining principal and \$1,877,604 interest on the Bonds.

2003 Tax Allocation Bonds Payable (\$7,250,000) – On December 9, 2003, the former Community Redevelopment Agency issued \$7,250,000 of 2003 Series D Tax Allocation Bonds (2003 Series D Bonds). Interest on the 2003 Series D Bonds is payable semi-annually

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

on March 1 and September 1 at rates ranging from 2.00% to 4.90% per annum. Principal installments are payable September 1 of each year to 2032.

The 2003 Series D Bonds maturing on September 1, 2018, September 1, 2023, September 1, 2028, and September 1, 2032, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series D Bonds maturing on or after September 1, may be redeemed at par.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2003 Series D Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$371,168. At year-end, pledged future revenues totaled \$12,557,571 of which \$7,000,000 was the amount of the remaining principal and \$5,557,571 interest on the Bonds.

2004 Tax Allocation Bonds Payable (\$18,535,000) - On June 8, 2004, the former Community Redevelopment Agency issued \$18,535,000 of 2004 Series A Tax Allocation Refunding Bonds (2004 Series A Bonds). Interest on the 2004 Series A Bonds is payable semi-annually on March 1 and September 1 at a fixed rate of 5.00% per annum. Principal installments are payable September 1 of each year to 2034.

The 2004 Series A Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2023, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 2004 Series A Bonds maturing on or after September 1, 2015, may be redeemed on or after September 1, 2014, at decreasing premiums of 2% in 2015 to 1.5% in 2016 to 1% in 2017 to 0.5% in 2018 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2004 Series A Bonds were used to prepay a portion of a loan made in 1994 by the Palmdale Civic Authority to the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2004 Series A Bonds as they become due. The current year payments of principal and interest were \$1,173,750. At year-end, pledged future revenues totaled \$28,163,375 of which \$17,325,000 was the amount of the remaining principal and \$10,838,375 interest on the Bonds.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2004 Tax Allocation Bonds Payable (\$6,090,000) - On October 7, 2004, the former Community Redevelopment Agency issued \$6,090,000 of 2004 Subordinate Lien Tax Allocation Bonds (2004 Bonds). Interest on the 2004 Bonds is payable semi-annually on June 1 and December 1 at rates ranging from 3.00% to 4.75% per annum. Principal installments are payable December 1 of each year to 2033.

The 2004 Bonds maturing on December 1, 2024, December 1, 2027, December 1, 2029, and December 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2004 Bonds maturing on or after December 1, 2015, may be redeemed on or after December 1, 2014, in the amount of principal and accrued interest.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2004 Bonds were used to finance redevelopment activities of the Agency. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest on the bonds as they become due. The current year payments of principal and interest were \$418,780. Net property taxes totaled \$11,629,617 for the year. At year-end, pledged future revenues totaled \$9,168,490 of which \$5,645,000 was the amount of the remaining principal and \$3,523,490 interest on the Bonds.

2005 Tax Allocation Bonds Payable (\$14,115,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$14,115,000 of 2005 Series E Tax Allocation Refunding Bonds (2005 Series E Bonds). Interest on the 2005 Series E Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year to 2027. The 2005 Series E Bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series E Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series E Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series A Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$977,104. At year-end, pledged future revenues totaled \$14,017,091 of which \$10,515,000 was the amount of the remaining principal and \$3,502,091 interest on the Bonds.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

2005 Tax Allocation Bonds Payable (\$2,805,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$2,805,000 of 2005 Series F Tax Allocation Bonds (2005 Series F Bonds). Interest on the 2005 Series F Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year to 2033.

The 2005 Series F Bonds maturing on September 1, 2029, and September 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series F Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund.

The proceeds of the 2005 Series F Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$148,599. At year-end, pledged future revenues totaled \$4,426,159 of which \$2,560,000 was the amount of the remaining principal and \$1,866,159 interest on the Bonds.

(20) Commitments and Contingencies

A. Contracts and Purchase Orders

The City has contracted with the County of Los Angeles for various services, principally law enforcement until June 30, 2019. The agreement is maintained under "Contract City Law Enforcement Service Level Authorization" through which the County charges the set amount of service fees based on the number of deputies, support personnel, and their projected hours of services. The service rates are established by the County Auditor-Controller and adjusted annually effective July 1 of each year. To date, the annual increase in cost for the services provided has been approximately 3%. Accordingly, the five year projected commitments are constructed with such average increase. Additionally, the City is required to pay for the City's portion of liability cost to ensure that funds are available in the event of litigations. The liability cost is currently 4% of the service units purchased, scheduled to reach 5% as of January 1, 2015, and to remain at 5% thereafter. These contracts are cancelable at any time, with or without cause, upon 180-days written notice by the City or as of the first day of July of any year upon notice in writing not less than 60-days prior.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The following is the contract cost by year:

FY 2014-15	\$ 20,604,328
FY 2015-16	21,321,981
FY 2016-17	21,961,640
FY 2017-18	22,620,489
FY 2018-19	23,299,104
Total	<u>\$ 109,807,542</u>

The City also has other various outstanding contracts and purchase orders for services, supplies, materials, and capital projects that have not been completed at year-end. These commitments total approximately \$2,087,925 at June 30, 2014.

B. Successor Agency Due Diligence Review for Accounts other than Housing

The purpose of the Due Diligence Review (DDR) for the Successor Agency's Funds and accounts other than the Low and Moderate Income Housing Fund was to determine the amount of cash available for distribution to the affected taxing entities. The Department of Finance's (DOF's) review of the accounts other than the Low and Moderate Income Housing Fund determined that \$7,262,930 of transfers made to the City from the former Community Redevelopment Agency of the City of Palmdale previous to the dissolution of the former redevelopment should be returned to the Successor Agency. Management is currently in the "meet and confer" process of working with DOF to demonstrate that the transfer represented an enforceable obligation in place at the time of the transfer, in the form of the Reimbursement Agreements, to transfer sales and use tax revenues to the City to the extent it was not needed to pay obligations secured by a pledge of that revenue.

C. Grants

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grant, it is believed that any disallowed amounts will not be material.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

D. Claims and Judgments

There are certain legal actions pending against the City that have arisen in the normal course of operations and is covered under the risk management liability. These actions include filed lawsuits and asserted claims for personal injury, property damage, and wrongful death – auto accident. In the opinion of management, after consultation with counsel, the ultimate resolution of such actions may result in claims of less than \$1,000,000.

On June 19, 2014, the California Court of Appeals granted the plaintiffs', of the California Voting Rights Act of 2002, a motion for an award of attorney's fees and costs, in the aggregate amount of \$3,552,149. The City appealed this post-judgment order on August 18, 2014. The appeal is pending and no decision has yet been rendered by the Court of Appeals. It is not possible to predict the outcome at this time however; unless the Court of Appeal issues a decision reversing either the judgment or order awarding attorney's fees, the City will eventually be required to pay the attorney fees and costs plus interest at the rate of 7% per annum, simple. The judgment is reported on the Statement of Net Position.

E. Land Held for Resale

The City has land held for development in the amount of \$3,336,987 which was acquired and recorded at acquisition cost.

F. Obligations of the Successor Agency Private Purpose Trust Fund

As more fully described at Note 19, the former Community Redevelopment Agency of the City of Palmdale was dissolved on January 31, 2012. Obligations to be paid out to the Successor Agency Private Purpose Trust Fund are included in the Required Obligation Payment Schedules (ROPS) which are subject to approval by the State Department of Finance. All obligations of the Successor Agency have been approved by the State Department of Finance, however, are still subject to audit by the County Auditor-Controller and the State Controller. Additionally, obligations on a future ROPS may be denied even if it was not questioned from a preceding ROPS. The City is not legally obligated for any of the Successor Agency Private Purpose Trust Fund debt.

G. Litigation

The Department of Justice (DOJ) is investigating the City's participation in enforcement of the Section 8 Housing Voucher Program. The Enforcement of the Section 8 program is administered by the Los Angeles Sheriff's Department. No complaint against the City has been filed and the City and parties are attempting to resolve their differences out of court. It is not possible to predict the outcome at this time however the financial impact could be significant.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

(21) New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The City has not determined the effect on the financial statements.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish reporting standards related to government combinations and disposals of government operations. The statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. The City has not determined the effect on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68. The City has not determined the effect on the financial statements.

(22) Cumulative Effect of a Change in Accounting Principle and Prior Period Adjustment

Effective July 1, 2013, the City implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. It was determined that debt issuance costs do not meet the definition of an asset or a deferred outflow and should be recognized as an outflow of resources in the reporting period in which they are incurred.

During the fiscal year, the City made an adjustment for a deposit made into an escrow account that was set aside for a future project. The deposit was expensed as program expenditure in the prior year in error.

City of Palmdale
Notes to the Financial Statements
For the Year Ending June 30, 2014

The following adjustments were made to the Governmental Activities and Governmental Fund Statements to correct the recording of Grants and Contributions from Deposit Liabilities to Revenues.

Governmental Activities Financial Statement Adjustment:

	<u>Government Wide</u>
Net Position- Beginning of Year	\$ 837,675,489
Adjustments Related to Cost of issuance	(2,337,496)
Adjustments Related to the Escrow Deposit	4,455,000
Net Position - Beginning of Year, as restated	\$ 839,792,993
	<u>Housing Asset Fund</u>
Beginning Fund Balance, as previously reported	\$ 58,690,454
Adjustments Related to the Escrow Deposit	4,455,000
Ending Fund Balance, as restated	\$ 63,145,454

The following is the pro forma effect of the retroactive application of GASB 65:

<u>Governmental Activities</u>	<u>Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Deferred Charges - Cost of Issuance	\$ 2,337,496	\$ (2,337,496)	\$ -
Net Position, Unrestricted	17,175,066	(2,337,496)	14,837,570
Interest on Long-Term Debt	5,624,571	(136,009)	5,488,562
Change in Net Position	(13,766,855)	136,009	(13,630,846)
Net Position, Beginning of Year	851,442,344	(2,473,505)	848,968,839

(23) Subsequent Event

On October 16, 2014, the Palmdale Financing Authority issued \$25,920,000 2014 Lease Agreement and Certificates of Participation in a partial refunding. The net proceeds will be used to partially refinance an existing obligations of Palmdale Civic Authority's 2002 Certificates of Participation (2002 Park Improvement and Avenue S Construction Project) for \$25,445,000 on November 15, 2014. The principal and interest on the 2014 Certificates of Participation are payable from the City under a lease agreement and paid from pledged Park Assessment Fund revenues.

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Required
Supplementary Information



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014

Required Supplementary Information

**Required Supplementary Information
Schedules of Funding Progress**

Public Employees Retirement System (PERS)

The following schedule summarizes the City of Palmdale’s funding progress for the PERS plan:

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2011	\$118,950,881	\$94,425,573	\$24,525,308	79.4%	\$15,097,811	162.4%
June 30, 2012	125,042,009	99,535,114	25,506,895	79.6%	14,663,457	173.9%
June 30, 2013	130,488,876	93,080,373	37,408,503	71.3%	13,588,668	275.3%

Asset Valuation Method – On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5-year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

Other Post Employment Defined Benefit Plan (OPEB)

The following schedule summarizes the City of Palmdale’s funding progress for OPEB:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2010	\$2,279,119	\$4,511,210	\$2,531,693	43.88%	\$12,687,328	19.95%
June 30, 2012	1,932,262	4,473,244	2,540,982	43.20%	15,101,418	16.80%
June 30, 2014	1,790,465	1,388,813	(401,652)	128.9%	16,537,297	N/A

Asset Valuation Method - The significant decrease in the OPEB Actuarial Accrued Liability is the result of a significant change in retiree “implicit subsidy” assumptions. Analysis in 2014 resulted in lowering the implicit subsidy since the retiree rates are set at a level roughly 20% higher than the blended premium rates paid by active employee. This additional margin increases the retiree premiums to a level approximately equal to their expected health claims cost therefore lowering the implicit subsidy assumption when projecting the OPEB accrued liability.

Combining Statements - Non-Major Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. The following special revenue funds have been classified as non-major funds:

Air Quality Improvement Fund

The revenue and related expenditures in this fund are for the City's equipment and capital projects which improve air quality

Community Development Block Grant (CDBG) Fund

This fund accounts for Federal entitlements under the Housing and Community Development Act of 1974, as amended.

Drainage Funds

This fund accounts for revenues under the City's Drainage Fee, which are used for the development of drainage improvements.

Drainage Benefit Assessment Dist.

This fund accounts for revenues collected under the City's Drainage Fee, which are used for the development of drainage improvements.

Federal Funds

This fund accounts for revenues and expenditures received from Federal sources.

Federal Home Program

This fund accounts for all federal funds received under the Home Investment Partnership Act.

Federal Jobs Program Fund

This fund accounts for revenues and expenditures associated with the Job Training Partnership Act and Welfare to Work Programs.

Fire Facilities Impact Fund

This fund accounts for revenues collected under the City's Fire Facilities Impact Fee, which are used for constructing and outfitting facilities needed to serve future development.

Gas Tax Fund

This fund accounts for state gasoline allocations provided to the City for street-related purposes.

Housing Authority Fund

This fund accounts for compliance monitoring expenditures and Bond Issuer's Fees collected for the Housing Authority.

Landscape Maintenance Fund

This fund is used to account for revenues and expenditures attributable to Landscape Maintenance District 97-1.

Local Transportation Article 3 Fund

This fund is used to account for State funds provided to the City for construction of local bikeways and bikeway related projects.

Local Transportation Article 8 Fund

This fund accounts for State funds provided to the City for street-related purposes only.

Measure R Fund

This fund accounts for State Funds provided to the City for Street related purposes only.

Miscellaneous Grants/Developer Contributions

This fund accounts for revenues and expenditures received from Developers and Local Agencies for improvements.

Parks Assessments Fund

This fund accounts for revenues collected under the City-wide Park Assessment District, which are used for the acquisition, improvement, expansion and maintenance of public parks.

Park Development Fund

This fund accounts for revenues collected under the City's Unit Dwelling Fee, which are used for the acquisition, improvement and expansion of public parks, playgrounds & recreational facilities.

Proposition A Fund

This fund accounts for special sales tax revenues, which are used for local transit.

Proposition C Fund

This fund accounts for special sales tax revenues and expenditures related to street and road improvements and transit.

Public Facilities Fund

This fund is used to account for revenues received from developer fees. These funds can

only be used to assist with the development and rehabilitation of City buildings.

Public Safety Fund

This fund is used to account for the revenues received as a result of vehicle code violations and drug forfeiture operations. These funds can only be used for law enforcement expenditures.

S.A.V.E.S. Fund (South Antelope Valley Emergency Services)

This fund is used to account for revenues and expenditures related to providing food and shelter for qualified recipients.

Sewer Maintenance Assessment District

This fund is used to account for revenues and expenditures associated with the City sewer assessment district serving the City and its sewer system.

Sewer Upgrade Fund

This fund accounts for revenues collected under the City's Sewer Upgrade Fee, which are used for sewer improvements.

State Grants Fund

This fund accounts for revenues and expenditures received from State sources.

Street Lighting Assessment District Fund

This fund is used to account for revenues and expenditures associated with residential street lighting services.

Traffic Impact Fund

This fund accounts for revenues collected under the City's Traffic Impact Fee, which are used for traffic related projects, such as traffic signals and street improvements.

Water Park

This fund accounts for the operation of the City owned Dry Town Water Park.

Combining Statements - Non-Major Governmental Funds

Capital Projects Funds are used to account for financial resources used for the acquisition and construction of major capital facilities. The following capital projects funds have been classified as non-major funds:

City Project Area No.1 and Project Area No. 2A Funds

This fund accounts for resources accumulated from land sale proceeds and assets that are held for the benefit of blighted areas located within Project Area No. 1 and Project Area No. 2A.

Community Facilities District (CFD) and Assessment District Fund

This fund accounts for the revenues and expenditures of community facilities districts and assessment districts, which are funded entirely from district bond proceeds.

Palmdale Civic Authority Fund

This fund is used to account for construction projects funded through issuance of Certificates of Participation. Current projects include new park facilities and street improvements.

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City of Palmdale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

Assets	Special Revenue Funds							
	Air Quality Improvement	Community Development Block Grant	Drainage Funds	Drainage Benefit Assmnt Dist	Federal Funds	Federal Home Program	Federal Jobs Programs	Fire Facilities Impact
Assets:								
Cash	\$ -	200	-	-	-	-	-	-
Investments	185,941	879,846	6,086,059	533,697	-	-	-	1,106,239
Receivables:								
Accounts and Interest Receivable	144	115,277	4,714	413	957,427	1,014,996	508,492	1,174
Property Taxes Receivable	-	-	-	585	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Notes and Liens	-	1,324,313	-	-	-	6,131,229	-	1,787,511
Deposits and Prepaids	-	-	-	-	-	-	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	1,176,179	-	-	-	-	-	-
Total Assets	186,085	3,495,815	6,090,773	534,695	957,427	7,146,225	508,492	2,894,924
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	-	70,359	648,870	161	561,926	14,823	329,867	-
Due To Other Funds	-	-	-	-	395,501	6,519	178,625	-
Deposits and unearned revenues	-	-	11,691	-	-	-	-	-
Total Liabilities	-	70,359	660,561	161	957,427	21,342	508,492	-
Deferred Inflows of Resources								
Unavailable Revenue	-	-	-	-	816,352	1,004,527	-	317
Total Deferred Inflows of Resources	-	-	-	-	816,352	1,004,527	-	317
Fund Balances:								
Restricted	186,085	3,425,456	5,430,212	534,534	-	6,120,356	-	2,894,607
Unassigned	-	-	-	-	(816,352)	-	-	-
Total Fund Balances	186,085	3,425,456	5,430,212	534,534	(816,352)	6,120,356	-	2,894,607
Total Liabilities and Fund Balances	\$ 186,085	3,495,815	6,090,773	534,695	957,427	7,146,225	508,492	2,894,924

Special Revenue Funds (continued)

Gas Tax	Housing Authority	Landscape Maintenance	Local Transportation Article 3	Local Transportation Article 8	Measure R	Misc Grants/ Developer Contributions	Parks Assessments	Park Development
-	-	-	-	-	-	-	-	-
14,414,096	48,485	9,008,942	-	-	5,417,610	2,548,886	1,378,567	3,975,266
99,340	14,038	6,978	7,691	478,530	460,951	153,610	1,068	203,080
-	-	62,790	-	-	-	-	37,715	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>14,513,436</u>	<u>62,523</u>	<u>9,078,710</u>	<u>7,691</u>	<u>478,530</u>	<u>5,878,561</u>	<u>2,702,496</u>	<u>1,417,350</u>	<u>4,178,346</u>
4,636	117	252,921	4,544	-	229,555	96,298	-	61,591
-	-	-	3,097	478,530	-	-	-	-
-	1,000	-	-	-	-	-	-	53,413
<u>4,636</u>	<u>1,117</u>	<u>252,921</u>	<u>7,641</u>	<u>478,530</u>	<u>229,555</u>	<u>96,298</u>	<u>-</u>	<u>115,004</u>
-	-	-	-	-	-	153,610	-	-
-	-	-	-	-	-	153,610	-	-
14,508,800	61,406	8,825,789	50	-	5,649,006	2,452,588	1,417,350	4,063,342
-	-	-	-	-	-	-	-	-
<u>14,508,800</u>	<u>61,406</u>	<u>8,825,789</u>	<u>50</u>	<u>-</u>	<u>5,649,006</u>	<u>2,452,588</u>	<u>1,417,350</u>	<u>4,063,342</u>
<u>14,513,436</u>	<u>62,523</u>	<u>9,078,710</u>	<u>7,691</u>	<u>478,530</u>	<u>5,878,561</u>	<u>2,702,496</u>	<u>1,417,350</u>	<u>4,178,346</u>

