

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

CITY OF PALMDALE, CALIFORNIA



For the Fiscal Year Ended

June 30, 2015

Prepared By

*Karen Johnston
Finance Manager*

*Hamed Jones,
Budget Manager*

*Keith Kang
Sr. Financial Analyst*

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 For the Year Ended June 30, 2015

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Introductory

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2015



PALMDALE

a place to call home

November 24, 2015

JAMES C. LEDFORD, JR.
Mayor

MIKE DISPENZA
Mayor Pro Tem

STEVEN D. HOFBAUER
Councilmember

ROXANA MARTINEZ
Councilmember

FREDERICK THOMPSON
Councilmember

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, 2015.

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, 2015, 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, 2015, 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 \$53,922 in 2013, which is comparable to Los Angeles at \$49,497. 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 157,009. 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 at-large Mayor who serves two-year terms. Beginning with the November 2016 election, the four Councilmembers who will be elected from four separate districts will be elected to overlapping two and 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 Community Redevelopment Agency 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.

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 Department of Finance (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 2014-15. 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 4.2 percent in fiscal year 2014-15 as compared to fiscal year 2013-14. The City experienced a 10.8 percent increase of Property Tax revenues in fiscal year 2014-15 as compared to fiscal year 2013-14. A portion of this increase is the result of property values being restored to the previously Proposition 13 reviewed and reduced values. Proposition 8 allowed for the assessor's office to reduce property values during the economic recession and decline of property values. We anticipate continued recovery of Proposition 8 reductions through fiscal year 2015-16

Unemployment rates for the City are reported by the California Employment Development Department, at 9.3% in August 2015. This represents a decline of 0.4% from one year ago when the unemployment rate was at 9.7% in 2014 and a decline of 6.3% from the highest unemployment rate at 15.6% reported during the recession period in 2010. The City's unemployment rate of 9.3% as compared to 7.0% for the County, 6.1% for the State, and 5.1% for the U.S.

The housing market in Palmdale has continued to improve in fiscal year 2014-15 although the pace of the improvement has slowed due to increase of interest rates and tight inventories. In most areas, foreclosure levels are back at historical norms as seen in 2006, before the real estate recession. Median sale prices real estate have continued to increase steadily, but at a slower pace than seen in the previous year. The median sale price of a single family home in Palmdale from January through December 2014 was \$210,000. This represents a 17.5% increase in median sale price from 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's focus is to maintain the long-term health of the organization in order to deliver needed services to our 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 however slow economic recovery has caused the need to use reserves. The structural deficit is expected to continue 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 is forecasted to use \$4.7 million of reserves in fiscal year 2015-16 and will continue to use reserves to ensure that severe programmatic reductions are not made. In the final analysis, while long term planning and financial reserves have bought the City some time, there is still work to do to assure a sustainable financial position for the City in the coming years. Unless additional revenue and expenditures changes occur in the next five years, we project the General Fund balance reserve to be a deficit. At the end of fiscal year 2014-15, unrestricted fund balance (the unassigned component of fund balance) in the General Fund is 30.1 percent of total general fund revenues and 32.0 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 continue to serve as a roadmap for our organization and the framework for our important programming and budgetary decisions.

Processes involving strategic planning will allow 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, 2014. This was the twenty fifth 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 California Society of Municipal Finance Officers (CSMFO) and the Distinguished Budget Presentation Award from Government Finance Officers Association (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,



Karen Johnston, C.P.A.
Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
for
Excellence in
Financial
Reporting**