City of Palmdale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

Assets	Special Revenue Funds (continued)							
	Proposition A	Proposition C	Public Facilities Fund	Public Safety	SAVES	Sewer Maint Assessment District	Sewer Upgrade	State Grants
Assets:								
Cash	\$ -	-	-	-	-	250	-	-
Investments	3,882,375	3,541,666	134,369	5,507	-	10,654,370	848,578	-
Receivables:								
Accounts and Interest Receivable	3,007	1,033,504	104	28,310	6,276	8,253	657	439,746
Property Taxes Receivable	-	-	-	22,629	-	66,462	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Notes and Liens	-	-	-	-	-	-	-	-
Deposits and Prepaids	-	-	-	-	-	-	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	3,885,382	4,575,170	134,473	56,446	6,276	10,729,335	849,235	439,746
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	2,014	652,592	-	-	-	179,350	-	-
Due To Other Funds	-	-	-	-	6,227	-	-	82,641
Deposits and unearned revenues	-	-	-	-	-	-	-	22
Total Liabilities	2,014	652,592	-	-	6,227	179,350	-	82,663
Deferred Inflows of Resources								
Unavailable Revenue	-	1,030,760	-	-	-	-	-	429,381
Total Deferred Inflows of Resources	-	1,030,760	-	-	-	-	-	429,381
Fund Balances:								
Restricted	3,883,368	2,891,818	134,473	56,446	49	10,549,985	849,235	-
Unassigned	-	-	-	-	-	-	-	(72,298)
Total Fund Balances	3,883,368	2,891,818	134,473	56,446	49	10,549,985	849,235	(72,298)
Total Liabilities and Fund Balances	\$ 3,885,382	4,575,170	134,473	56,446	6,276	10,729,335	849,235	439,746

Special Revenue Funds (continued)				Capital Projects Funds				Total
Street Lighting	Traffic	Water Park	Total	City	CFD/	Palmdale Civic	Total Capital	Non-Major
Assessment	Impact		Special	Project Area's	Assessment	Authority	Projects Funds	Governmental
District			Revenue Funds	1 and 2A	Districts			Funds
-	-	9,136	9,586	-	-	-	-	\$ 9,586
2,598,416	2,172,053	95,853	69,516,821	13,115	18,794	4,770	36,679	69,553,500
2,013	1,854	1,695	5,553,342	10,726	11	-	10,737	5,564,079
12,587	-	-	202,768	-	-	-	-	202,768
-	-	-	-	-	583,859	-	583,859	583,859
-	968,426	-	10,211,479	-	-	-	-	10,211,479
-	-	1,980	1,980	-	-	-	-	1,980
-	-	-	-	-	14,455,908	466,631	14,922,539	14,922,539
-	-	-	-	-	75	4	79	79
-	-	-	1,176,179	-	-	-	-	1,176,179
<u>2,613,016</u>	<u>3,142,333</u>	<u>108,664</u>	<u>86,672,155</u>	<u>23,841</u>	<u>15,058,647</u>	<u>471,405</u>	<u>15,553,893</u>	<u>\$ 102,226,048</u>
19,234	6,099	108,664	3,243,621	1,681	4,590	-	6,271	3,249,892
-	-	-	1,151,140	-	379,441	-	379,441	1,530,581
-	-	-	66,126	-	-	-	-	66,126
<u>19,234</u>	<u>6,099</u>	<u>108,664</u>	<u>4,460,887</u>	<u>1,681</u>	<u>384,031</u>	<u>-</u>	<u>385,712</u>	<u>4,846,599</u>
-	171	-	3,435,118	-	-	-	-	3,435,118
-	171	-	3,435,118	-	-	-	-	3,435,118
2,593,782	3,136,063	-	79,664,800	22,160	14,674,616	471,405	15,168,181	94,832,981
-	-	-	(888,650)	-	-	-	-	(888,650)
<u>2,593,782</u>	<u>3,136,063</u>	<u>-</u>	<u>78,776,150</u>	<u>22,160</u>	<u>14,674,616</u>	<u>471,405</u>	<u>15,168,181</u>	<u>93,944,331</u>
<u>2,613,016</u>	<u>3,142,333</u>	<u>108,664</u>	<u>86,672,155</u>	<u>23,841</u>	<u>15,058,647</u>	<u>471,405</u>	<u>15,553,893</u>	<u>\$ 102,226,048</u>

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds							
	Air Quality Improvement	Community Development Block Grant	Drainage Funds	Drainage Benefit Assmt. Dist.	Federal Funds	Federal Home Program	Federal Jobs Programs	Fire Facilities
Revenues:								
Other Taxes	\$ -	-	-	-	-	-	-	-
Subventions and Grants	100,000	795,734	-	-	1,050,580	1,468,636	1,547,800	-
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	110,596	-	-	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	35,551	-	-
Drainage Fees	-	-	289,962	-	-	-	-	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	-	-	-	-	-	93,009
Interest	693	769	34,649	2,708	-	-	-	12,153
Net Increase in the Fair Value of Investments	826	621	26,772	2,353	-	-	-	4,703
Developer Contributions	-	-	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	577,337	-	189	-	-	-	-
Total Revenues	101,519	1,374,461	351,383	115,846	1,050,580	1,468,636	1,583,351	109,865
Expenditures:								
Current:								
General Government	-	-	52,000	-	-	-	-	4,957
Public Safety	-	-	-	-	123,752	-	-	-
Public Services	-	-	12,920	16,835	38,605	-	-	-
Community Development	-	440,400	-	-	-	58,637	-	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Health and Welfare	-	766,974	-	-	-	-	1,585,162	-
Capital Outlay	-	52,935	1,207,612	-	1,068,550	-	-	-
Debt Service:								
Principal	-	222,000	-	-	-	-	-	-
Interest	-	191,283	-	-	-	-	-	-
Total Expenditures	-	1,673,592	1,272,532	16,835	1,230,907	58,637	1,585,162	4,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	101,519	(299,131)	(921,149)	99,011	(180,327)	1,409,999	(1,811)	104,908
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	237	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	237	-
Net Changes in Fund Balances	101,519	(299,131)	(921,149)	99,011	(180,327)	1,409,999	(1,574)	104,908
Fund Balances - Beginning of Year	84,566	3,724,587	6,351,361	435,523	(636,025)	4,710,357	1,574	2,789,699
Fund Balances - End of Year	<u>\$ 186,085</u>	<u>3,425,456</u>	<u>5,430,212</u>	<u>534,534</u>	<u>(816,352)</u>	<u>6,120,356</u>	<u>-</u>	<u>2,894,607</u>

Special Revenue Funds (continued)

Gas Tax	Housing Authority	Landscape Maintenance	Local Transportation Article 3	Local Transportation Article 8	Measure R	Misc Grants/ Developer Contributions	Parks Assessments	Park Development
4,649,226	-	-	-	-	-	-	-	-
-	-	-	7,691	5,742,369	2,250,810	-	-	200,000
-	-	-	-	-	-	-	-	320,085
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,470,627	-	-	-	-	2,375,154	-
-	-	-	-	-	-	-	-	-
-	48,670	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
66,679	192	46,328	53	-	28,070	-	2,466	28,681
63,565	213	39,932	(3)	-	23,854	-	5,822	17,525
-	-	7,500	-	-	-	123,000	-	-
31,117	-	-	-	-	-	-	-	-
139,682	-	-	-	-	-	-	-	-
30,495	-	50,985	-	-	-	-	19,895	-
<u>4,980,764</u>	<u>49,075</u>	<u>5,615,372</u>	<u>7,741</u>	<u>5,742,369</u>	<u>2,302,734</u>	<u>123,000</u>	<u>2,403,337</u>	<u>566,291</u>
176,116	-	65,000	-	-	-	-	76,137	65,000
-	-	-	-	-	-	-	96,900	-
282,252	-	4,631,351	-	5,085,498	-	-	-	-
-	39,476	-	-	-	-	-	-	-
-	-	-	-	-	-	-	100,000	200,000
-	-	-	-	-	-	-	-	-
264,894	-	136,072	106,523	656,871	951,681	185,345	-	380,071
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>723,262</u>	<u>39,476</u>	<u>4,832,423</u>	<u>106,523</u>	<u>5,742,369</u>	<u>951,681</u>	<u>185,345</u>	<u>273,037</u>	<u>645,071</u>
4,257,502	9,599	782,949	(98,782)	-	1,351,053	(62,345)	2,130,300	(78,780)
-	-	-	-	-	-	1,821,935	-	-
(247,162)	-	-	-	-	-	-	(2,006,120)	-
(247,162)	-	-	-	-	-	1,821,935	(2,006,120)	-
4,010,340	9,599	782,949	(98,782)	-	1,351,053	1,759,590	124,180	(78,780)
10,498,460	51,807	8,042,840	98,832	-	4,297,953	692,998	1,293,170	4,142,122
<u>14,508,800</u>	<u>61,406</u>	<u>8,825,789</u>	<u>50</u>	<u>-</u>	<u>5,649,006</u>	<u>2,452,588</u>	<u>1,417,350</u>	<u>\$ 4,063,342</u>

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

Special Revenue Funds (continued)

	Proposition A	Proposition C	Public Facilities	Public Safety	SAVES	Sewer Maint Assessment District	Sewer Upgrade	State Grants
Revenues:								
Other Taxes	\$ -	-	-	-	-	-	-	-
Subventions and Grants	2,622,736	2,357,017	-	258,334	25,276	-	-	94,753
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	89,942	-	-
Fines and Forfeitures	-	-	-	374,752	-	-	-	-
Special Assessments	-	-	-	-	-	5,412,398	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	390,207	-	-
Drainage Fees	-	-	-	-	-	-	300	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	64,027	-	-	-	-	-
Interest	21,591	17,634	653	221	3	52,971	4,667	4,127
Net Increase in the Fair Value of Investments	17,055	15,591	585	243	(1)	47,309	3,723	1,282
Developer Contributions	-	-	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	30,351	-	-
Total Revenues	2,661,382	2,390,242	65,265	633,550	25,278	6,023,178	8,690	100,162
Expenditures:								
Current:								
General Government	-	-	-	-	-	65,000	-	-
Public Safety	-	-	-	629,576	-	-	-	-
Public Services	2,006,851	220,000	-	-	-	2,682,601	-	235,165
Community Development	-	-	-	-	-	-	-	-
Cultural and Recreational	15,218	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	25,275	-	-	-
Capital Outlay	294,157	1,116,997	27,575	-	-	805,451	-	2,261,079
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Expenditures	2,316,226	1,336,997	27,575	629,576	25,275	3,553,052	-	2,496,244
Excess (Deficiency) of Revenues Over (Under) Expenditures	345,156	1,053,245	37,690	3,974	3	2,470,126	8,690	(2,396,082)
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(655,788)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(655,788)	-	-	-	-	-	-
Net Change in Fund Balances	345,156	397,457	37,690	3,974	3	2,470,126	8,690	(2,396,082)
Fund Balances - Beginning of Year (As Restated-Note 23)	3,538,212	2,494,361	96,783	52,472	46	8,079,859	840,545	2,323,784
Fund Balances - End of Year	\$ 3,883,368	2,891,818	134,473	56,446	49	10,549,985	849,235	(72,298)

Special Revenue Funds (continued)				Capital Projects Funds				Total
Street Lighting Assessment District	Traffic Impact	Water Park	Total Special Revenue Funds	City Project Area's 1 and 2A	CFD/ Assessment District	Palmdale Civic Authority	Total Capital Projects Funds	Non-Major Governmental Funds
-	-	-	4,649,226	-	-	-	-	\$ 4,649,226
-	-	-	18,521,736	-	-	-	-	18,521,736
-	-	-	320,085	-	-	-	-	320,085
-	-	-	89,942	-	-	-	-	89,942
-	-	-	374,752	-	-	-	-	374,752
1,033,802	-	-	14,402,577	-	-	-	-	14,402,577
-	-	64,599	64,599	-	-	-	-	64,599
-	-	872,060	1,346,488	41,676	5,838,406	-	5,880,082	7,226,570
-	-	-	290,262	-	-	-	-	290,262
-	811,905	-	811,905	-	-	-	-	811,905
-	-	-	157,036	-	-	-	-	157,036
16,097	13,992	-	355,397	4	7,332	80	7,416	362,813
-	-	-	-	-	-	-	-	-
11,478	9,369	-	292,817	(1)	1,501	-	1,500	294,317
14,000	-	-	144,500	-	-	-	-	144,500
-	-	-	31,117	-	-	-	-	31,117
-	-	-	139,682	-	-	-	-	139,682
8,296	-	36,366	753,914	-	-	-	-	753,914
<u>1,083,673</u>	<u>835,266</u>	<u>973,025</u>	<u>42,746,035</u>	<u>41,679</u>	<u>5,847,239</u>	<u>80</u>	<u>5,888,998</u>	<u>48,635,033</u>
-	65,000	-	569,210	-	1,660,758	-	1,660,758	2,229,968
-	-	-	850,228	-	-	-	-	850,228
1,244,043	-	-	16,456,121	-	63,157	-	63,157	16,519,278
-	-	-	538,513	27,833	-	-	27,833	566,346
-	-	1,083,801	1,399,019	-	753,452	-	753,452	2,152,471
-	-	-	2,377,411	-	-	-	-	2,377,411
-	256,966	-	9,772,779	-	260,049	57,740	317,789	10,090,568
-	-	-	222,000	-	-	-	-	222,000
-	-	-	191,283	-	-	-	-	191,283
-	-	-	-	-	-	-	-	-
<u>1,244,043</u>	<u>321,966</u>	<u>1,083,801</u>	<u>32,376,564</u>	<u>27,833</u>	<u>2,737,416</u>	<u>57,740</u>	<u>2,822,989</u>	<u>35,199,553</u>
<u>(160,370)</u>	<u>513,300</u>	<u>(110,776)</u>	<u>10,369,471</u>	<u>13,846</u>	<u>3,109,823</u>	<u>(57,660)</u>	<u>3,066,009</u>	<u>13,435,480</u>
-	-	110,776	1,932,948	-	-	1	1	1,932,949
-	(741,485)	-	(3,650,555)	-	(83,025)	-	(83,025)	(3,733,580)
-	(741,485)	110,776	(1,717,607)	-	(83,025)	1	(83,024)	(1,800,631)
(160,370)	(228,185)	-	8,651,864	13,846	3,026,798	(57,659)	2,982,985	11,634,849
<u>2,754,152</u>	<u>3,364,248</u>	<u>-</u>	<u>70,124,286</u>	<u>8,314</u>	<u>11,647,818</u>	<u>529,064</u>	<u>12,185,196</u>	<u>82,309,482</u>
<u>2,593,782</u>	<u>3,136,063</u>	<u>-</u>	<u>78,776,150</u>	<u>22,160</u>	<u>14,674,616</u>	<u>471,405</u>	<u>15,168,181</u>	<u>\$ 93,944,331</u>

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Budgetary Comparison Schedule

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Air Quality Improvement
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 75,000	100,000	100,000	-
Interest	-	-	693	693
Net Increase in the Fair Value of Investments	-	-	826	826
 Total Revenues	 75,000	 100,000	 101,519	 1,519
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 75,000	 100,000	 101,519	 1,519
 Net Change in Fund Balance	 75,000	 100,000	 101,519	 1,519
 Fund Balance - Beginning of Year	 84,567	 84,567	 84,566	 (1)
 Fund Balance - End of Year	 \$ 159,567	 184,567	 186,085	 1,518

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Revenues:				
Subventions and Grants	\$ 1,423,310	4,091,640	795,734	(3,295,906)
Interest	-	-	769	769
Other	38,000	592,120	577,337	(14,783)
Net Increase in the Fair Value of Investments:	-	-	621	621
Total Revenues	<u>1,461,310</u>	<u>4,683,760</u>	<u>1,374,461</u>	<u>(3,309,299)</u>
Expenditures:				
Current:				
Community Development	514,660	1,760,210	440,400	1,319,810
Health and Welfare	250,680	789,150	766,974	22,176
Ca	40,000	1,464,850	52,935	1,411,915
Debt Service:				
Principal	222,000	222,000	222,000	-
Interest	193,310	191,290	191,283	7
Total Expenditures	<u>1,220,650</u>	<u>4,427,500</u>	<u>1,673,592</u>	<u>2,753,908</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>240,660</u>	<u>256,260</u>	<u>(299,131)</u>	<u>(555,391)</u>
Net Change in Fund Balance	240,660	256,260	(299,131)	(555,391)
Fund Balance - Beginning of Year	<u>2,323,314</u>	<u>2,323,314</u>	<u>3,724,587</u>	<u>1,401,273</u>
Fund Balance - End of Year	<u>\$ 2,563,974</u>	<u>2,579,574</u>	<u>3,425,456</u>	<u>845,882</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Drainage Fees	\$ 230,000	208,310	289,962	81,652
Interest	25,200	27,030	34,649	7,619
Net Increase in the Fair Value of Investments	-	-	26,772	26,772
Total Revenues	255,200	235,340	351,383	116,043
Expenditures:				
Current:				
General Government	-	-	52,000	(52,000)
Public Services	-	-	12,920	(12,920)
Capital Outlay	3,409,010	3,090,000	1,207,612	1,882,388
Debt Service:				
Interest	60,000	20,500	-	20,500
Total Expenditures	3,469,010	3,110,500	1,272,532	1,837,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,213,810)	(2,875,160)	(921,149)	1,954,011
Other Financing Sources (Uses):				
Transfers In	150,000	-	-	-
Transfers Out	(80,630)	(70,340)	-	70,340
Total Other Financing Sources (Uses)	69,370	(70,340)	-	70,340
Net Change in Fund Balance	(3,144,440)	(2,945,500)	(921,149)	2,024,351
Fund Balance - Beginning of Year	6,351,361	6,351,361	6,351,361	-
Fund Balance - End of Year	<u>\$ 3,206,921</u>	<u>3,405,861</u>	<u>5,430,212</u>	<u>2,024,351</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage Benefit Assessment District
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 55,000	110,370	110,596	226
Interest	500	1,500	2,708	1,208
Net Increase in the Fair Value of Investments:	-	-	2,353	2,353
Other	200	200	189	(11)
Total Revenues	55,700	112,070	115,846	3,776
Expenditures:				
Current:				
Public Services	22,990	24,040	16,835	7,205
Total Expenditures	22,990	24,040	16,835	7,205
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,710	88,030	99,011	10,981
Net Change in Fund Balance	32,710	88,030	99,011	10,981
Fund Balance - Beginning of Year	435,523	435,523	435,523	-
Fund Balance - End of Year	\$ 468,233	523,553	534,534	10,981

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Funds
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 4,784,090	4,972,550	1,050,580	(3,921,970)
Total Revenues	<u>4,784,090</u>	<u>4,972,550</u>	<u>1,050,580</u>	<u>(3,921,970)</u>
Expenditures:				
Current:				
Public Safety	-	-	123,752	(123,752)
Public Services	-	-	38,605	(38,605)
Capital Outlay	4,722,300	4,841,670	1,068,550	3,773,120
Total Expenditures	<u>4,722,300</u>	<u>4,841,670</u>	<u>1,230,907</u>	<u>3,610,763</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,790</u>	<u>130,880</u>	<u>(180,327)</u>	<u>(311,207)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(61,790)	(130,880)	-	130,880
Total Other Financing Sources (Uses)	<u>(61,790)</u>	<u>(130,880)</u>	<u>-</u>	<u>130,880</u>
Net Change in Fund Balance	-	-	(180,327)	(180,327)
Fund Balance - Beginning of Year	<u>(636,025)</u>	<u>(636,025)</u>	<u>(636,025)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (636,025)</u>	<u>(636,025)</u>	<u>(816,352)</u>	<u>(180,327)</u>

City of Palmdale
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Federal Home Program
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 360,000	2,718,120	1,468,636	(1,249,484)
Interest	138,020	123,020	-	(123,020)
Total Revenues	<u>498,020</u>	<u>2,841,140</u>	<u>1,468,636</u>	<u>(1,372,504)</u>
Expenditures:				
Current:				
Community Development	372,330	2,720,960	58,637	2,662,323
Total Expenditures	<u>372,330</u>	<u>2,720,960</u>	<u>58,637</u>	<u>2,662,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>125,690</u>	<u>120,180</u>	<u>1,409,999</u>	<u>1,289,819</u>
Net Change in Fund Balance	125,690	120,180	1,409,999	1,289,819
Fund Balance - Beginning of Year	<u>4,600,000</u>	<u>4,600,000</u>	<u>4,710,357</u>	<u>110,357</u>
Fund Balance - End of Year	<u>\$ 4,725,690</u>	<u>4,720,180</u>	<u>6,120,356</u>	<u>1,400,176</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Jobs Program
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 788,770	1,866,680	1,547,800	(318,880)
Charges for Services	45,000	37,300	35,551	(1,749)
	-			
Total Revenues	833,770	1,903,980	1,583,351	(320,629)
Expenditures:				
Current:				
Health and Welfare	838,770	1,904,480	1,585,162	319,318
Total Expenditures	838,770	1,904,480	1,585,162	319,318
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(500)	(1,811)	(1,311)
Other Financing Sources (Uses):				
Transfers In	5,000	-	237	237
Total Other Financing Sources (Uses)	5,000	-	237	237
Net Change in Fund Balance	-	(500)	(1,574)	(1,074)
Fund Balance - Beginning of Year	1,574	1,574	1,574	-
Fund Balance - End of Year	\$ 1,574	1,074	-	(1,074)

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fire Facilities Impact Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fire Facilities Impact Fees	\$ 75,000	25,000	93,009	68,009
Interest	10,000	3,500	12,153	8,653
Net Increase in the Fair Value of Investments	-	-	4,703	4,703
Total Revenues	<u>85,000</u>	<u>28,500</u>	<u>109,865</u>	<u>81,365</u>
Expenditures:				
Current:				
General Government	3,750	4,960	4,957	3
Total Expenditures	<u>3,750</u>	<u>4,960</u>	<u>4,957</u>	<u>3</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>81,250</u>	<u>23,540</u>	<u>104,908</u>	<u>81,368</u>
Net Change in Fund Balance	81,250	23,540	104,908	81,368
Fund Balance - Beginning of Year	<u>88,225</u>	<u>88,225</u>	<u>2,789,699</u>	<u>2,701,474</u>
Fund Balance - End of Year	<u>\$ 169,475</u>	<u>111,765</u>	<u>2,894,607</u>	<u>2,782,842</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Gas Tax
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Other Taxes	\$ 5,118,580	4,364,860	4,649,226	284,366
Interest	20,000	40,000	66,679	26,679
Net Increase in the Fair Value of Investments:	-	-	63,565	63,565
State Contributions	20,000	20,000	31,117	11,117
County Contributions	125,000	100,000	139,682	39,682
Other	-	-	30,495	30,495
Total Revenues	5,283,580	4,524,860	4,980,764	455,904
Expenditures:				
Current:				
General Government	-	-	176,116	(176,116)
Public Services	-	-	282,252	(282,252)
Capital Outlay	5,419,720	1,555,040	264,894	1,290,146
Total Expenditures	5,419,720	1,555,040	723,262	831,778
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,140)	2,969,820	4,257,502	1,287,682
Other Financing Sources (Uses):				
Transfers Out	(2,077,290)	(1,095,160)	(247,162)	847,998
Total Other Financing Sources (Uses)	(2,077,290)	(1,095,160)	(247,162)	847,998
Net Change in Fund Balance	(2,213,430)	1,874,660	4,010,340	2,135,680
Fund Balance - Beginning of Year	10,498,460	10,498,460	10,498,460	-
Fund Balance - End of Year	<u>\$ 8,285,030</u>	<u>12,373,120</u>	<u>14,508,800</u>	<u>2,135,680</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Current Services	\$ 48,660	48,660	48,670	10
Interest	-	-	192	192
Net Increase in the Fair Value of Investments	-	-	213	213
Total Revenues	<u>48,660</u>	<u>48,660</u>	<u>49,075</u>	<u>415</u>
Expenditures:				
Current:				
Community Development	50,550	49,670	39,476	10,194
Total Expenditures	<u>50,550</u>	<u>49,670</u>	<u>39,476</u>	<u>10,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,890)</u>	<u>(1,010)</u>	<u>9,599</u>	<u>10,609</u>
Net Change in Fund Balance	<u>(1,890)</u>	<u>(1,010)</u>	<u>9,599</u>	<u>10,609</u>
Fund Balance - Beginning of Year	<u>51,807</u>	<u>51,807</u>	<u>51,807</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 49,917</u>	<u>50,797</u>	<u>61,406</u>	<u>10,609</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Landscape Maintenance
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 5,328,960	5,429,660	5,470,627	40,967
Interest	20,000	30,000	46,328	16,328
Net Increase in the Fair Value of Investments:	-	-	39,932	39,932
Developer Contributions	-	7,500	7,500	7,500
Other	35,000	35,100	50,985	15,885
Total Revenues	5,383,960	5,502,260	5,615,372	120,612
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Public Services	4,861,530	5,005,070	4,631,351	373,719
Capital Outlay	50,000	142,000	136,072	5,928
Total Expenditures	4,911,530	5,147,070	4,832,423	314,647
Excess (Deficiency) of Revenues Over (Under) Expenditures	472,430	355,190	782,949	427,759
Other Financing Sources (Uses):				
Transfers Out	(65,000)	(65,000)	-	65,000
Total Other Financing Sources (Uses)	(65,000)	(65,000)	-	65,000
Net Change in Fund Balance	407,430	290,190	782,949	492,759
Fund Balance - Beginning of Year	8,042,840	8,042,840	8,042,840	-
Fund Balance - End of Year	<u>\$ 8,450,270</u>	<u>8,333,030</u>	<u>8,825,789</u>	<u>492,759</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Transportation - Article 3
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 362,600	168,820	7,691	(161,129)
Interest	-	-	53	53
Net Decrease in the Fair Value of Investments:	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Total Revenues	<u>362,600</u>	<u>168,820</u>	<u>7,741</u>	<u>(161,079)</u>
Expenditures:				
Capital Outlay	<u>362,600</u>	<u>267,650</u>	<u>106,523</u>	<u>161,127</u>
Total Expenditures	<u>362,600</u>	<u>267,650</u>	<u>106,523</u>	<u>161,127</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(98,830)</u>	<u>(98,782)</u>	<u>48</u>
Fund Balance - Beginning of Year	<u>98,832</u>	<u>98,832</u>	<u>98,832</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 98,832</u>	<u>2</u>	<u>50</u>	<u>48</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Transportation - Article 8
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 4,650,000	5,742,370	5,742,369	(1)
Total Revenues	4,650,000	5,742,370	5,742,369	(1)
Expenditures:				
Current:				
Public Services	-	-	5,085,498	(5,085,498)
Capital Outlay	-	656,880	656,871	9
Total Expenditures	-	656,880	5,742,369	(5,085,489)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,650,000	5,085,490	-	(5,085,490)
Other Financing Sources (Uses):				
Transfers Out	(4,650,000)	(5,624,360)	-	5,624,360
Total Other Financing Sources (Uses)	(4,650,000)	(5,624,360)	-	5,624,360
Net Change in Fund Balance	-	(538,870)	-	538,870
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	(538,870)	-	538,870

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Measure R
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 4,475,000	4,624,260	2,250,810	(2,373,450)
Interest	5,000	15,000	28,070	13,070
Net Increase in the Fair Value of Investments:	-	-	23,854	23,854
 Total Revenues	 4,480,000	 4,639,260	 2,302,734	 (2,336,526)
Expenditures:				
Capital Outlay	4,805,920	3,391,000	951,681	2,439,319
 Total Expenditures	 4,805,920	 3,391,000	 951,681	 2,439,319
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (325,920)	 1,248,260	 1,351,053	 102,793
 Fund Balance - Beginning of Year	 4,297,953	 4,297,953	 4,297,953	 -
 Fund Balance - End of Year	 \$ 3,972,033	 5,546,213	 5,649,006	 102,793

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Miscellaneous Grants/Developer Contributions
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 83,030	20,000	-	(20,000)
Developer Contributions	542,110	450,000	123,000	(327,000)
Other Agency Contributions		564,040	-	(564,040)
	<u>625,140</u>	<u>1,034,040</u>	<u>123,000</u>	<u>(911,040)</u>
Total Revenues				
	<u>625,140</u>	<u>1,034,040</u>	<u>185,345</u>	<u>848,695</u>
Expenditures:				
Capital Outlay	<u>625,140</u>	<u>1,034,040</u>	<u>185,345</u>	<u>848,695</u>
	<u>625,140</u>	<u>1,034,040</u>	<u>185,345</u>	<u>848,695</u>
Total Expenditures				
	<u>-</u>	<u>-</u>	<u>(62,345)</u>	<u>(62,345)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Other Financing Sources				
Transfers In	<u>-</u>	<u>-</u>	<u>1,821,935</u>	<u>1,821,935</u>
	<u>-</u>	<u>-</u>	<u>1,821,935</u>	<u>1,821,935</u>
Total Other Financing Sources				
	<u>-</u>	<u>-</u>	<u>1,759,590</u>	<u>1,759,590</u>
Net Change in Fund Balance				
Fund Balance - Beginning of Year	<u>692,997</u>	<u>692,997</u>	<u>692,998</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 692,997</u>	<u>692,997</u>	<u>2,452,588</u>	<u>1,759,591</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Assessments
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 2,350,000	2,350,000	2,375,154	25,154
Interest	-	2,000	2,466	466
Net Increase in the Fair Value of Investments:	-	-	5,822	5,822
Other	2,500	8,000	19,895	11,895
Total Revenues	2,352,500	2,360,000	2,403,337	43,337
Expenditures:				
Current:				
General Government	87,330	88,440	76,137	12,303
Public Safety	-	-	96,900	(96,900)
Cultural and Recreational	-	-	100,000	(100,000)
Total Expenditures	87,330	88,440	273,037	(184,597)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,265,170	2,271,560	2,130,300	(141,260)
Other Financing Sources (Uses):				
Transfers Out	(2,203,030)	(2,203,030)	(2,006,120)	(196,910)
Total Other Financing Sources (Uses)	(2,203,030)	(2,203,030)	(2,006,120)	(196,910)
Net Change in Fund Balance	62,140	68,530	124,180	55,650
Fund Balance - Beginning of Year	1,293,170	1,293,170	1,293,170	-
Fund Balance - End of Year	<u>\$ 1,355,310</u>	<u>1,361,700</u>	<u>1,417,350</u>	<u>55,650</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Park Development
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 200,000	200,000	200,000	-
Park Development Fees	700,000	300,000	320,085	20,085
Interest	20,000	9,000	28,681	19,681
Net Increase in the Fair Value of Investments:	-	-	17,525	17,525
Total Revenues	920,000	509,000	566,291	57,291
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Cultural and Recreational	-	-	200,000	(200,000)
Capital Outlay	-	419,270	380,071	39,199
Total Expenditures	-	419,270	645,071	(225,801)
Excess (Deficiency) of Revenues Over (Under) Expenditures	920,000	89,730	(78,780)	(168,510)
Other Financing Sources (Uses):				
Transfers Out	(415,000)	(415,000)	-	415,000
Total Other Financing Sources (Uses)	(415,000)	(415,000)	-	415,000
Net Change in Fund Balance	505,000	(325,270)	(78,780)	246,490
Fund Balance - Beginning of Year	74,891	74,891	4,141,122	4,066,231
Fund Balance - End of Year	\$ 579,891	(250,379)	4,062,342	4,312,721

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition A
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 2,370,000	2,610,910	2,622,736	11,826
Interest	5,000	10,000	21,591	11,591
Net Increase in the Fair Value of Investments	-	-	17,055	17,055
Total Revenues	2,375,000	2,620,910	2,661,382	40,472
Expenditures:				
Current:				
Public Services	-	-	2,006,851	(2,006,851)
Cultural and Recreational	-	-	15,218	(15,218)
Capital Outlay	432,030	870,170	294,157	576,013
Total Expenditures	432,030	870,170	2,316,226	(1,446,056)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,942,970	1,750,740	345,156	(1,405,584)
Other Financing Sources (Uses):				
Transfers Out	(2,317,120)	(2,225,890)	-	2,225,890
Total Other Financing Sources (Uses)	(2,317,120)	(2,225,890)	-	2,225,890
Net Change in Fund Balance	(374,150)	(475,150)	345,156	820,306
Fund Balance - Beginning of Year	3,538,212	3,538,212	3,538,212	-
Fund Balance - End of Year	\$ 3,164,062	3,063,062	3,883,368	820,306

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition C
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 4,050,580	5,365,680	2,357,017	(3,008,663)
Interest	3,000	8,000	17,634	9,634
Net Increase in the Fair Value of Investments:	-	-	15,591	15,591
Total Revenues	<u>4,053,580</u>	<u>5,373,680</u>	<u>2,390,242</u>	<u>(2,983,438)</u>
Expenditures:				
Current:				
Public Services	-	-	220,000	(220,000)
Capital Outlay	2,106,210	3,319,680	1,116,997	2,202,683
Total Expenditures	<u>2,106,210</u>	<u>3,319,680</u>	<u>1,336,997</u>	<u>1,982,683</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,947,370</u>	<u>2,054,000</u>	<u>1,053,245</u>	<u>(1,000,755)</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(875,790)</u>	<u>(875,790)</u>	<u>(655,788)</u>	<u>220,002</u>
Total Other Financing Sources (Uses)	<u>(875,790)</u>	<u>(875,790)</u>	<u>(655,788)</u>	<u>220,002</u>
Net Change in Fund Balance	1,071,580	1,178,210	397,457	(780,753)
Fund Balance - Beginning of Year	<u>1,071,580</u>	<u>1,071,580</u>	<u>2,494,361</u>	<u>1,422,781</u>
Fund Balance - End of Year	<u>\$ 2,143,160</u>	<u>2,249,790</u>	<u>2,891,818</u>	<u>642,028</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Facilities Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Facilities Impact Fees	\$ 70,000	35,000	64,027	29,027
Interest	-	-	653	653
Net Increase in the Fair Value of Investments:	-	-	585	585
	<u>70,000</u>	<u>35,000</u>	<u>65,265</u>	<u>30,265</u>
Total Revenues				
Expenditures:				
Capital Outlay	-	31,250	27,575	3,675
Total Expenditures	-	31,250	27,575	3,675
	<u>70,000</u>	<u>3,750</u>	<u>37,690</u>	<u>33,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Net Change in Fund Balance	70,000	3,750	37,690	33,940
Fund Balance - Beginning of Year	96,783	96,783	96,783	-
Fund Balance - End of Year	<u>\$ 166,783</u>	<u>100,533</u>	<u>134,473</u>	<u>33,940</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Safety
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Subventions and Grants	\$ 247,780	247,780	258,334	10,554
Fines and Forfeitures	490,500	303,760	374,752	70,992
Interest	-	-	221	221
Net Increase in the Fair Value of Investments:	-	-	243	243
Total Revenues	738,280	551,540	633,550	82,010
Expenditures:				
Current:				
Public Safety	-	-	629,576	(629,576)
Total Expenditures	-	-	629,576	(629,576)
Excess (Deficiency) of Revenues Over (Under) Expenditures	738,280	551,540	3,974	(547,566)
Other Financing Sources (Uses):				
Transfers Out	(738,280)	(551,540)	-	551,540
Total Other Financing Sources (Uses)	(738,280)	(551,540)	-	551,540
Net Change in Fund Balance	-	-	3,974	3,974
Fund Balance - Beginning of Year	52,472	52,472	52,472	-
Fund Balance - End of Year	\$ 52,472	52,472	56,446	3,974