Presented to

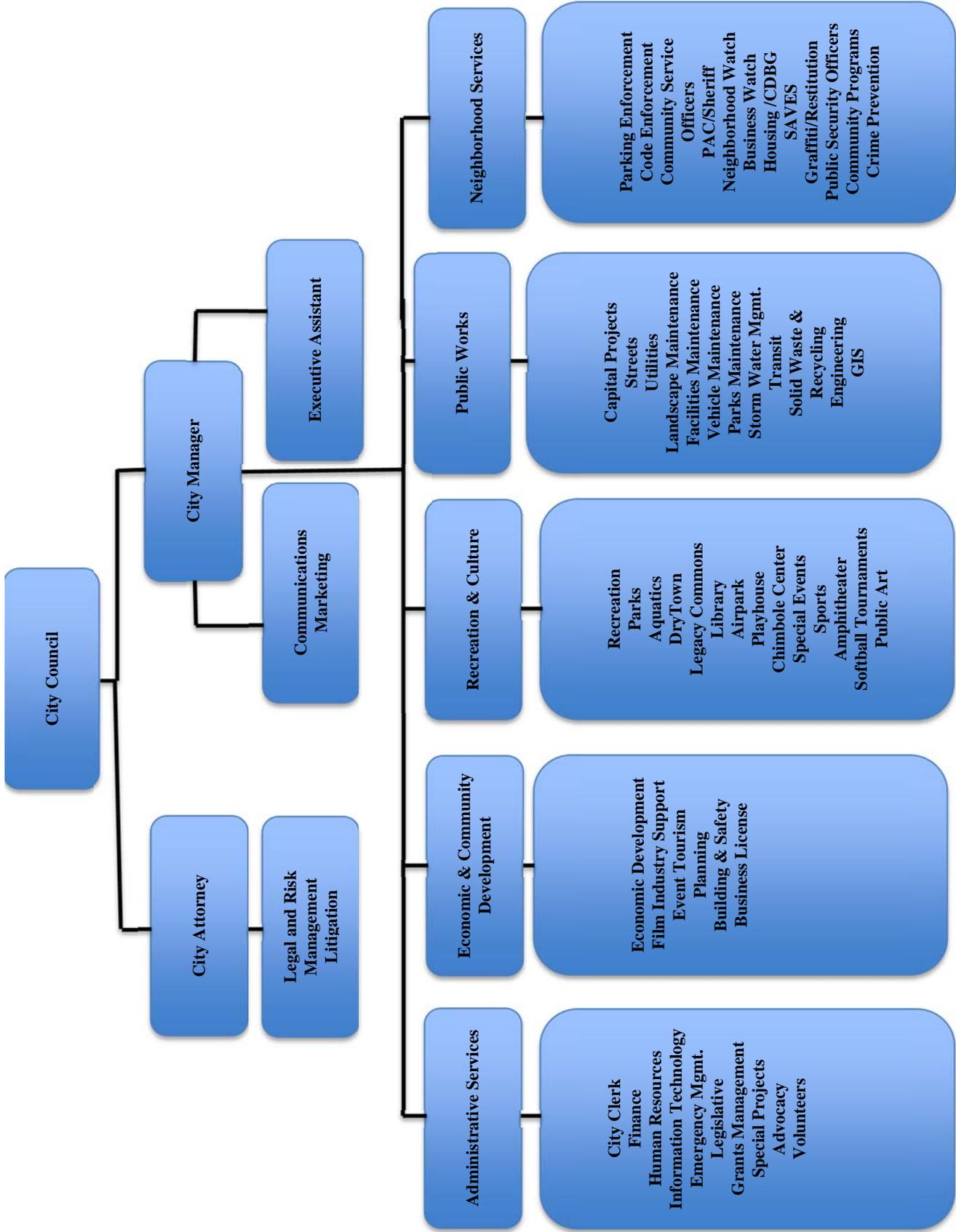
**City of
Palmdale
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Palmdale Organizational Chart



City Officials

Year Ended June 30, 2015

City Council

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

Administration and Department Heads

City Manager	James Purtee
City Attorney	Wm. Matthew Ditzhazy
Director of Administrative Services	Anne Ambrose
Director of Economic & Community Development	Vacant
Director of Recreation and Culture	Keri Smith
Director of Neighborhood Services	Michael Miller
Director of Public Works	Mike Mischel

Financial

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2015



INDEPENDENT AUDITORS' REPORT

To 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison 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 Matters

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's net pension liability and related ratios, schedule of contributions and schedule of funding progress for OPEB on pages 4 through 16 and 114 through 116, 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 nonmajor fund financial statements and schedules, statistical section, and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, statistical section, and other information 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 24, 2015, 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 24, 2015