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
South Antelope Valley Emergency Services (SAVES)
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 55,000	25,280	25,276	(4)
Interest	-	-	3	3
Net Decrease in the Fair Value of Investments:	-	-	(1)	(1)
Total Revenues	<u>55,000</u>	<u>25,280</u>	<u>25,278</u>	<u>(2)</u>
Expenditures:				
Current:				
Health and Welfare	<u>55,000</u>	<u>25,280</u>	<u>25,276</u>	<u>4</u>
Total Expenditures	<u>55,000</u>	<u>25,280</u>	<u>25,276</u>	<u>4</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Net Change in Fund Balance	-	-	3	3
Fund Balance - Beginning of Year	<u>46</u>	<u>46</u>	<u>46</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 46</u>	<u>46</u>	<u>49</u>	<u>3</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sewer Maintenance Assessment District
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Licenses and Permits	\$ 150,000	100,000	89,942	(10,058)
Special Assessments	5,400,000	5,400,000	5,412,398	12,398
Charges for Current Services	252,500	350,000	390,207	40,207
Interest	10,000	30,000	52,971	22,971
Net Increase in the Fair Value of Investments:	-	-	47,309	47,309
Other	25,000	20,410	30,351	9,941
Total Revenues	5,837,500	5,900,410	6,023,178	122,768
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Public Services	3,831,980	3,128,880	2,682,601	446,279
Capital Outlay	2,151,210	1,285,790	805,451	480,339
Total Expenditures	5,983,190	4,414,670	3,553,052	861,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,690)	1,485,740	2,470,126	984,386
Net Change in Fund Balance	(145,690)	1,485,740	2,470,126	984,386
Fund Balance - Beginning of Year	8,079,859	8,079,859	8,079,859	-
Fund Balance - End of Year	<u>\$ 7,934,169</u>	<u>9,565,599</u>	<u>10,549,985</u>	<u>984,386</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sewer Upgrade
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Sewer Upgrade Fees	\$ -	300	300	-
Interest	2,500	3,800	4,667	867
Net Increase in the Fair Value of Investments:	-	-	3,723	3,723
Total Revenues	2,500	4,100	8,690	4,590
Expenditures:				
Capital Outlay	824,620	-	-	-
Total Expenditures	824,620	-	-	-
Net Change in Fund Balance	(822,120)	4,100	8,690	4,590
Fund Balance - Beginning of Year	840,546	840,546	840,545	(1)
Fund Balance - End of Year	<u>\$ 18,426</u>	<u>844,646</u>	<u>849,235</u>	<u>4,589</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Grants
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 232,990	2,952,390	94,753	(2,857,637)
Interest	-	-	4,127	4,127
Net Increase in the Fair Value of Investments:	-	-	1,282	1,282
Total Revenues	<u>232,990</u>	<u>2,952,390</u>	<u>100,162</u>	<u>(2,852,228)</u>
Expenditures:				
Current:				
Public Services	-	-	235,165	(235,165)
Capital Outlay	547,240	2,365,000	2,261,079	103,921
Total Expenditures	<u>547,240</u>	<u>2,365,000</u>	<u>2,496,244</u>	<u>(131,244)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(314,250)</u>	<u>587,390</u>	<u>(2,396,082)</u>	<u>(2,983,472)</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(83,550)</u>	<u>(587,390)</u>	<u>-</u>	<u>587,390</u>
Total Other Financing Sources (Uses)	<u>(83,550)</u>	<u>(587,390)</u>	<u>-</u>	<u>587,390</u>
Net Change in Fund Balance	<u>(397,800)</u>	<u>-</u>	<u>(2,396,082)</u>	<u>(2,396,082)</u>
Fund Balance - Beginning of Year	<u>2,323,784</u>	<u>2,323,784</u>	<u>2,323,784</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,925,984</u>	<u>2,323,784</u>	<u>(72,298)</u>	<u>(2,396,082)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Street Lighting Assessment District
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 3,415,000	1,031,000	1,033,802	2,802
Interest	5,000	10,000	16,097	6,097
Net Increase in the Fair Value of Investments:	-	-	11,478	11,478
Developer Contributions	7,000	15,000	14,000	(1,000)
Other	1,500	4,500	8,296	3,796
Total Revenues	3,428,500	1,060,500	1,083,673	23,173
Expenditures:				
Current:				
Public Services	3,371,110	1,318,280	1,244,043	74,237
Total Expenditures	3,371,110	1,318,280	1,244,043	74,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	57,390	(257,780)	(160,370)	97,410
Net Change in Fund Balance	57,390	(257,780)	(160,370)	97,410
Fund Balance - Beginning of Year	2,754,152	2,754,152	2,754,152	-
Fund Balance - End of Year	\$ 2,811,542	2,496,372	2,593,782	97,410

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Traffic Impact
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Traffic Impact Fees	\$ 250,000	250,000	811,905	561,905
Interest	10,000	12,000	13,992	1,992
Net Increase in the Fair Value of Investments:	-	-	9,369	9,369
Total Revenues	260,000	262,000	835,266	573,266
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Capital Outlay	610,590	544,730	256,966	287,764
Total Expenditures	610,590	544,730	321,966	222,764
Excess (Deficiency) of Revenues Over (Under) Expenditures	(350,590)	(282,730)	513,300	796,030
Other Financing Sources (Uses):				
Transfers Out	(806,640)	(806,640)	(741,485)	65,155
Total Other Financing Sources (Uses)	(806,640)	(806,640)	(741,485)	65,155
Net Change in Fund Balance	(1,157,230)	(1,089,370)	(228,185)	861,185
Fund Balance - Beginning of Year	2,395,822	2,395,822	3,364,248	968,426
Fund Balance - End of Year	<u>\$ 1,238,592</u>	<u>1,306,452</u>	<u>3,136,063</u>	<u>1,829,611</u>

City of Palmdale
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Water Park
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ 82,000	72,000	64,599	(7,401)
Charges for Current Services	847,000	853,000	872,060	19,060
Other	36,100	78,930	36,366	(42,564)
Total Revenues	<u>965,100</u>	<u>1,003,930</u>	<u>973,025</u>	<u>(30,905)</u>
Expenditures:				
Current:				
Cultural and Recreational	1,133,250	1,236,600	1,083,801	152,799
Total Expenditures	<u>1,133,250</u>	<u>1,236,600</u>	<u>1,083,801</u>	<u>152,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(168,150)</u>	<u>(232,670)</u>	<u>(110,776)</u>	<u>121,894</u>
Other Financing Sources (Uses):				
Transfers In	168,150	232,670	110,776	(121,894)
Total Other Financing Sources (Uses)	<u>168,150</u>	<u>232,670</u>	<u>110,776</u>	<u>(121,894)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service - Palmdale Civic Authority
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 101,290	101,700	102,860	1,160
Net Increase in the Fair Value of Investments	-	-	149	149
Successor Agency Contributions	-	-	-	-
Other Agency Contributions	3,127,280	3,127,280	2,961,616	(165,664)
Other	-	-	-	-
Total Revenues	<u>3,228,570</u>	<u>3,228,980</u>	<u>3,064,625</u>	<u>(164,355)</u>
Expenditures:				
Debt Service				
Principal	3,615,000	3,615,000	3,615,000	-
Interest	4,654,250	4,654,250	4,654,229	21
Total Expenditures	<u>8,269,250</u>	<u>8,269,250</u>	<u>8,269,229</u>	<u>21</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,040,680)</u>	<u>(5,040,270)</u>	<u>(5,204,604)</u>	<u>(164,334)</u>
Other Financing Sources (Uses):				
Transfers In	5,141,370	5,141,360	5,140,868	(492)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>5,141,370</u>	<u>5,141,360</u>	<u>5,140,868</u>	<u>(492)</u>
Net Change in Fund Balance	100,690	101,090	(63,736)	(164,826)
Fund Balance - Beginning of Year	<u>5,557,910</u>	<u>5,557,910</u>	<u>5,557,910</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,658,600</u>	<u>5,659,000</u>	<u>5,494,174</u>	<u>(164,826)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service - Palmdale Financing Authority
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	-	1	1
Total Revenues	-	-	1	1
Expenditures:				
Debt Service				
Interest	260,510	260,510	260,510	-
Total Expenditures	260,510	260,510	260,510	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(260,510)	(260,510)	(260,509)	1
Other Financing Sources (Uses):				
Tr:	260,510	256,520	256,517	(3)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	260,510	256,520	256,517	(3)
Net Change in Fund Balance	-	(3,990)	(3,992)	(2)
Fund Balance - Beginning of Year	3,992	3,992	3,992	-
Fund Balance - End of Year	<u>\$ 3,992</u>	<u>2</u>	<u>-</u>	<u>(2)</u>

Statement of Agency Funds

Assessment and Community Facilities District Fund

This fund is used to account for receipts and disbursements associated with 1915 Act Assessment Bonds and Special Tax Bonds which are administered by, but are not the liability of, the City.

Retiree Health Premium Trust Funds

These funds are used to account for the receipt of City funds held in trust to provide Eligible Retirees with a supplement to reduce their premiums for participating in the City's Health Plan.

City of Palmdale
Statement of Fiduciary Assets and Liabilities
Assessment and Community Facilities District Agency Funds
June 30, 2014

Assets:	
Investments	\$ 132,112
Receivables:	
Property Taxes Receivable	98,468
Restricted Assets:	
Investments	8,383,644
Interest Receivable	962
	<hr/>
Total Assets	<u>8,615,186</u>
Liabilities:	
Accounts Payable	9,828
Due to Other Governmental Units	583,859
Deposits	151,859
Held on Behalf of Others	7,869,640
	<hr/>
Total Liabilities	<u>\$ 8,615,186</u>

City of Palmdale
Combining Statement of Fiduciary Assets, Liabilities and Net Position
Retiree Health Premium Trust Funds
June 30, 2014

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total
<u>Assets</u>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments:			
Mutal Funds	1,790,465	3,113,401	4,903,866
Total Net Position	\$ 1,790,465	\$ 3,113,401	\$ 4,903,866

Statement of Changes

City of Palmdale
Statement of Changes in Assets and Liabilities
Assessment and Community Facilities Districts Agency Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Assets:				
Investments	\$ 130,309	1,803	-	\$ 132,112
Receivables:				
Property Taxes Receivable	139,356	98,468	139,356	98,468
Restricted Assets:				
Investments	8,877,278	-	493,634	8,383,644
Interest Receivable	1,419	962	1,419	962
Total Assets	<u>9,148,362</u>	<u>101,233</u>	<u>634,409</u>	<u>8,615,186</u>
Liabilities:				
Accounts Payable	3,898	9,828	3,898	9,828
Due to Bank - Overnight Sweep	21,950	-	21,950	-
Advances Due to Other Governmental Uni	583,859	-	-	583,859
Deposits	151,859	-	-	151,859
Held on Behalf of Others	8,386,796	-	517,156	7,869,640
Total Liabilities	<u>\$ 9,148,362</u>	<u>9,828</u>	<u>543,004</u>	<u>\$ 8,615,186</u>

City of Palmdale
Combining Statement of Changes in Fiduciary Net Position
Retiree Health Premium Trust Funds
For the Year Ended June 30, 2014

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions to Retiree Medical Trust	\$ 148	\$ 337,029	\$ 337,177
Investment and Interest Income	85,661	64,088	149,749
Net Realized and Unrealized Gains (Losses)	130,815	98,897	229,712
Total Additions (deletions)	<u>216,624</u>	<u>500,014</u>	<u>716,638</u>
Deductions:			
Benefits Paid to Participants and expenses	110,506	182,287	292,793
Total Deductions	<u>110,506</u>	<u>182,287</u>	<u>292,793</u>
Changes in Net Position	106,118	317,727	423,845
Net Position Held in Trust as July 1, 2013	<u>1,684,347</u>	<u>2,795,674</u>	<u>4,480,021</u>
Net Position Held in Trust as June 30, 2014	<u>\$ 1,790,465</u>	<u>\$ 3,113,401</u>	<u>\$ 4,903,866</u>

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Statistical

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014

City of Palmdale

STATISTICAL SECTION

June 30, 2014

This part of the City of Palmdale’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	158
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	163
These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	
Debt Capacity	168
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	175
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	179
These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Palmdale
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)**

	2005	2006 (2)	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	29,508,319	526,315,947	518,102,215	551,714,600	576,227,953	575,275,003	570,607,898	687,877,989	648,717,242	655,895,266
Restricted	107,143,484	127,252,604	161,463,622	140,198,738	141,959,138	146,856,238	150,475,636	138,272,965	171,783,181	179,662,667
Unrestricted	21,868,619	21,594,901	29,571,281	26,992,948	17,804,191	9,229,647	10,796,604	25,291,390	17,175,066	20,804,395
Total Governmental Activities Net Position	<u>158,520,422</u>	<u>675,163,452</u>	<u>709,137,118</u>	<u>718,906,286</u>	<u>735,991,282</u>	<u>731,360,888</u>	<u>731,880,138</u>	<u>851,442,344</u>	<u>837,675,489</u>	<u>856,362,328</u>

Source: The information is derived from the Comprehensive Annual Financial Reports for the relevant year. Information prior to the implementation of GASB 34 is not available.

The City Palmdale implemented GASB 63 for the fiscal year ended June 30, 2013. Net Investment in Capital Assets was reported as Invested in Capital Assets, Net of Related Debt and Net Position was reported as Net Assets prior to that.

Note 1: The City of Palmdale does not have any business-type activities to report.

Note 2: For FY2006 Net Assets were restated to reflect the cumulative effect of implementation reporting of retroactive infrastructure as the result of GASB 34.

**City of Palmdale
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	16,998,196	18,492,758	18,083,870	17,845,760	19,185,451	30,120,518	18,062,918	16,855,129	17,227,290	24,150,674
Public Safety	16,175,156	18,794,840	20,449,561	23,305,979	27,202,602	21,998,235	21,707,909	21,761,897	22,873,718	22,973,910
Public Services	20,113,389	20,478,327	39,983,924	45,472,059	42,531,740	43,942,305	43,029,300	48,181,827	49,082,866	47,723,268
Community Development	35,242,606	30,193,545	35,764,713	43,987,895	39,966,752	34,169,400	38,275,996	22,039,137	6,480,832	5,418,368
Cultural and Recreational	12,907,085	17,040,010	17,599,199	17,875,462	16,894,235	13,652,211	10,819,142	10,809,922	9,732,400	10,863,071
Health and Welfare	1,090,104	1,662,536	1,304,242	1,329,262	1,240,971	2,004,790	2,338,032	1,861,040	1,402,424	2,830,718
Interest on Long-Term Debt	9,076,084	9,606,507	15,001,139	12,947,831	12,868,534	12,780,665	11,987,929	9,253,632	5,624,571	5,152,837
Total Governmental Activities Expenses	111,602,620	116,268,523	148,186,648	162,764,248	159,890,285	158,668,124	146,221,226	130,762,584	112,424,101	119,112,846
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	3,060,929	1,941,424	5,890,753	4,665,010	5,954,230	8,553,972	13,101,053	5,665,531	8,912,099	8,451,711
Public Safety	10,650,014	9,028,094	8,298,051	5,945,185	3,248,263	2,915,485	2,712,950	2,286,012	2,394,095	2,462,495
Public Services	5,962,886	10,882,903	10,583,084	8,899,491	10,173,275	11,845,911	12,869,081	13,835,689	13,044,551	13,521,227
Community Development	3,841,233	4,099,792	3,985,741	4,160,614	4,178,530	4,272,836	4,539,129	4,535,231	5,227,628	5,173,147
Cultural and Recreational	2,786,246	3,396,516	4,426,375	4,593,948	4,796,044	4,549,359	4,345,598	4,581,581	4,628,582	4,820,809
Health and Welfare	533,697	563,806	383,453	438,066	320,888	297,947	287,880	274,643	245,701	275,289
Operating Grants and Contributions	11,360,223	12,313,944	16,119,583	8,367,715	7,223,053	7,454,967	8,568,420	8,932,066	9,142,066	12,637,721
Capital Grants and Contributions	59,087,285	32,968,553	44,182,951	43,630,373	48,552,845	34,558,609	25,479,096	23,057,899	19,661,447	35,822,039
Total Primary Governmental Activities	97,282,513	75,195,032	93,869,991	80,700,402	84,447,128	74,449,086	71,903,207	63,168,652	63,256,169	83,164,438
Program Revenues										
Net Revenues (Expenses)	(14,320,107)	(41,073,491)	(54,316,657)	(82,063,846)	(75,443,157)	(84,219,038)	(74,318,019)	(67,593,932)	(49,167,932)	(35,948,408)
General Revenues and other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Tax Increment (Note 1)	31,862,531	38,442,251	41,637,203	45,247,711	48,020,519	43,025,101	36,535,369	16,474,950	-	-
Property Taxes (Note 2)	3,891,523	4,395,603	5,800,726	6,546,013	6,918,844	5,261,215	4,765,792	4,553,208	4,831,816	5,269,406
Sales and Use Taxes	18,916,689	17,902,901	18,239,981	16,509,935	14,448,749	14,104,937	14,921,645	15,177,845	15,649,190	16,396,713
Motor Vehicle in Lieu	10,530,327	9,902,805	13,061,697	14,139,907	14,256,968	12,217,092	10,967,302	10,391,440	10,400,447	10,651,753
Franchise Taxes	5,119,357	3,713,779	3,851,987	3,910,119	4,101,425	3,795,048	4,182,380	4,445,066	4,556,419	5,847,596
Transient Occupancy Taxes	1,316,944	1,407,786	1,532,879	1,482,127	1,517,223	2,581,658	2,633,405	2,788,736	2,907,995	2,824,182
Business License Taxes	398,795	424,065	465,301	444,099	455,216	428,916	444,511	480,470	468,830	515,815
Unrestricted Investment Earnings	1,289,009	1,989,688	2,884,946	2,727,326	2,064,949	137,085	241,789	280,195	(136,096)	391,725
Other General Revenues	2,495,904	2,617,100	815,603	825,777	744,262	1,114,030	145,076	233,760	270,275	274,312
Extraordinary Item-Dissolution of RDA (Note 1)	-	-	-	-	-	-	-	125,544,368	(3,547,799)	10,346,241
Total Governmental Activities	80,795,978	88,290,323	91,833,014	92,528,155	82,665,082	74,837,269	180,370,038	35,401,077	52,517,743	
Change in Net Position	61,500,972	39,722,487	33,973,666	9,769,168	17,084,998	(1,553,956)	519,250	112,776,106	(13,766,855)	16,569,335

Note 1: Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity. All assets and liabilities of the former Redevelopment Agency of the City of Palmdale was transferred to a Private Purpose Trust Fund to be held until they are distributed to other units of the state and local government. All Tax Increment is reported under a fiduciary Fund statements (Private Purpose Trust Fund). The FY2011-12 extraordinary gain recognized on the Government Wide statements is the net assets and liabilities transferred to the Fiduciary Fund at February 1, 2012. For FY2012-13, the extraordinary loss recognized are assets returned to the Private Purpose Trust Fund as the result of California's Department of Finance review and determination of transfers made prior to the dissolution of the former RDA.

Note 2: The Motor Vehicle in Lieu Taxes include property tax in lieu of VLF revenues.

Source: The information is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Palmdale
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2005	2006	2007	2008	2009	2010	See Note 2011
General Fund							
Reserved	2,243,992	3,605,268	5,834,570	5,673,947	5,368,215	5,363,834	-
Unreserved	23,762,459	22,894,111	30,335,111	28,046,526	22,767,287	18,112,832	-
Total General Fund	<u>26,006,451</u>	<u>26,499,379</u>	<u>36,169,681</u>	<u>33,720,473</u>	<u>28,135,502</u>	<u>23,476,666</u>	-
All Other Governmental Funds							
Reserved	50,587,068	62,639,228	81,535,935	61,400,662	54,717,638	60,764,046	-
Unreserved, Reported In:							
Special Revenue Funds	17,643,576	33,766,566	53,039,381	64,115,486	59,908,666	54,659,643	-
Capital Projects Funds	50,383,514	37,787,556	29,481,903	28,600,585	31,700,086	23,226,199	-
Debt Service Funds	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>118,614,158</u>	<u>134,193,350</u>	<u>164,057,219</u>	<u>154,116,733</u>	<u>146,326,390</u>	<u>138,649,888</u>	-
Total Governmental Funds	<u>144,620,609</u>	<u>160,692,729</u>	<u>200,226,900</u>	<u>187,837,206</u>	<u>174,461,892</u>	<u>162,126,554</u>	-

160

The Following Fund Balances are classified in compliance to GASB 54:

	2011	2012	2013	2014
General Fund				
Nonspendable	4,180,275	4,685,548	10,574,731	10,491,577
Restricted	-	2,917,536	4,135,688	3,053,154
Assigned	7,672,148	5,639,221	5,432,558	5,717,857
Unassigned	17,472,584	16,415,346	18,391,993	21,637,632
Total General Fund	<u>29,325,007</u>	<u>29,657,651</u>	<u>38,534,970</u>	<u>40,900,220</u>
All Other Governmental Funds				
Nonspendable	599,434	-	-	-
Restricted	140,356,828	142,828,907	147,398,476	163,742,301
Assigned	13,865,470	13,643,822	-	-
Unassigned	(20,001,075)	(17,187,366)	(16,444,270)	(15,388,578)
Total All Other Governmental Funds	<u>134,820,657</u>	<u>139,285,363</u>	<u>130,954,206</u>	<u>148,353,723</u>
Total Governmental Funds	<u>164,145,664</u>	<u>168,943,014</u>	<u>169,489,176</u>	<u>189,253,943</u>

Note:

The information is derived from the Comprehensive Annual Financial Reports for the relevant year.

FY2010-11 is the first year that the City implemented GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City chose not to restate the prior year information.

City of Palmdale
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting - Audited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes (see page 153)	64,982,332	80,013,130	88,309,633	90,707,345	92,059,450	83,783,678	77,274,996	58,488,094	42,329,440	46,089,020
Subventions and Grants	16,260,951	25,526,725	16,300,075	14,959,865	14,968,117	15,968,036	21,721,531	18,185,576	15,156,355	18,645,952
Fees and Charges	35,674,302	36,294,470	41,688,957	25,479,113	18,261,796	15,855,734	20,087,670	13,776,125	17,248,834	22,906,797
Licenses and Permits	10,079,166	8,637,100	7,346,818	4,940,292	2,114,087	1,942,445	1,810,522	1,574,855	1,513,526	1,652,670
Special Assessments	4,612,735	5,550,737	6,625,214	7,464,331	10,825,548	13,375,425	14,019,785	13,998,835	14,179,059	14,402,577
Interfund Interest	-	-	-	-	-	-	-	570,935	661,662	636,401
Interest	3,459,521	4,571,403	6,570,867	6,019,741	3,896,529	976,511	957,706	750,011	601,227	683,854
Successor Agency Contributions	-	-	-	-	-	-	-	-	3,553,656	3,389,127
Capital Contributions	27,898,227	1,180,186	2,812,722	752,247	1,468,992	296,693	239,995	328,515	443,774	315,299
Net Increase (Decrease) in the Fair Value of Investments:	(67,167)	140,958	914,287	313,160	390,484	(395,472)	(176,960)	69,767	(736,165)	480,776
Other revenue	1,835,891	1,716,820	1,470,536	1,395,222	2,401,536	4,205,689	5,421,695	3,825,141	3,556,653	4,227,192
Total Revenues	164,735,958	163,631,529	172,039,109	152,031,316	146,386,539	136,008,739	141,356,940	111,567,854	98,508,021	113,429,665
Expenditures:										
Current:										
General Government	12,989,448	14,860,807	17,188,633	16,348,207	18,020,219	18,478,189	15,544,789	16,049,708	16,049,207	19,285,105
Public Safety	19,054,101	18,731,400	20,380,190	23,000,452	22,865,674	21,898,106	21,690,842	21,638,652	22,692,501	22,926,361
Public Services	10,066,858	15,324,792	17,065,903	17,833,777	18,452,277	20,462,591	17,791,923	17,241,488	16,929,292	17,238,982
Community Development	14,704,649	7,755,690	8,845,220	10,175,300	11,811,091	23,755,350	19,093,766	13,705,233	5,962,701	4,874,350
Cultural and Recreational	11,975,897	14,377,525	15,891,139	16,609,622	15,923,788	12,897,447	9,611,612	9,484,918	8,899,259	9,963,444
Health and Welfare	1,087,144	1,646,832	1,257,153	1,327,240	1,246,003	2,017,575	2,335,940	1,853,032	1,388,304	2,824,602
Other	-	-	-	-	-	-	-	-	-	-
Intergovernmental - Tax Sharing	16,873,680	20,724,822	23,345,814	24,052,674	26,522,289	9,501,128	17,449,701	8,289,166	-	-
Intergovernmental - ERAF	1,878,430	1,847,224	-	-	-	11,605,102	2,389,286	-	-	-
Capital Outlay	79,445,146	43,164,445	43,037,684	39,929,164	26,023,665	14,253,471	14,572,641	13,489,752	12,456,560	10,777,668
Debt service:										
Principal	3,643,938	5,264,256	5,376,806	5,850,994	6,448,665	7,200,485	7,258,139	7,080,489	13,623,679	4,453,442
Interfund Interest	-	-	-	-	-	-	-	570,935	661,662	636,401
Interest	8,605,738	8,731,778	14,615,545	11,948,349	12,391,397	12,053,242	11,599,191	8,431,895	5,506,918	5,139,543
Cost of Issuance	770,037	588,714	444,331	-	320,683	3,724	-	-	320,404	-
Payments to Adv Refund Escrow	-	644,214	-	-	-	-	-	-	-	-
Total Expenditures	181,095,066	153,662,499	167,448,418	167,075,779	160,025,751	154,126,410	139,337,830	117,835,268	104,490,487	98,119,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,359,108)	9,969,030	4,590,691	(15,044,463)	(13,639,212)	(18,117,671)	2,019,110	(6,267,414)	(5,982,466)	15,309,767

(continued)

City of Palmdale
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting - Audited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses):										
Capital Lease Proceeds	1,584,009	1,588,803	22,386	2,146,379	-	-	-	-	1,345,884	-
Gain (Loss) on Resale Land	-	-	-	(4,953,791)	-	310,632	-	-	-	-
Issuance of Notes	7,141,244	1,254,260	14,961,094	5,462,181	-	2,200,000	-	-	-	-
Issuance of Bonds	19,545,000	16,920,000	19,960,000	-	6,380,000	-	-	-	8,695,000	-
Payments to Refunded Bond Escrow	-	(13,562,858)	-	-	(6,149,500)	-	-	-	-	-
Debt Issuance Premiums (Discounts)	(105,809)	(97,115)	-	-	33,398	-	-	-	35,543	-
Transfer to Fiduciary Funds	-	-	-	-	-	-	-	-	-	-
Transfers In	91,799,656	78,886,339	71,612,552	50,508,086	71,782,468	49,118,864	71,537,568	16,092,930	25,593,919	11,001,936
Transfers Out	(91,799,656)	(78,886,339)	(71,612,552)	(50,508,806)	(71,782,468)	(49,118,864)	(71,537,568)	(16,092,930)	(25,593,919)	(11,001,936)
Total Other Financing Sources (Uses)	28,164,444	6,103,090	34,943,480	2,654,049	263,898	2,510,632	-	-	10,076,427	-
Extraordinary Items:										
Extraordinary Gain (Loss) Upon Dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	4,278,664	(3,547,799)	-
Net Change in Fund Balances	11,805,336	16,072,120	39,534,171	(12,390,414)	(13,375,314)	(15,607,039)	2,019,110	(1,988,750)	546,162	15,309,767
Debt service as a percentage of noncapital expenditures	8.26%	11.61%	20.39%	13.67%	16.66%	18.41%	15.36%	16.04%	22.23%	15.91%

Source: City of Palmdale, Finance Department and Audited Annual Financial Reports

City of Palmdale
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Property and Tax Increment Revenue ^a	Sales and Use Taxes ^b	Business License Tax	Franchise Tax	Gasoline Tax	Transient Occupancy Tax ^c	Real Property Transfer Tax ^d	Total
2004-05	35,754,054	18,916,689	398,795	5,119,357	2,404,089	1,316,944	1,072,404	64,982,332
2005-06	52,303,973 ^e	17,902,901	424,065	4,236,249	2,452,830	1,407,786	1,285,326	80,013,130
2006-07	58,712,132	18,239,981	465,301	4,369,349	4,020,516	1,532,879	969,475	88,309,633
2007-08	64,836,544	16,509,935	444,099	4,459,145	2,523,726	1,482,127	451,769	90,707,345
2008-09	68,258,192	14,448,749	455,216	4,101,425	2,845,711	1,517,223	432,934	92,059,450
2009-10	59,618,703	14,104,937	428,916	4,143,990	2,465,611	2,581,658	439,863	83,783,678
2010-11	51,265,821	14,921,645	444,511	4,182,380	3,527,274	2,633,405	299,960	77,274,996
2011-12	31,041,261	15,177,845	480,470	4,445,066	4,252,237	2,788,736	302,479	58,488,094
2012-13	14,791,598	15,649,190	468,830	4,556,419	3,593,343	2,907,995	362,065	42,329,440
2013-14	15,478,125	16,396,713	515,815	5,847,596	4,649,226	2,824,182	377,364	46,089,021
Change 2005-2014	-56.71%	-13.32%	29.34%	14.23%	93.39%	114.45%	-64.81%	-29.07%

^a The City's property and tax increment revenue has increased over the last ten years due to the increases in the City's population and housing boom. However, the City has a decrease of 53.81 percent in 2012-13 as the result of the dissolution of all California Redevelopment Agencies during 2011-12. The Tax Increment previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is now reported under a Private Purpose Trust Fund effective February 1, 2012.

^b The City's sales and use tax has a slight decrease of 0.66 percent in the last ten years as the result of economic downturn as compared to ten years ago.

^c Transient Occupancy Tax has increased by 139.19 percent as the result of seven additional hotels opening since 1998.

^d Real Property Transfer tax has decreased by 54.91 percent due to the decline in housing market values in combination with a decline in activity as the result of the decline in housing market as compared to ten years ago.

^e An overpayment of Sales Tax was received in FY2004-05 that was repaid in FY2005-06.

City of Palmdale
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Secured Property								
	Residential Property	Commercial Property	Industrial Property	Dry Farm Property	Government Property	Institutional Property	Irrigated Property	Miscellaneous Property	Recreational Property
2004-05	5,438,324,605	670,278,004	354,265,015	2,668	-	10,557,906	2,066,305	863,400	12,327,005
2005-06	6,543,712,941	741,444,328	385,705,596	1,069,068	156,594	12,055,290	2,627,121	880,665	13,579,103
2006-07	8,067,558,110	899,495,661	412,892,148	1,090,447	159,725	16,694,034	2,240,244	898,275	15,629,875
2007-08	9,499,096,328	967,572,888	444,099,165	2,828	255,739	20,170,777	2,244,637	916,237	29,358,075
2008-09	9,529,419,713	1,017,772,708	492,863,922	2,883	166,177	100,743,049	2,287,961	934,557	28,452,126
2009-10	7,547,774,554	1,194,241,824	513,340,677	2,940	169,500	91,841,308	2,332,151	953,245	28,990,541
2010-11	6,323,973,473	1,241,846,521	502,928,731	2,932	127,500	91,029,408	2,299,903	950,982	28,415,152
2011-12	6,253,249,158	1,248,716,862	499,654,620	2,953	127,500	141,963,630	2,062,267	958,139	29,731,246
2012-13	6,090,889,609	1,273,146,332	503,350,828	3,011	127,500	143,862,691	2,102,483	1,994,298	30,041,270
2013-14	6,272,188,494	1,298,298,351	470,813,961	3,070	273,000	218,014,208	2,143,503	2,386,415	30,562,607

(See Note 2)

Fiscal Year	Secured Property				Total Secured	SBE Nonunitary Property	Unsecured Property	Total Taxable Assessed Value	Total Direct Tax Rate	(See Note 2) Estimated Actual Taxable Value
	Vacant Land Property	Cross Reference Property	Exempt Property	Unknown Property						
2004-05	323,578,129	146,643,148	(64,273,500)	-	6,894,632,685	3,306,483	199,951,396	7,097,890,564	0.45668%	-
2005-06	420,731,110	156,016,034	(52,320,239)	-	8,225,657,611	3,154,293	255,179,559	8,483,991,463	0.44421%	-
2006-07	485,302,199	163,520,208	(67,405,844)	22	9,998,075,104	2,984,430	272,283,947	10,273,343,481	0.43553%	-
2007-08	551,890,393	171,236,008	(55,802,504)	-	11,631,040,571	1,983,798	272,633,914	11,905,658,283	0.42304%	-
2008-09	571,143,768	160,491,656	(71,343,928)	-	11,832,934,592	1,950,352	308,284,491	12,143,169,435	0.42380%	-
2009-10	513,904,333	166,240,555	(76,284,071)	-	9,983,507,557	1,877,452	331,325,052	10,316,710,061	0.44557%	-
2010-11	450,752,702	157,088,446	(78,398,849)	6,022	8,721,022,923	1,601,400	337,572,964	9,060,197,287	0.45828%	-
2011-12	583,252,015	148,423,521	(83,267,879)	6,000	8,824,880,032	963,200	273,267,652	9,099,110,884	0.46508%	-
2012-13	546,772,769	160,682,096	(79,247,893)	1,708,463	8,675,433,457	963,200	373,414,517	9,049,811,174	0.43604%	-
2013-14	547,703,080	157,243,314	(78,516,112)	1,963,079	8,923,076,970	963,200	354,680,993	9,278,721,163	0.00000%	-

Note 1: Exempt values are not included in total taxable assessed value

Note 2: In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: L.A County Assessor 2004/05 - 2013/14 Combined Tax Rolls

City of Palmdale
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of Taxable Value)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Basic Levy¹	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Acton-Agua Dulce USD DS 2008 Series A	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.02178%	0.03150%	0.03523%	0.03390%	0.03271%
Antelope Valley Community College	0.00000%	0.01633%	0.02905%	0.00983%	0.01682%	0.02459%	0.02539%	0.02599%	0.02949%	0.02740%
Antelope Valley Union High	0.02571%	0.02266%	0.01996%	0.01907%	0.02095%	0.02421%	0.02902%	0.02913%	0.03075%	0.02602%
Antelope Valley East Kern Water Agency	0.07054%	0.07050%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%
County Detention Facilities 1987 Debt	0.00092%	0.00080%	0.00066%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Eastside Union School District	0.08407%	0.06574%	0.05531%	0.05414%	0.05789%	0.06700%	0.08172%	0.08149%	0.08302%	0.08677%
LA County Flood Control	0.00025%	0.00005%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Lancaster School District	0.01989%	0.01858%	0.01515%	0.01604%	0.01855%	0.02282%	0.03061%	0.03074%	0.03380%	0.05503%
Palm Ranch Irrigation District	0.02506%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Palmdale School District	0.02593%	0.02092%	0.01619%	0.01678%	0.01827%	0.01988%	0.02337%	0.02323%	0.02527%	0.04839%
Palmdale Water District	0.16389%	0.15228%	0.11965%	0.12544%	0.12593%	0.31737%	0.31356%	0.29166%	0.33361%	0.32898%
Westside Union School District	0.02272%	0.01933%	0.01407%	0.01470%	0.01729%	0.03359%	0.05571%	0.05062%	0.05526%	0.05615%
Total Direct & Overlapping² Tax Rates	1.43898%	1.38718%	1.34059%	1.32650%	1.34618%	1.60175%	1.66136%	1.63859%	1.69559%	1.73195%
City Share of 1% Levy per Prop 13³	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%
General Obligation Debt Rate	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Redevelopment Rate⁴	1.07146%	1.07129%	1.07115%	1.07049%	1.07049%	1.07049%	1.07049%	1.07049%	0.00000%	0.00000%
Total Direct Rate⁵	0.45668%	0.44421%	0.43553%	0.42304%	0.42380%	0.44557%	0.45828%	0.46508%	0.43604%	0.07637%

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value with the City. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. Effective February 1, 2012, all California Redevelopment Agencies were dissolved.

⁵Total direct rate is the weighted average of all individual direct rates and applied by the City of Palmdale.

Data Source: L.A. County Assessor 2004/05 - 2013/14 Tax Rate Table

City of Palmdale
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2013-14		2004-05	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Lockheed Corporation	\$ 331,503,044	3.54%	\$ 299,090,373	4.18%
Lancaster Hospital Corporation	218,143,591	2.33%		0.00%
Antelope Valley Mall LLC	118,748,208	1.27%	86,802,252	1.21%
Northrop Grumman Systems Corporation	110,356,894	1.18%	57,638,073	0.80%
MGP X Properties LLC	94,219,638	1.01%		0.00%
Wal Mart Real Estate Business Trust/Sam's West In	75,542,379	0.81%		0.00%
Time Warner Cable	45,288,074	0.48%		0.00%
Universal Health Svs of Palmdale Inc	39,759,313	0.42%		0.00%
Target Corporation	39,378,819	0.42%		0.00%
LV Ritter Ranch LLC	32,425,800	0.35%		0.00%
Anaverde LLC		0.00%	29,156,692	0.41%
Bascom Fountains LLC		0.00%	26,786,500	0.37%
California Investors VII		0.00%	25,057,429	0.35%
City of Palmdale		0.00%	19,478,133	0.27%
Heritage Inn and Suites of Eau Claire		0.00%	19,222,301	0.27%
Palmdale Marketplace LLC		0.00%	19,220,777	0.27%
Anderson Barrows Metals Corporation		0.00%	16,652,132	0.23%
Top Ten Total	1,105,365,760	11.81%	599,104,662	8.36%
Total City Taxable Assessed Value	\$ 9,357,237,275	100.00%	\$ 7,162,164,064	100.00%

Source: HdL Coren & Cone, Los Angeles County Assessor 2013/14 and 2004/05 Combined Tax Rolls

City of Palmdale
City Property Tax Levies and Collections Last Ten Fiscal
Last Ten Fiscal Years

Fiscal Year	City Property Tax			Subsequent Collections			Total Collections	% of Levy
	Levy (1)	Collections (2)	% of Levy	Supplemental (3)	Redemption (4)	Refunds Adjustments (5)		
2004-05	4,031,820	3,411,242	84.61%	550,660	67,617	(22,421)	4,007,098	99.39%
2005-06	4,728,009	4,072,984	86.15%	527,713	109,291	(23,983)	4,686,005	99.11%
2006-07	5,983,714	4,802,317	80.26%	788,186	162,147	(22,405)	5,730,244	95.76%
2007-08	6,625,681	5,497,094	82.97%	729,995	239,917	(15,765)	6,451,240	97.37%
2008-09	6,762,465	5,592,424	82.70%	394,922	211,630	(10,742)	6,188,234	91.51%
2009-10	5,225,565	4,764,653	91.18%	131,963	226,253	(55,222)	5,067,647	96.98%
2010-11	4,582,321	4,191,087	91.46%	145,044	165,780	70,326	4,572,236	99.78%
2011-12	4,569,196	4,045,607	88.54%	153,788	114,549	101,781	4,415,725	96.64%
2012-13	4,702,797	4,168,372	88.64%	198,103	102,478	119,284	4,588,238	97.56%
2013-14	4,866,006	4,295,755	88.28%	323,668	79,763	118,794	4,817,980	99.01%

- (1) Billings represents the Secured, Unsecured, and Homeowners Property Tax billed amounts for each fiscal year.
- (2) Collections represents the Secured, Unsecured, and Homeowners Property Tax collected amounts for each fiscal year.
- (3) SB813 requires than a supplemental assessment be enrolled for the amount of the difference in value between regular assessment roll and the new fair market value after a change of ownership. The Supplemental figures were taken from LA County remittances and may include supplemental amounts from prior fiscal years.
- (4) Redemption collections represent tax-defaulted secured property taxes that were unpaid at the end of a fiscal year. The Redemption figures were taken from LA County remittances and may include redemption amounts from prior fiscal years.
- (5) Refunds represent overpayments of taxes due because of a decrease in value; whereas adjustments represent changes to the tax roll. The Refund and Adjustment figures were taken from LA County remittances and may include refunds and/or adjustments from prior fiscal years.