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, 2015. 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 xii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Palmdale exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$832,538,408 (net position). Of this amount \$20,470,245 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased in the current year by \$15,637,106 but overall total net position decreased as compared to prior year by \$23,823,920 primarily as the result of implementing GASB 68-*Accounting and Financial Reporting for Pensions* and a restatement to the beginning net position on the statement of activities. Details on current year changes are discussed on page 8 and restatement discussed at Note 15 and Note 23.
- As of the close of the current fiscal year, the City of Palmdale's governmental funds reported combined ending fund balances of \$198,106,150, an increase of \$8,852,207 in comparison with the prior year. Details are discussed on page 12.
- The City of Palmdale's total debt decreased by \$3,968,361 or 3.59 percent during the current fiscal year. The decrease is primarily due to regular scheduled annual debt payments. 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, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial 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

City of Palmdale

Management's Discussion and Analysis

functions that are intended to recover all or a significant portion of their costs through user fees and 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 Street Lighting Assessment District 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 30 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 120-127.

The City of Palmdale adopts an annual appropriated budget for its General Fund, its Housing Authority - Housing Asset Fund - Special Revenue Fund, its Housing Authority Mobile Home Park - Special Revenue Fund, and its Street Lighting Assessment District 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 27-31.

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

City of Palmdale

Management's Discussion and Analysis

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 33-35 of this report.

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 37-111 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 \$832,538,408 as of June 30, 2015.

The City of Palmdale's net investment in capital assets reflects a balance of \$651,915,581. 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.

In addition, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – and has reported the City's pension liability and related deferred inflows and outflows in the City's Financial Statements. Additional detailed information can be found in Note 15 and 23 of the Notes to the Financial Statements. A separate section is reported for deferred outflows of resources that represent a consumption of net position that applies to a future period. The City has two items that qualifies for reporting in this category. 1) The deferred charge on refunding reported in the government-wide statement of net position in the amount of \$351,834, and 2) the contributions made against the pension liability subsequent to measurement period of the pension liability in the amount of \$3,871,255. The deferred outflow related to pension liability is the result of implementing GASB 68 and will be recognized in the subsequent measurement period. The City also reported a separate section for deferred inflows of resources in the amount of \$7,366,844 related to the pension liability. This amount represents an excess of the projected earnings from actual earnings on the pension fiduciary net position and will be recognized as a reduction of pension expense over a defined amortization period of five years.

The City's Other Liabilities reflect a balance of \$47,502,954. Other Liabilities consists of short term liabilities totaling \$8,663,286 that are considered payable within a year and consist of accounts payable, accrued salaries, and accrued interest. Included in Other liabilities is Net Pension Liability in the amount of \$34,909,000 and was recorded in the City's Financial Statements as the result of implementing GASB 68. Additional detailed information can be found at Note 15 and 23 of the Notes to the Financial Statements. The remaining balance in the amount of \$3,930,668 in Other Liabilities consists of refundable deposits and unearned revenue.

City of Palmdale

Management's Discussion and Analysis

City of Palmdale's Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
Current and Other Assets	\$ 240,573,722	233,019,270
Capital Assets	<u>749,141,187</u>	<u>752,933,163</u>
Total Assets	<u>989,714,909</u>	<u>985,952,433</u>
Deferred Outflows of Resources	<u>4,223,089</u>	<u>395,813</u>
Long-Term Liabilities Outstanding	106,529,752	110,498,113
Other Liabilities	<u>47,502,954</u>	<u>19,487,805</u>
Total Liabilities	<u>154,032,706</u>	<u>129,985,918</u>
Deferred Inflows of Resources	<u>7,366,884</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	651,915,581	655,895,266
Restricted	160,152,582	179,662,667
Unrestricted	<u>20,470,245</u>	<u>20,804,395</u>
Total Net Position	<u>\$ 832,538,408</u>	<u>856,362,328</u>