City of Palmdale
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Certificates of Participation	Tax Allocation Bonds ^A	Bond Anticipation Note	Revenue Bonds	Capital Leases	Other Notes Payable	Total Governmental Activities	Percentage of Personal Income (1)	Per Capita (1)
2005	66,471,872	90,561,705	6,000,000	29,100,050	1,744,736	18,869,650	212,748,013	8.19%	1,568
2006	64,596,726	93,983,966	6,000,000	28,010,778	2,291,329	18,657,035	213,539,834	7.43%	1,529
2007	83,661,083	93,134,622	6,000,000	26,886,479	1,680,546	32,330,419	243,693,149	7.87%	1,701
2008	82,474,985	92,319,669	6,000,000	25,549,124	2,972,492	36,708,142	246,024,412	7.74%	1,685
2009	81,180,479	91,490,186	-	30,498,952	2,331,651	37,915,317	243,416,585	7.72%	1,614
2010	79,777,320	90,607,264	-	28,987,709	1,411,759	38,224,725	239,008,777	8.97%	1,566
2011	78,260,915	89,612,082	-	27,302,575	625,507	36,516,156	232,317,235	8.22%	1,511
2012	78,663,861	-	-	25,203,459	149,214	8,233,768	112,250,302	3.96%	730
2013	67,773,873	-	-	32,356,201	1,219,846	7,665,342	109,015,262	3.81%	705
2014	66,537,300	-	-	30,392,752	962,260	7,084,485	104,976,797	3.70%	674

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^AA decrease in Tax Allocation Bonds reported is the direct result of the dissolution of all California Redevelopment Agencies during 2011-12. The Debt previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is now being reported under a Private Purpose Trust Fund effective February 1, 2012.

(1) These ratios are calculated using per capita personal income and population for the prior calendar year provided by HdL, Coren & Cone

Source: City of Palmdale, Finance Department

City of Palmdale
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds ^A	Revenue* Bonds	Total	Percent of Assessed Value (1)	Per Capita
2005	90,561,705	29,100,050	119,661,755	1.69%	882
2006	93,983,966	28,010,778	121,994,744	1.44%	873
2007	93,134,622	26,886,479	120,021,101	1.17%	838
2008	92,319,669	25,549,124	117,868,793	0.99%	807
2009	91,490,186	30,498,952	121,989,138	1.00%	809
2010	90,607,264	28,987,709	119,594,973	1.16%	784
2011	89,612,082	27,302,575	116,914,657	1.29%	761
2012	-	25,203,459	25,203,459	0.28%	164
2013	-	32,356,202	32,356,202	0.36%	209
2014	-	30,392,752	30,392,752	0.33%	195

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

General bonded debt is debt payable with governmental fund resources recorded in Palmdale Civic Authority (of which the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of

^AA decrease in Tax Allocation Bonds reported is the direct result of the dissolution of all California Redevelopment Agencies during 2011-12. The Debt previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is now being reported under a Private Purpose Trust Fund effective February 1, 2012.

*During FY2012-13, \$8,695,000 Lease Revenue Bonds were issued.

City of Palmdale
Direct and Overlapping Governmental Activities Debt
June 30, 2014

City Assessed Valuation	\$ 5,662,566,265
Redevelopment Agency Incremental Valuation	3,694,671,010
Total Assessed Valuation	\$ 9,357,237,275

<u>OVERLAPPING DEBT:</u>	Gross Bonded Debt Balance	Percentage Applicable	Estimated Share of Overlapping Debt
308.60-Palmdale Water District Bonds	\$ 27,664,802	90.596%	\$ 25,063,096
464.50-Eastside Union Elem School District 1998 Series A Debt Service	2,497,548	11.292%	282,012
464.51-Eastside Union School District Series 2002	3,650,000	11.292%	412,142
464.52-Eastside Union School District Debt Service Series 2003	2,675,000	11.292%	302,049
529.51-Lancaster School District Debt Service 1999 Series 2001	12,823,615	0.636%	81,616
529.52-Lancaster School District Debt Service 1999 Series 05 Ref. Bond	5,605,000	0.636%	35,673
529.53-Lancaster School District Debt Service 2012 Series 2013A Bond	17,205,000	0.636%	109,501
529.54-Lancaster School District Debt Service 2012 Series 2013B Bond	12,305,000	0.636%	78,315
593.50-Palmdale School District Debt Service 2001 Series 2002	2,138,148	94.524%	2,021,065
593.52-Palmdale School District Debt Service 2001 Series 2003	266,456	94.524%	251,865
593.53-Palmdale School District Debt Service 2010 Ref Bonds	12,960,000	94.558%	12,254,719
593.54-Palmdale School District Debt Service 2012 Series 2013A Bonds	42,240,000	94.558%	39,941,306
593.55-Palmdale School District Debt Service Ref Series 2013B Bonds	2,945,000	94.558%	2,784,734
689.53-Westside Union School District Series C Debt Service	985,000	38.563%	379,849
689.54-Westside Union School District 1998 Series A Debt Service	4,853,006	38.563%	1,871,483
689.55-Westside Union School District 1998 Series S-2001 A Debt Service	3,159,189	38.563%	1,218,290
689.56-Westside Union School District 1998 Series S-2002 A Debt Service	2,631,810	38.563%	1,014,915
689.61-Westside Union School District 2008 Series A Debt Service	41,818,783	38.563%	16,126,735
689.62-Westside Union School District Debt Service 2008 Series B	18,510,000	38.563%	7,138,081
717.52-Antelope Valley Union High School District 2002 Series B Debt Service	26,551,694	41.031%	10,894,550
717.53-Antelope Valley Unified High School District 2002 DS Series 2005	15,583,179	41.031%	6,394,007
717.54-Antelope Valley Unified High School District Refund SR 2012	35,620,000	41.031%	14,615,410
792.51-Antelope Valley CCD Debt Service 2004 Series A	1,010,000	38.228%	386,099
792.52-Antelope Valley CCD 2004 Series B Debt Service	52,536,256	38.228%	20,083,337
792.53-Antelope Valley CCD Debt Service 2006 Ref Bonds	60,999,683	38.228%	23,318,700
792.54-Antelope Valley CC 2004 Series C Debt Service	14,905,961	38.228%	5,698,188
935.52-Action-Agua Dulce USD 2008 Debt Service Series A	12,551,610	0.008%	951
TOTAL OVERLAPPING DEBT			\$ 192,758,688
City of Palmdale's Direct Debt			\$ -
Total Direct and Overlapping Debt			\$ 192,758,688

Notes:

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Palmdale. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Data Source HDL Coren & Cone, L. A. County Assessor and Auditor Combined 2013/14 Lien Date Tax Rolls.

City of Palmdale
 Legal Debt Margin Information
 Last Ten Fiscal Years

Fiscal Year	Assessed Evaluation	Debt Limit (1)	Total Net Debt Applicable to the Limit (2)	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2004-05	7,162,164,064	268,581,152	119,661,755	44.55%
2005-06	8,536,311,702	320,111,689	121,994,744	38.11%
2006-07	10,340,749,325	387,778,100	120,021,101	30.95%
2007-08	11,961,460,787	448,554,780	117,868,793	26.28%
2008-09	12,214,513,363	458,044,251	121,989,138	26.63%
2009-10	10,392,994,132	389,737,280	119,594,973	30.69%
2010-11	9,138,596,136	342,697,355	116,914,657	34.12%
2011-12	9,182,378,763	344,339,204	25,203,459	7.32%
2012-13	9,129,059,067	342,339,715	32,356,201	9.45%
2013-14	9,357,237,275	350,896,398	30,392,752	8.66%

Source: Los Angeles County

Note (1): The legal debt limit is statutorily computed at 3.75% of assessed valuation. Amounts applicable to the former Community Redevelopment Agency of the City of Palmdale are included in years 2002-03 through 2010-11.

Note (2): Total net debt applicable to the limit includes Tax Allocation Bonds and Revenue Bonds.

Note (3): The aggregate principal amount of the City's general obligation debt for public improvements is statutorily limited to 15.0 percent of the City's total reported assessed valuation. The City has no general obligation debt outstanding as of June 30, 2014.

City of Palmdale
Former Community Redevelopment Agency - Project Area 1 & 1 A Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	1993 Revenue Bonds Debt Service (1)		2003 Revenue Bonds 19.2 Debt Service		2003 Bond Anticipation NP Debt Service (4)		2009 Note Payable 6.0 Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	-	-	600,000	817,025	-	345,000	-	-
2006	-	-	720,000	803,825	-	345,000	-	-
2007	-	-	735,000	789,275	-	345,000	-	-
2008	-	-	750,000	772,550	-	345,000	-	-
2009	660,000	-	110,000	761,800	6,000,000	345,000	-	-
2010	660,000	-	115,000	758,700	-	-	-	226,493
2011	660,000	-	115,000	755,106	-	-	60,000	391,931
2012	-	-	780,000	737,638	-	-	95,000	386,843
2013	-	-	810,000	705,837	-	-	100,000	380,442
2014	-	-	845,000	672,737	-	-	105,000	373,713

Fiscal Year	Debt Summary			Pledged Revenue			Coverage
	Total Principal	Total Interest	Total Debt Service	Gross Tax Increment (2)	Less: Operating Expenses (3)	Net Available	
2005	600,000	1,162,025	1,762,025	4,781,944	1,258,167	3,523,777	2.00
2006	720,000	1,148,825	1,868,825	5,332,210	1,424,239	3,907,971	2.09
2007	735,000	1,134,275	1,869,275	6,432,872	1,702,916	4,729,956	2.53
2008	750,000	1,117,550	1,867,550	6,960,662	1,261,118	5,699,544	3.05
2009	6,770,000	1,106,800	7,876,800	7,861,714	2,036,582	5,825,132	0.74
2010	775,000	985,193	1,760,193	7,981,001	1,943,519	6,037,482	3.43
2011	835,000	1,147,037	1,982,037	4,797,340	1,261,631	3,535,709	1.78
2012	875,000	1,124,481	1,999,481	8,217,166	274,933	7,942,233	3.97
2013	910,000	1,086,279	1,996,279	9,961,671	356,493	9,605,178	4.81
2014	950,000	1,046,450	1,996,450	8,696,225	341,547	8,354,678	4.18

Note: Details regarding the City's debt and the Successor Agency to the former Community Redevelopment Agency's debt can be found in the notes to the financial statements.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

Source: City of Palmdale, Finance Department

(1) Revenue Bonds were partially defeased in May 2003 by the 2003 Revenue Bonds.

(2) Gross Tax Increment consist of property taxes generated from Project Area No. 1&1A

(3) Operating Expenses consist of the 20% set-aside property taxes generated from Project Area No. 1&1A, pass through payments pursuant to agreements to allocate tax increment funds to various Local Agencies, and other charges related to administering Area 1&1A debt.

(4) 2003 Bond Anticipation Note was fully defeased in June 2009 by the CRA Loan associated with the 2009 Revenue Bonds.

City of Palmdale
Former Community Redevelopment Agency - Project Area 2A Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	1999 Sublien TAB 2.7 Debt Service		2002 TAB 5.3 Debt Service		2004 TAB 6.09 Debt Service		2004 TAB 18.5 Debt Service		1998 TAB 30.6 Debt Service		1994 Revenue Bonds Debt Service (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	-	95,013	-	-	-	178,818	-	677,042	240,000	1,494,803	-	-
2006	65,000	188,238	-	-	-	275,105	110,000	924,000	300,000	1,483,853	-	-
2007	70,000	184,525	-	-	-	275,105	145,000	917,625	410,000	1,469,195	-	-
2008	75,000	180,538	-	-	-	275,105	10,000	913,750	475,000	1,450,594	170,000	-
2009	80,000	176,275	-	-	-	275,105	-	913,500	500,000	1,429,750	175,000	-
2010	85,000	171,737	-	-	-	275,105	-	913,500	555,000	1,405,125	180,000	-
2011	90,000	166,925	-	-	-	275,105	75,000	911,625	585,000	1,376,625	185,000	-
2012	95,000	161,838	-	-	145,000	272,930	280,000	902,750	615,000	1,346,625	190,000	-
2013	100,000	156,475	-	-	145,000	268,508	290,000	888,500	640,000	1,315,250	195,000	-
2014	105,000	150,837	-	-	155,000	263,780	300,000	873,750	675,000	1,282,375	205,000	-

Fiscal Year	1997 Revenue Bonds Debt Service		Debt Summary		Pledged Revenue					
	Principal	Interest	Total Principal	Total Interest	Service	Sales Tax (2)	Increment (2)	Expenses (3)	Net Available	Coverage
2005	515,000	425,771	755,000	2,871,447	3,626,447	12,203,623	27,043,025	22,358,241	16,888,407	4.66
2006	535,000	400,304	1,010,000	3,271,500	4,281,500	10,068,634	33,071,730	27,369,744	15,770,620	3.68
2007	565,000	373,071	1,190,000	3,219,521	4,409,521	10,228,130	35,165,253	30,483,379	14,910,004	3.38
2008	595,000	342,584	1,325,000	3,162,571	4,487,571	9,499,172	38,247,190	31,843,423	15,902,939	3.54
2009	625,000	310,284	1,380,000	3,104,914	4,484,914	7,549,500	40,118,147	34,596,140	13,071,507	2.91
2010	655,000	277,316	1,475,000	3,042,783	4,517,783	7,585,792	35,002,630	28,233,627	14,354,795	3.18
2011	690,000	242,001	1,625,000	2,972,281	4,597,281	8,027,506	31,695,731	26,344,253	13,378,984	2.91
2012	730,000	204,098	2,055,000	2,888,241	4,943,241	Note (4)	27,126,295	16,712,555	Note (4)	Note (4)
2013	765,000	163,919	2,135,000	2,792,652	4,927,652	Note (4)	29,606,177	21,450,574	Note (4)	Note (4)
2014	805,000	120,820	2,245,000	2,691,562	4,936,562	Note (4)	29,406,998	17,777,381	Note (4)	Note (4)

Note: Details regarding the City's debt and the Successor Agency to the former Community Redevelopment Agency's debt can be found in the notes to the financial statements.

Source: City of Palmdale, Finance Department

(1) The 1994 Revenue Bonds were partially defeased in June 2004.

(2) Gross sales tax and tax increment consist of property taxes and sales tax generated from Project Area No. 2A

(3) Operating Expenses consist of the 20% set-aside property taxes generated from Project Area No. 2A, pass through payments pursuant to agreements to allocate tax increment funds to various Local Agencies, and other charges related to administering Area 2A debt.

(4) Due to the dissolution of the Community Redevelopment Agency in 2012, the Sales Tax generated by Project Area was not available therefore the "Net Available" and "Coverage" percent is not available.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

City of Palmdale
Former Community Redevelopment Agency - Project Area 2A (20% Set Aside) Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	2003 TAB 5.9 Debt Service		2003 TAB 7.2 Debt Service		2005 TAB 14.115 Debt Service		2005 TAB 2.8 Debt Service		1997 TAB Series A Debt Service (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	155,000	232,460	15,000	347,645	-	-	-	-	260,000	754,929
2006	165,000	229,260	25,000	347,245	-	311,454	-	65,414	-	-
2007	170,000	225,910	20,000	346,795	370,000	569,441	20,000	120,465	-	-
2008	165,000	222,560	25,000	346,345	410,000	557,741	30,000	119,715	-	-
2009	170,000	218,785	25,000	345,798	420,000	545,291	30,000	118,815	-	-
2010	165,000	214,185	25,000	345,157	445,000	532,316	25,000	117,990	-	-
2011	170,000	209,160	25,000	344,423	455,000	515,404	35,000	117,073	-	-
2012	175,000	203,985	30,000	343,545	475,000	494,479	35,000	115,961	-	-
2013	175,000	198,516	30,000	342,428	500,000	472,541	35,000	114,802	-	-
2014	180,000	192,523	30,000	341,168	525,000	452,104	35,000	113,599	-	-

Fiscal Year	Debt Summary		Pledged Revenue			
	Total Principal	Total Interest	Total Debt Service	20% Set Aside Tax Increment (3)	Net Available	Coverage
2005	430,000	1,335,034	1,765,034	5,408,605	5,408,605	3.06
2006	190,000	953,373	1,143,373	6,614,346	6,614,346	5.78
2007	580,000	1,262,611	1,842,611	7,033,050	7,033,050	3.82
2008	630,000	1,246,361	1,876,361	7,649,438	7,649,438	4.08
2009	645,000	1,228,689	1,873,689	8,023,630	8,023,630	4.28
2010	660,000	1,209,648	1,869,648	7,000,526	7,000,526	3.74
2011	685,000	1,186,060	1,871,060	6,339,147	6,339,147	3.39
2012	715,000	1,157,970	1,872,970	5,425,259	5,425,259	2.90
2013	740,000	1,128,287	1,868,287	5,921,235	5,921,235	3.17
2014	770,000	1,099,394	1,869,394	5,881,400	5,881,400	3.15

Note: Details regarding the City's debt and the Successor Agency to the former Community Redevelopment Agency's debt can be found in the notes to the financial statements.

Source: City of Palmdale, Finance Department

(1)The 1997 TAB Series A TAB were fully defeased in December 2003 by the 2003 TAB Series C Bonds.

(3)The pledged revenues represent 20% property tax increments generated from Project Area 2A and set aside as required by State law for low and moderate income housing.

(4) Due to the dissolution of the Community Redevelopment Agency during 2012, the 20% set aside is not longer required. The 20% set aside calculated is based on what it should have been if legally required.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

**City of Palmdale
Demographic and Economic Statistics
Last Ten Fiscal Years**

Calendar Year	(1) Population	(2) Personal Income <i>(thousands of dollars)</i>	(2) Per Capita Personal Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate	(5) % of Pop 25+ with HS Degree	(5) % of Pop 25+ with Bachelor's Degree
2005	135,677	2,578,933	19,008	29.20	42,425	6.7%		
2006	139,677	2,845,967	20,375	28.30	58,255	6.0%		
2007	143,243	3,048,806	21,284	28.30	57,880	6.4%		
2008	145,973	3,137,576	21,494	28.30	44,025	9.3%		
2009	150,782	3,141,641	20,836	29.00	43,208	14.4%	79.8%	16.4%
2010	152,622	2,665,238	17,463	28.40	39,737	15.6%	73.3%	14.6%
2011	153,708	2,837,296	18,459	29.00	31,915	15.2%	73.4%	15.2%
2012	154,535	2,859,670	18,505	28.90	31,372	11.6%	74.1%	15.4%
2013	154,629	2,890,789	18,695	28.70	31,226	10.8%	73.0%	14.7%

Source:

- (1) California State Department of Finance, Demographic Research Unit E-1: City/County Population Estimates
- (2) 2004-2013 Income, Age, and Education Data: ESRA - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's Boundaries. U.S. Census Bureau, most recent American Community Survey. 2010, and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey.
- (3) Greater Antelope Valley Economic Alliance, AVUHSD, Palmdale School District, Westside School District
- (4) California Employment Development Department.
- (5) U.S. Census Bureau

City of Palmdale
Principal Employers - Antelope Valley
Current Year and Nine Years Ago
(Unaudited)

Employer	2014			2005			
	Products	Number of Employees	Percentage of Total Valley Employment	Employer	Products	Number of Employees	Percentage of Total Valley Employment
Edwards Air Force Base	Aerospace/Aviation	10,647	6.89%	Edwards Air Force Base	Aerospace/Military	12,270	8.97%
China Lake NWC	Aerospace/Aviation	9,172	5.93%	Lockheed Martin	Aerospace	4,200	3.07%
County of Los Angeles	Govt/Corrections	3,743	2.42%	China Lake NWC	Aerospace/Military	3,985	2.91%
Northrop Grumman Corp	Aerospace/Aviation	2,772	1.79%	County of Los Angeles	County Services	3,383	2.47%
Lockheed Martin	Aerospace/Aviation	2,712	1.75%	Palmdale School District	Education	2,986	2.18%
A.V. Union HS District	Education/Learning	2,689	1.74%	Antelope Valley Hospital	Medical	2,300	1.68%
Palmdale School District	Education/Learning	2,682	1.73%	A.V. High School District	Education	1,876	1.37%
Mojave Air & Spaceport	Aerospace/Aviation	2,500	1.62%	Lancaster School District	Education	1,800	1.32%
Antelope Valley Hospital	Healthcare/Healing	2,300	1.49%	Northrop-Grumman	Aerospace	1,750	1.28%
Wal-Mart (5) stores	Retailing	1,922	1.24%	Wal-Mart (4 stores)	Commercial	1,496	1.09%

Source: City of Palmdale Economic Development Department 2013 GAVEA Report

Note 1: FY2014 represents employment reported for calendar year 2013 and the most recent year available. Calendar year 2014 will not be available until Jan 2015.

Note 2: "Total Employment" as used above represents the total employment located within the Greater Antelope Valley region. The Antelope Valley region is considered to be the City's economic region and covers 3,514.2 square miles of area and includes the City of Palmdale, Lancaster, Tehachapi and Ridgecrest. The principal employers represent all employers within the greater Antelope Valley region.

Note 3: 2005 total employment used to calculate the percentage of principal employers is an estimate. The estimate is based on the ratio of the 2005 employment to total population and then applied to total population reported for the calendar year 2005.

City of Palmdale
Full-time-Equivalent City Government Employees by Function:Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013*</u>	<u>2014</u>
CITY MANAGER	8.00	10.00	10.00	8.00	7.00	6.00	6.00	3.00	3.00	4.00
CITY ATTORNEY	6.00	6.00	6.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
ADMINISTRATIVE SERVICES										
City Clerk	5.00	5.00	5.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Records Management	-	1.00	1.00	1.00	-	-	-	-	-	-
Human Resources	4.00	4.00	5.00	6.00	6.00	3.00	3.00	3.00	3.00	3.00
Finance	17.00	18.00	18.00	15.00	15.00	12.00	12.00	12.00	12.00	11.00
DEVELOPMENT SERVICES										
Planning	20.00	20.00	21.00	16.00	14.00	10.00	10.00	14.00	14.00	8.00
Building and Safety	14.00	18.00	18.00	13.00	11.00	8.00	8.00	8.00	8.00	9.00
Engineering	13.00	13.00	14.00	14.00	6.00	2.00	2.00	2.00	2.00	4.00
ECONOMIC DEVELOPMENT & COMMUNICATIONS										
Economic Development	6.00	6.00	6.00	6.00	3.00	4.00	4.00	4.00	3.00	3.00
Communications	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
NEIGHBORHOOD SERVICES										
Public Safety	12.00	19.00	23.00	16.00	16.00	15.00	15.00	14.00	13.00	18.00
Public Security Officers	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CDBG Saves	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Housing Authority	8.00	11.00	11.00	10.00	9.00	8.00	8.00	4.00	4.00	4.00
Families in Action	2.00	1.00	4.00	3.00	3.00	-	-	-	-	-
PUBLIC WORKS										
Public Works Administration	11.00	14.00	13.00	8.00	8.00	5.00	5.00	4.00	4.00	4.00
Drainage Administration	3.00	3.00	3.00	2.00	2.00	1.00	1.00	1.00	-	-
Traffic Engineering	10.00	10.00	10.00	9.00	8.00	8.00	8.00	8.00	7.00	8.00
GIS	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Street Maintenance	39.00	39.00	39.00	35.00	33.00	30.00	30.00	28.00	27.00	27.00
Transit	1.00	1.00	3.00	2.00	3.00	2.00	1.00	1.00	1.00	1.00
Park and Ride	1.00	1.00	1.00	-	-	-	-	-	-	-
Government Facilities	21.00	23.00	25.00	21.00	15.00	12.00	12.00	12.00	12.00	12.00
Park Maintenance	20.00	22.00	25.00	24.00	22.00	12.00	12.00	5.00	7.00	7.00
Sewer Maintenance	-	-	-	-	1.00	8.00	8.00	14.00	17.00	14.00
Street Light Maintenance	-	-	-	-	-	-	-	1.00	3.00	1.00
Landscape Maintenance Gen. Benefit	5.00	6.00	6.00	5.00	5.00	4.00	4.00	3.00	3.00	2.00
Landscape Maintenance District 97-1	15.00	16.00	21.00	19.00	17.00	17.00	18.00	18.00	15.00	15.00

City of Palmdale
 Full-time-Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013*</u>	<u>2014</u>
RECREATION & CULTURE										
Parks Administration	7.00	7.00	7.00	7.00	7.00	3.00	3.00	4.00	4.00	3.00
Special Events	2.00	4.00	5.00	4.00	4.00	3.00	3.00	2.00	2.00	1.00
Cultural Center	2.00	2.00	2.00	1.00	1.00	-	-	-	-	2.00
Senior Center	1.00	1.00	1.00	-	-	1.00	1.00	2.00	2.00	1.00
Recreation	5.00	2.00	2.00	2.00	2.00	2.00	2.00	-	1.00	-
Aquatics	-	1.00	1.00	1.00	1.00	1.00	1.00	2.00	1.00	2.00
Youth/Adult Sports	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Oasis Park Rec Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Park	4.00	4.00	4.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Library	23.00	23.00	24.00	19.00	11.00	7.00	7.00	6.00	-	-
Total	<u>295.00</u>	<u>322.00</u>	<u>345.00</u>	<u>289.00</u>	<u>252.00</u>	<u>203.00</u>	<u>203.00</u>	<u>193.00</u>	<u>184.00</u>	<u>181.00</u>

*Beginning 2013, staffing at the Library was contracted out to a library service provider.

Source: City of Palmdale, Finance Department

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
General Government										
Businesses licensed	5,523	5,600	6,000	6,000	6,307	4,357	4,841	6,290	4,973	6,240
Code Enforcement cases closed	3,045	3,000	5,076	5,270	5,892	4,373	4,057	4,016	3,254	3,421
Buildings maintained	37	37	41	41	41	41	41	40	40	48
Square footage of facilities	296,000	296,000	415,089	415,089	415,089	382,000	396,127	387,300	387,300	312,600
Film permits issued	17	22	10	18	17	35	20	21	22	15
Television programs produced	3	21	25	23	69	27	46	25	18	7
Commercials produced	3	5	4	7	6	17	13	4	2	4
Still Photo Shoots	-	-	-	-	-	-	-	-	-	2
Newsletters published - hard copies	4	6	5	3	3	3	3	3	3	3
Newsletters published - e-newsletters	-	-	-	-	-	-	-	-	-	51
Public Safety										
Neighborhood watch presentations	67	67	70	200	169	122	122	93	172	115
Business watch presentations	32	30	30	30	23	16	10	12	56	36
PAC presentations	50	35	40	44		37	28	18	23	62
Administration Citations Processed	-	0	0	372	424	576	744	535	768	641
Parking Enforcement										
Vehicle Impounds	356	356	300	350	391	400	400	292	410	330
Citations Issued	6,474	7,640	9,329	9,640	8,040	6,651	6,601	7,416	8,648	5,585
Calls for Service	1,055	2,122	1,890	1,276	1,029	835	772	696	719	757
Number of law violations:										
Part 1 crimes	5,141	6,242	5,410	5,044	4,721	4,445	4,201	4,087	4,305	4,093
Part 2 crimes	6,545	8,050	8,307	8,186	7,337	7,053	7,011	6,589	5,787	7,775
Crime reports taken	16,703	29,362	21,248	20,734	19,146	18,562	17,716	16,605	-	20,612
Arrests	7,768	8,671	7,884	9,951	11,629	10,486	9,497	9,901	7,435	5,267
Accident reports taken	2,238	2,427	1,808	2,044	1,753	1,424	1,303	1,385	1,278	1,572
Animal licenses issued	21,297	21,297	24,952	23,720	11,576	7,240	9,642	9,375	8,504	8,314
Public Services										
Number of landscape districts maintained	208	218	206	228	228	245	245	245	245	245
Landscape area (acres) maintained	81	83	117	126	130	130	253	253	253	253
Irrigation controllers maintained	314	336	345	485	393	542	542	542	542	542
Landscape median area maintained (sq. ft.)	218,423	680,781	1,081,053	983,767	983,767	983,767	2,500,344	2,500,344	2,500,344	2,500,344
SR 14 Interchange area maintained (sq. ft.)	108,400	125,382	125,382	125,382	125,382	125,382	125,382	125,382	125,382	125,382
Park-n-ride spaces maintained	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009
Building permits issued	3,401	3,110	2,387	1,300	838	790	814	851	862	1,168

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Public Services (continued)										
Park-n-ride Acres Maintaned	22	22	22	22	22	22	22	22	22	22
Park-n-ride security hours provided	15,240	15,240	15,240	15,240	15,240	15,240	15,240	15,240	-	-
Detention basins maintained	257	305	233	250	265	226	226	226	226	226
Detention basins (acres) maintained	80	88	92	110	120	90	207	94	94	94
Service requests - landscape maint.	776	779	1,855	1,038	300	429	234	252	215	365
Vandalism repair hours	700	600	500	1,552	825	0	663	126	200	3,246
Graffiti abatement hours	-	6,240		7,247	6,441	5,362	4,260	5,150	4,775	-
Lighting districts	68	100	123	134	148	148	149	149	171	150
Number of street lights in districts	1,500	3,000	4,971	3,433	3,400	3,400	4,100	4,100	18,692	18,437
Commercial acreage in street lighting districts	300	457	503	328	460	296	600	600	625	625
Residential parcels in street lighting districts	4,000	6,000	8,279	7,408	6,600	6,200	8,000	8,000	37,038	40,730
Engineer grading permits issued	50	50	80	50	10	10	17	14	9	23
Engineer Geotechnical review	125	146	120	62	19	14	20	10	16	18
Engineer Improvement plans	510	510	595	180	58	34	71	91	74	80
Engineer Inspections	8,100	8,100	9,500	9,000	5,706	1,600	3,005	2,667	1,921	2,189
Striping and marking sq. ft.	720,000	319,206	1,253,295	1,253,649	78,767	1,637,856	237,822	1,900,000	1,068,911	2,500,000
Trees planted	750	850	49	1,490		36	0	263	500	130
Street trees pruned	9,200	1,800	2,200	2,000	2,200	1,662	1,034	1,200	980	947
Street signs maintained	8,400	8,450	8,575	8,615	8,524	1,332	1,095	8,650	8,650	9,100
Street centerline miles	430	508	518	550	555	518	518	518	518	504
Street curb miles swept	21,200	24,800	26,200	26,200	26,400	26,400	26,400	26,400	26,400	-
Street pavement area (acres)	2,132	2,185	2,200	2,450	2,525	2,109	2,109	2,109	2,109	2,109
Bridges maintained	7	9	9	9	9	9	9	9	9	9
Box culverts maintained	6	6	6	6	6	6	6	6	6	7
Number of passengers served ⁴	2,727,838	2,668,756	2,888,881	3,062,213	3,165,000	3,062,088	2,863,691	3,283,438	3,493,239	3,641,482
Number of commuter and fixed routes ⁴	20	17	16	21	16	15	16	18	18	18
Community Development										
Financial assistance to businesses	6	4	5	4	4	3	1	-	-	-
SBDC business counseling hours	149	105	205	340	350	273	232	278	275	275
Business retention site visits	29	20	10	10	20	15	34	35	32	32
Mobile Home Parks paid occupied spaces	778	787	787	787	787	787	787	787	787	787

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Cultural and Recreational										
Library circulation*	431,280	431,290	391,000	391,000	422,429	247,579	341,581	329,022	332,010	318,006
Library volumes owned*	136,710	136,860	137,500	139,000	134,184	71,726	72,101	69,805	89,210	N/A
Library programs*	578	430	527	350	613	36	48	79	139	233
Playhouse general attendance ¹	13,637	18,060	15,721	18,714	23,539	15,850	5,220	6,642	8,735	N/A
Larry Chimbole Center attendance	76,280	107,300	112,120	160,000	109,000	99,000	59,795	61,099	57,850	-
Legacy Commons Attendance	69,450	69,460	69,840	70,000	68,900	62,206	36,400	36,000	36,000	36,000
Hammack Community Activity Center attendance	41,100	18,460	29,264	29,500	10,000	-	-	-	-	N/A
Oasis Park Recreation Center attendance ^{1,2}	-	24,962	38,605	38,000	34,400	12,140	12,062	9,013	11,000	N/A
Amphitheater attendance ^{1,2}	-	75,000	65,000	75,000	57,000	9,800	49,800	33,150	25,800	N/A
Day Camp participants	4,545	4,130	4,493	5,017	1,200	950	987	920	920	N/A
After school participants ¹	39,000	33,980	35,429	36,000	11,100	8,406	9,467	11,175	11,000	N/A
Tiny Tot Participants ¹	7,500	10,920	11,318	9,240	11,500	359	1,637	1,633	1,630	N/A
Park and skatepark patrons	410,000	413,230	347,746	423,998	433,000	378,938	-	-	-	N/A
Recreational swimming attendance ¹	19,766	23,900	26,000	27,600	33,971	36,502	15,051	9,165	3,330	N/A
Lesson swimming attendance ¹	13,000	11,270	12,550	13,900	19,386	15,372	15,931	15,883	16,802	N/A
Youth sports participants	185,359	179,882	166,372	169,408	157,545	150,680	168,189	167,527	16,000	1,700
Adult sports participants	131,659	1,274,473	131,280	137,309	133,052	131,142	122,377	125,525	119,136	2,500
General Program Registrants ³	-	-	-	-	-	-	-	-	-	7,193
Aquatic Program Registrants ³	-	-	-	-	-	-	-	-	-	8,934
Facility Rental Bookings ³	-	-	-	-	-	-	-	-	-	2,259
Airpark Attendance	-	-	-	-	-	-	-	-	-	11,874
Airpark Guided Tours ³	-	-	-	-	-	-	-	-	-	258
Community Event Attendance ³	-	-	-	-	-	-	-	-	-	64,750
Playhouse Performance Attendance ³	-	-	-	-	-	-	-	-	-	5,155
DryTown Admissions ³	-	-	-	-	-	-	-	-	-	81,000
Tournament Attendance ³	-	-	-	-	-	-	-	-	-	50,000
Health and Welfare										
Family members assisted with food and/or shelter	3,795	3,833	2,562	1,270	3,910	3,130	3,157	3,370	5,561	10,281
SAVES meals provided	79,701	80,493	53,794	68,376	74,117	99,876	92,547	87,507	86,037	575,085
SAVES motel vouchers provided (night)	542	547	395	386	647	565	433	188	19	25

*Source: City of Palmdale, various City departments

Note

¹ Reported under new function/program for FY 2013-14

² Did not officially start until FY 2005-06

³ Began reporting in FY 2013-14

⁴ Figures provided by Antelope Valley Transit Authority

City of Palmdale
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Number of City owned building facilities	37	37	41	41	45	47	47	47	47	47
City Vehicles	1	2	3	4	4	4	4	4	4	4
Public Safety										
Parking Enforcement Vehicles	3	3	3	3	3	3	3	3	3	3
Community Service Officer Vehicles	-	-	3	3	3	3	3	3	3	3
Public Security Officers Vehicles	-	1	2	2	2	2	2	2	2	2
Public Services										
Streets and Bikeways (miles)	433	433	437	550	555	560	580	580	580	580
Landscaped area (acres)	79	81	83	121	130	253	260	260	260	260
Park-n-ride	22	22	22	22	22	22	22	22	22	22
Storm drainage systems (feet)	79,200	81,700	81,700	91,500	92,300	92,300	95,000	95,000	95,000	95,000
Retention and detention basins	9	10	10	11	11	11	11	11	11	11
Storm drainage pump stations	3	3	3	3	3	3	3	3	3	3
Detention basins (acres)	79	80	88	110	120	207	207	207	207	207
Traffic signals	79	89	114	136	164	-	166	166	168	168
Traffic signs	6,400	6,500	8,575	8,615	8,675	-	8,700	8,700	8,700	8,700
Transportation Center	-	1	1	1	1	1	1	1	1	1
Bridges	7	7	9	9	9	9	9	9	9	9
Street Lights	929	1,500	2,340	3,000	3,400	4,100	4,150	4,150	4,200	4,200
Vehicles	66	70	78	78	78	81	75	75	75	75
Community Development										
Mobile Home Parks	3	3	3	3	3	3	3	3	3	3
Cultural and Recreational										
Number of Parks	17	18	19	21	21	21	21	21	21	21
Developed park acreage	413	486	576	576	576	576	576	576	576	576
Number of swimming pools	2	2	4	4	4	4	4	4	4	3
Number of tennis courts	9	9	9	9	9	9	9	9	9	9
Number of Libraries	2	2	2	2	2	2	1	1	1	1
Number of Community Centers	3	3	4	4	4	4	4	4	3	3
Skate Parks	2	2	2	2	2	2	2	2	2	2
Soccer Fields	27	27	27	27	27	27	27	27	27	27
Basketball courts	8	8	8	8	8	8	8	8	8	8
Softball diamonds	13	13	20	20	20	20	20	20	20	20
Volleyball courts	6	6	6	6	6	6	6	6	6	6
Little league fields	11	11	11	11	11	11	11	11	11	11
Roller Hockey rinks	2	2	2	2	2	2	2	2	2	2
Aquatics Facility - Water Park	-	-	1	1	1	1	1	1	1	1
Community Theatre	1	1	1	1	1	1	1	1	1	1
Amphitheatre	-	-	1	1	1	1	1	1	1	1
Vehicles	8	7	7	7	7	7	7	7	3	4
Health and Welfare										
Vehicles	2	2	2	2	2	2	2	2	2	2

Source: City of Palmdale, various City departments

Other Information

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2014

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2014

The former Community Redevelopment Agency of the City of Palmdale ceased to exist as of January 31, 2012, as the result of the statewide dissolution of redevelopment, per AB1X26. The following debt is related to debt of the newly formed Successor Agency of the former Community Redevelopment Agency and is not debt of the City.

A. The Successor Agency for the Former Community Redevelopment Agency of the City of Palmdale

The Successor Agency for the former Community Redevelopment Agency (CRA) was created on January 4, 2012 when the City Council elected to become the Successor Agency for the former redevelopment agency of the City of Palmdale in accordance with Assembly Bill (ABx 1 26 and 1484). The Successor Agency of the former CRA was formed for the purpose of holding the assets of the former CRA until they are distributed to other units of state and local government. The Successor Agency of the former CRA is subject to the control of an oversight board and remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. The assets and activities are reported as a private purpose trust fund and its debts and obligations are not debts or obligations of the City.

B. Successor Agency Long-Term Debt

1) Notes Payable

Fairway Business Park Note Payable - The former Community Redevelopment Agency (CRA) issued a Promissory Note for the purchase of 120 acres of industrial property known as the Fairway Business Park. On May 16, 2007, the former CRA approved a Settlement Agreement and Mutual General Release, which provided for the former CRA to pay a settlement amount of \$23,043,000 for the property and \$4,975,309 for accrued, unpaid interest. On September 1, 2010, the former Community Redevelopment Agency of the City of Palmdale issued \$11,001,339 of 2010 Series A Tax Allocation Refunding Revenue Notes (2010 Series A Notes) and \$16,504,000 of 2010 Series B Tax Allocation Refunding Revenue Notes (2010 Series B Notes). The net proceeds of the 2010 Series A & B Tax Allocation Refunding Revenue Notes were used to refinance the former Community Redevelopment Agency's outstanding Fairway Business Park note payable.

The principal and interest on the Notes are payable from pledged tax increment from the former Redevelopment Project Area No. 1. Interest on the notes is payable semi-annually on March 1 and September 1, beginning March 1, 2011. Principal installments are payable September 1 and March 1 of each year from 2011 through 2026. The 2010 Series A Notes bear a fixed interest rate of 5.97% per annum and the 2010 Series B Notes bear a fixed interest rate of 6.2% per annum.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$2,750,660. The value of the notes as of June 30, 2014, is \$23,392,713.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

Year Ending	Principal	Interest	Total
2015	\$ 1,344,967	\$ 1,405,693	\$ 2,750,660
2016	1,429,282	1,321,378	2,750,660
2017	1,518,883	1,231,777	2,750,660
2018	1,614,102	1,136,558	2,750,660
2019	1,715,292	1,035,369	2,750,661
2020-2024	10,327,343	3,425,959	13,753,302
2025-2026	5,442,844	428,297	5,871,141
Totals	<u>\$ 23,392,713</u>	<u>\$ 9,985,031</u>	<u>\$ 33,377,744</u>

Dillard’s Infrastructure Note Payable - The former Community Redevelopment Agency entered into a Third Implementation Agreement to a Disposition and Development Agreement to reimburse the developer for improvements relating to the construction of a Dillard’s department store. The agreement provides for a maximum reimbursement of \$1,851,038 to Dillard’s for costs of the public infrastructure improvements necessary for the site. The former Community Redevelopment Agency has pledged a percent of sales tax revenues generated from Dillard’s department store to repay the Note. The amount to be reimbursed quarterly is based upon 50 percent of the sales tax revenue actually received by the former Community Redevelopment Agency, generated by the sales occurring at the Dillard’s department store as reported by the latest quarterly report. Reimbursement payments are due 30 days after the former Community Redevelopment Agency receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The reimbursement payment made for the current year was \$78,770, and the balance remaining to be paid from pledged future revenues total \$454,809 as of June 30, 2014.

2) Note Payable Related to Revenue Bonds

Note Payable Related to: 1994 Revenue Bonds Payable (\$44,999,493) - On June 29, 1994, the Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 of each year from 2000 through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the former Community Redevelopment Agency’s 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount of \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency for use in Project Area No. 2A to finance redevelopment activities in or of benefit to the project area and to fully advance refund the former Community Redevelopment Agency’s

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1994 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The principal only paid for the current year was \$205,000. At year-end, pledged future revenues totaled \$402,753 which was the amount of the remaining principal on the Bonds.

Year Ending	Principal	Interest	Totals
2015	\$ 202,932	\$ -	\$ 202,932
2016	199,821	-	199,821
Totals	\$ 402,753	\$ -	\$ 402,753

Note Payable Related to: 1997 Revenue Bonds Payable (\$10,890,000) - On May 28, 1997, the Civic Authority issued \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year from 1998 through 2015.

The 1997 Series A Term Bonds maturing on July 1, 2012, and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011, and July 1, 2013, respectively, in the amount of principal. The 1997 Series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at decreasing premiums of 2.00% in 2007 to 1.00% in 2008 and at par thereafter.

The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use incremental property tax generated in Project Area No. 1, to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1997 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$925,820. At year-end, pledged future revenues totaled \$1,854,820 of which \$1,755,000 was the remaining principal and \$99,820 was interest on the Bonds.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

Year Ending	Principal	Interest	Total
2015	\$ 850,000	\$ 74,480	\$ 924,480
2016	905,000	25,340	930,340
Totals	<u>\$ 1,755,000</u>	<u>\$ 99,820</u>	<u>\$ 1,854,820</u>

Note Payable Related to: 2003 Revenue Bonds Payable (\$19,220,000) - On May 13, 2003, the Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year from 2004 through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014, may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023, and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2003 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,517,738. Net incremental property tax totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$18,073,944 of which \$13,640,000 was the amount of the remaining principal and \$4,433,944 was interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 875,000	\$ 638,338	\$ 1,513,338
2016	910,000	602,637	1,512,637
2017	950,000	564,844	1,514,844
2018	1,000,000	520,250	1,520,250
2019	1,035,000	469,375	1,504,375
2020-2024	6,020,000	1,494,250	7,514,250
2025-2026	2,850,000	144,250	2,994,250
Totals	<u>\$ 13,640,000</u>	<u>\$ 4,433,944</u>	<u>\$ 18,073,944</u>

Note Payable Related to: 2009 Loan Payable (\$6,000,000) - On June 5, 2009, the Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year from 2010 through 2027.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

The 2009 Series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021, and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2009 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$478,713. Net incremental property tax totaled \$8,354,678 for the year. At year-end, pledged future revenues totaled \$9,645,963 of which \$5,640,000 was the amount of the remaining principal and \$4,005,963 of interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 115,000	\$ 366,491	\$ 481,491
2016	125,000	358,613	483,613
2017	130,000	350,243	480,243
2018	125,000	341,872	466,872
2019	150,000	332,846	482,846
2020-2024	890,000	1,501,087	2,391,087
2025-2028	4,105,000	754,811	4,859,811
Totals	<u>\$ 5,640,000</u>	<u>4,005,963</u>	<u>9,645,963</u>

3) Tax Allocation Bonds

1998 Tax Allocation Bonds Payable (\$30,625,000) - On September 22, 1998, the former Community Redevelopment Agency issued \$30,625,000 of 1998 Tax Allocation Refunding Bonds (1998 Bonds). Interest on the 1998 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.75% to 5.00% per annum. Principal installments are payable September 1 of each year from 2000 to 2034.

The 1998 Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2009, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 1998 Bonds maturing on or after September 1, 2009, may be redeemed on or after September 1, 2008, at decreasing premiums of 2% in 2008 to 1% in 2010 and at par thereafter.

The proceeds of the 1998 Bonds were used to advance refund in part the former Community Redevelopment Agency's obligations with respect to the 1994 Revenue Bonds. The former Community Redevelopment Agency has pledged sales tax and incremental property tax

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

generated in Project Area No. 2A to pay principal and interest with respect to the 1998 Bonds as they become due.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest were \$1,957,375. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$40,822,000 of which \$25,310,000 was the amount of the remaining principal and \$15,512,000 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 710,000	\$ 1,247,750	\$ 1,957,750
2016	740,000	1,211,500	1,951,500
2017	785,000	1,173,375	1,958,375
2018	820,000	1,133,250	1,953,250
2019	860,000	1,091,250	1,951,250
2020-2024	5,000,000	4,747,750	9,747,750
2025-2029	6,375,000	3,333,125	9,708,125
2030-2034	8,140,000	1,527,000	9,667,000
2035	1,880,000	47,000	1,927,000
Totals	<u>\$ 25,310,000</u>	<u>\$ 15,512,000</u>	<u>\$ 40,822,000</u>

1999 Tax Allocation Bonds Payable (\$2,722,056) - On March 30, 1999, the former Community Redevelopment Agency issued \$2,722,056 of 1999 Subordinate Lien Tax Allocation Bonds (1999 Bonds). The 1999 Bonds constitute convertible capital appreciation bonds. Interest on the 1999 Bonds will accrete at a rate of 4.25% per annum on June 1 and December 1 to and including December 1, 2004, (the Conversion Date) and will not be payable during such period but will increase the Accreted Value of the 1999 Bonds to an amount equal to their Final Compounded Amount on the Conversion Date. From and after the Conversion Date, interest on the 1999 Bonds is payable semi-annually on June 1 and December 1 at 5.5% per annum. Principal installments are payable December 1 of each year from 2005 to 2029.

The 1999 Bonds maturing on or after December 1, 2005, are subject to mandatory sinking fund redemption beginning December 1, 2005, in the amount of principal and accrued interest. The 1999 Bonds maturing on or after December 1, 2014, may be redeemed on or after December 1, 2014, at decreasing premiums of 2% in 2014 to 1% in 2016 and at par thereafter.

The proceeds of the 1999 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1999 Bonds as they become due.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

The current year payments of principal and interest were \$255,838. Net incremental property tax totaled \$11,629,617 for the year. At year-end, pledged future revenues totaled \$4,039,700 of which \$2,690,000 was the amount of the remaining principal and \$1,349,700 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 110,000	\$ 144,925	\$ 254,925
2016	115,000	138,737	253,737
2017	120,000	132,275	252,275
2018	130,000	125,400	255,400
2019	135,000	118,113	253,113
2020-2024	795,000	466,812	1,261,812
2025-2029	1,040,000	216,700	1,256,700
2030	245,000	6,738	251,738
Totals	<u>\$ 2,690,000</u>	<u>\$ 1,349,700</u>	<u>\$ 4,039,700</u>

2002 Tax Allocation Bonds Payable (\$5,329,748) - On August 20, 2002, the former Community Redevelopment Agency issued \$5,329,748 of 2002 Subordinate Lien Tax Allocation Bonds (2002 Bonds). The 2002 Bonds constitute capital appreciation bonds that are not subject to redemption prior to their respective stated maturities. Interest on the 2002 Bonds compound at rates ranging from 4.88% to 5.68% per annum on June 1 and December 1, commencing December 1, 2002, and will be payable solely at maturity or upon earlier redemption of the respective Bonds. The Bonds will mature and be payable December 1 of each year from 2016 through 2032.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2002 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2002 Bonds as they become due. No principal or interest was paid for the current year. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$17,255,000 of which \$9,990,863 was the amount of the remaining principal and \$7,264,137 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	863,227	106,773	970,000
2018	815,626	149,374	965,000
2019	777,149	192,851	970,000
2020-2024	3,279,112	1,565,888	4,845,000
2025-2029	2,454,777	2,400,223	4,855,000
2030-2033	1,800,972	2,849,028	4,650,000
Totals	<u>\$ 9,990,863</u>	<u>\$ 7,264,137</u>	<u>\$ 17,255,000</u>

2003 Tax Allocation Bonds Payable (\$5,965,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$5,965,000 of 2003 Series C Tax Allocation Refunding Bonds (2003 Series C Bonds). Interest on the 2003 Series C Bonds is payable

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.75% per annum. Principal installments are payable September 1 of each year from 2004 to 2028.

The 2003 Series C Bonds maturing on September 1, 2028, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series C Bonds maturing on or after September 1, 2008, may be redeemed on or after September 1, 2007, at decreasing premiums of 2% in 2008 to 1% in 2009 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2003 Series C Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series B Taxable Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$372,523. At year-end, pledged future revenues totaled \$6,152,604 of which \$4,275,000 was the amount of the remaining principal and \$1,877,604 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 180,000	\$ 186,043	\$ 366,043
2016	190,000	179,102	369,102
2017	195,000	171,690	366,690
2018	200,000	163,888	363,888
2019	205,000	155,787	360,787
2020-2024	1,055,000	647,016	1,702,016
2025-2029	2,250,000	374,078	2,624,078
Totals	<u>\$ 4,275,000</u>	<u>\$ 1,877,604</u>	<u>\$ 6,152,604</u>

2003 Tax Allocation Bonds Payable (\$7,250,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$7,250,000 of 2003 Series D Tax Allocation Bonds (2003 Series D Bonds). Interest on the 2003 Series D Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.90% per annum. Principal installments are payable September 1 of each year from 2004 to 2032.

The 2003 Series D Bonds maturing on September 1, 2018, September 1, 2023, September 1, 2028, and September 1, 2032, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series D Bonds maturing on or after September 1, 2012, may be redeemed on or after September 1, 2011, at decreasing premiums of 2% in 2012 to 1% in 2013 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2003 Series D Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$371,168. At year-end, pledged future revenues totaled \$12,557,571 of which \$7,000,000 was the amount of the remaining principal and \$5,557,571 interest on the Bonds.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

Year Ending	Principal	Interest	Total
2015	\$ 35,000	\$ 339,802	\$ 374,802
2016	35,000	338,332	373,332
2017	35,000	336,862	371,862
2018	35,000	335,393	370,393
2019	35,000	333,923	368,923
2020-2024	210,000	1,643,213	1,853,213
2025-2029	265,000	1,588,881	1,853,881
2030-2033	6,350,000	641,165	6,991,165
Totals	<u>\$ 7,000,000</u>	<u>\$ 5,557,571</u>	<u>\$ 12,557,571</u>

2004 Tax Allocation Bonds Payable (\$18,535,000) - On June 8, 2004, the former Community Redevelopment Agency issued \$18,535,000 of 2004 Series A Tax Allocation Refunding Bonds (2004 Series A Bonds). Interest on the 2004 Series A Bonds is payable semi-annually on March 1 and September 1 at a fixed rate of 5.00% per annum. Principal installments are payable September 1 of each year from 2005 to 2007 and from 2010 to 2034.

The 2004 Series A Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2023, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 2004 Series A Bonds maturing on or after September 1, 2015, may be redeemed on or after September 1, 2014, at decreasing premiums of 2% in 2015 to 1.5% in 2016 to 1% in 2017 to 0.5% in 2018 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Series A Bonds were used to prepay a portion of a loan made in 1994 by the Palmdale Civic Authority to the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2004 Series A Bonds as they become due. The current year payments of principal and interest were \$1,173,750. At year-end, pledged future revenues totaled \$28,163,375 of which \$17,325,000 was the amount of the remaining principal and \$10,838,375 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 310,000	\$ 858,500	\$ 1,168,500
2016	320,000	842,750	1,162,750
2017	545,000	821,125	1,366,125
2018	575,000	793,125	1,368,125
2019	600,000	763,750	1,363,750
2020-2024	3,495,000	3,324,125	6,819,125
2025-2029	4,465,000	2,333,125	6,798,125
2030-2034	5,700,000	1,069,000	6,769,000
2035	1,315,000	32,875	1,347,875
Totals	<u>\$ 17,325,000</u>	<u>\$ 10,838,375</u>	<u>\$ 28,163,375</u>

2004 Tax Allocation Bonds Payable (\$6,090,000) - On October 7, 2004, the former Community Redevelopment Agency issued \$6,090,000 of 2004 Subordinate Lien Tax Allocation Bonds (2004 Bonds). Interest on the 2004 Bonds is payable semi-annually on June 1 and December 1 at rates ranging from 3.00% to 4.75% per annum. Principal installments are payable December 1 of each year from 2011 to 2033.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2014

The 2004 Bonds maturing on December 1, 2024, December 1, 2027, December 1, 2029, and December 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2004 Bonds maturing on or after December 1, 2015, may be redeemed on or after December 1, 2014, in the amount of principal and accrued interest.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Bonds were used to finance redevelopment activities of the Agency. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest on the bonds as they become due. The current year payments of principal and interest were \$418,780. Net incremental property tax totaled \$11,629,617 for the year. At year-end, pledged future revenues totaled \$9,168,490 of which \$5,645,000 was the amount of the remaining principal and \$3,523,490 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 160,000	\$ 258,580	\$ 418,580
2016	165,000	252,890	417,890
2017	150,000	247,145	397,145
2018	160,000	241,270	401,270
2019	160,000	234,970	394,970
2020-2024	950,000	1,050,985	2,000,985
2025-2029	1,180,000	791,388	1,971,388
2030-2034	2,720,000	446,262	3,166,262
Totals	<u>\$ 5,645,000</u>	<u>\$ 3,523,490</u>	<u>\$ 9,168,490</u>

2005 Tax Allocation Bonds Payable (\$14,115,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$14,115,000 of 2005 Series E Tax Allocation Refunding Bonds (2005 Series E Bonds). Interest on the 2005 Series E Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2027.

The 2005 Series E Bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series E Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series E Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series A Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$977,104. At year-end, pledged future revenues totaled \$14,017,091 of which \$10,515,000 was the amount of the remaining principal and \$3,502,091 interest on the Bonds.

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2014

Year Ending	Principal	Interest	Total
2015	\$ 550,000	\$ 430,541	\$ 980,541
2016	570,000	407,479	977,479
2017	595,000	385,486	980,486
2018	625,000	361,994	986,994
2019	650,000	336,806	986,806
2020-2024	3,770,000	1,241,050	5,011,050
2025-2028	3,755,000	338,735	4,093,735
Totals	<u>\$ 10,515,000</u>	<u>\$ 3,502,091</u>	<u>\$ 14,017,091</u>

2005 Tax Allocation Bonds Payable (\$2,805,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$2,805,000 of 2005 Series F Tax Allocation Bonds (2005 Series F Bonds). Interest on the 2005 Series F Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2033.

The 2005 Series F Bonds maturing on September 1, 2029, and September 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series F Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

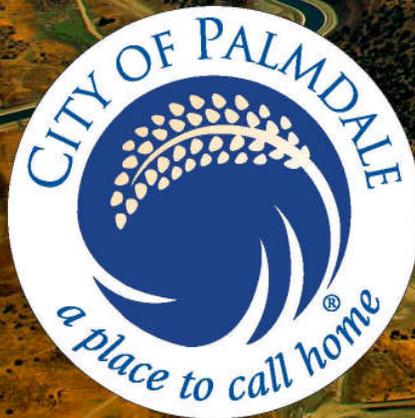
The proceeds of the 2005 Series F Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest were \$148,599. At year-end, pledged future revenues totaled \$4,426,159 of which \$2,560,000 was the amount of the remaining principal and \$1,866,159 interest on the Bonds.

Year Ending	Principal	Interest	Total
2015	\$ 35,000	\$ 112,356	\$ 147,356
2016	40,000	110,976	150,976
2017	40,000	109,467	149,467
2018	40,000	107,926	147,926
2019	40,000	106,321	146,321
2020-2024	235,000	503,413	738,413
2025-2029	265,000	444,797	709,797
2030-2034	1,865,000	370,903	2,235,903
Totals	<u>\$ 2,560,000</u>	<u>\$ 1,866,159</u>	<u>\$ 4,426,159</u>

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STRATEGIC PLAN





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