The City of Palmdale's restricted net position of \$160,152,582 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$20,470,245 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 position 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 <u>June 30, 2015</u>	Governmental Activities For the year ended <u>June 30, 2014</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 34,062,026	34,704,678
Operating Grants and Contributions	14,681,296	12,637,721
Capital Grants and Contributions	38,039,564	35,822,039
General Revenues:		
Property Taxes	17,152,560	15,478,125
Sales Taxes	17,084,411	16,396,713
Other Taxes	9,597,452	9,630,627
Unrestricted Investment Earnings	260,322	391,725
Other	288,740	274,312
Total Revenues	<u>131,166,371</u>	<u>125,335,940</u>
 Expenses:		
General Government	17,167,502	24,150,674
Public Safety	23,763,312	22,973,910
Public Services	51,743,421	47,723,268
Community Development	5,852,056	5,418,368
Recreation and Culture	9,878,585	10,863,071
Health and Welfare	2,170,541	2,830,718
Interest on Long-Term Debt	4,953,848	5,152,837
Total Expenses	<u>115,529,265</u>	<u>119,112,846</u>
 Assets Transferred from Successor Agency	 <u>-</u>	 <u>10,346,241</u>
 Increase in Net Position	 15,637,106	 6,223,094
Net Position - Beginning of Year, as restated	816,901,302	839,792,993
Net Position - End of Year	<u>\$ 832,538,408</u>	<u>856,362,328</u>

The beginning net position does not tie to the prior year net position as the result of recognizing pension liability and the implementation of GASB 68. Additional information on the restatement can be found at Note 23 of the Notes to the Financial Statements.

City of Palmdale

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City of Palmdale's net position by \$15,637,106, or 1.9 percent, during the current fiscal year. Key elements of the governmental activities net position increase are as follows:

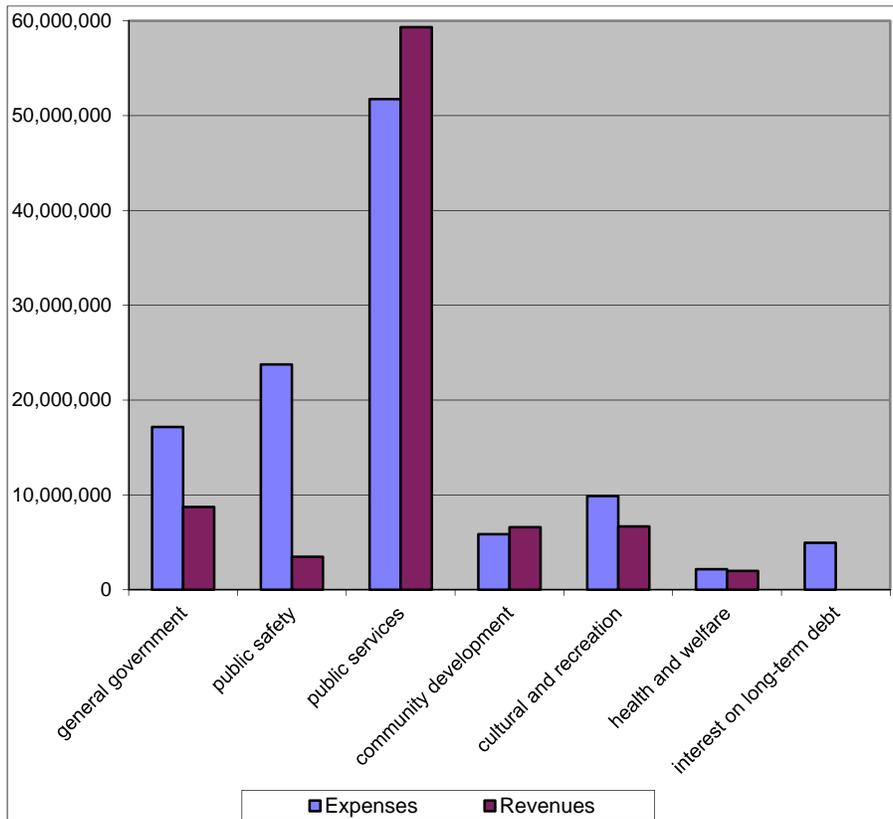
- Charges for Services decreased by \$642,652, or 1.9 percent, as a result of one time revenues received in the prior year that was not received in the current year. The prior year one time revenues were for legal expense reimbursements of \$1,429,774, LA County Administrative fees reimbursed from a previous year of \$631,822, and operational cost reimbursement for \$753,453. Also, in the current year the City reported \$1,500,050 loss on sale of land from property sold to Los Angeles County for the construction of a new Animal Shelter. The decreases were offset by increases in administrative fees by \$771,364, and Street Lighting County District fees collected in its first year of \$2,628,266. Other increases totaling approximately \$273,000 from fees collected for Engineer Fees and Building Permit Fees offset the balance.
- Operating grants and contributions increased by \$2,043,575 or 16.2 percent, as the result of increases in State SB90 Mandated Cost Reimbursements claimed for multiple years of \$2.9 million, increases in the deferred revenue recognized on the government wide statements by \$0.50 million, and increases in Successor Agency Contributions by \$0.50 million. The increases were offset by decreases in gas tax receipts and drainage fees of \$0.40 million, decreases in Federal Home Program Grants received by \$1.0 million, and decreases in sponsorships and donations by \$0.5 million.
- Capital grants and contributions increased by \$2,217,525 or 6.2 percent, primarily as a result of an \$11.0 million county contribution received from Los Angeles County to maintain a Street Light district previously managed by the County. Other increases include Proposition A, Proposition C, and Measure R Sales Tax Allocations of \$1.10 million. Increases in Article 3 and Article 8 State Funds by \$0.60 million, reimbursement from County Sanitation District for capital improvements of \$0.90 million and Federal Grants received of \$1.0 million. The increases were offset by one time revenue received in prior year from a bond settlement of \$5.9 million and decreases in capital assets donated by developers of \$6.5 million.
- Property Taxes increased by \$1,674,435, or 10.8 percent due to an increase in FY 2014-15 taxable assessed values as compared to the assessed values in FY 2013-14. In addition, increases are due to restoration of assessed value from their Proposition 8 temporary reduction in assessed value as market conditions improve.
- Sales and Use Taxes increased by \$687,698 or 4.2 percent primarily due to strong sales and new merchants. Consumer interest in dining out combined with the addition of new eateries led to solid growth from all restaurants. The increases were offset by declines in retail gas prices and a drop in revenue from fuel and service stations.
- General Government expenses decreased by \$6,983,172, or 28.9 percent due to a decline in legal litigation and claim cost by \$3.7 million, decreases in health claims paid in the current year as compared to the prior year by \$1.3 million and a onetime write-off of Assessment District settlement workout of \$1.0 million in the prior year. Vacant positions in the Finance Department and Planning Department that have not been filled make up the remaining declines in expenses.
- Public Safety expenses increased by \$789,402 or 3.4 percent primarily due to increases in the law enforcement contract.

City of Palmdale

Management’s Discussion and Analysis

- Public Service expenses increased by \$4,020,153, or 8.4 percent primarily due to a full year of cost related to the street light maintenance district previously managed by Los Angeles County of \$2.5 million, increase in depreciation expense by \$0.8 million, and general increases in cost related to street maintenance, traffic, landscape and sewer maintenance in the current year as compared to prior year.
- Community Development expenses increased by \$433,688 or 8.0 percent primarily due to increase in maintenance and rehabilitation cost related to abandoned mobile homes sold during the current year. The increase was offset by declines in Community Development Block Grant expenses in the FY 2014-15 as compared to FY 2013-14.
- Recreation and Culture expenses decreased by \$984,486 or 9.1 percent primarily due to prior year one-time general maintenance cost paid by the CFD 2003-1 Assessment District and decreases in non-capital outlay for repairs and maintenance cost at several park sites.
- Health and Welfare expenses decreased by \$660,177 or 23.3 percent primarily due to decreases 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 \$198,989 or 3.9 percent due to regularly scheduled interest payment decreases.

Program Expenses and Program Revenues-Governmental Activities

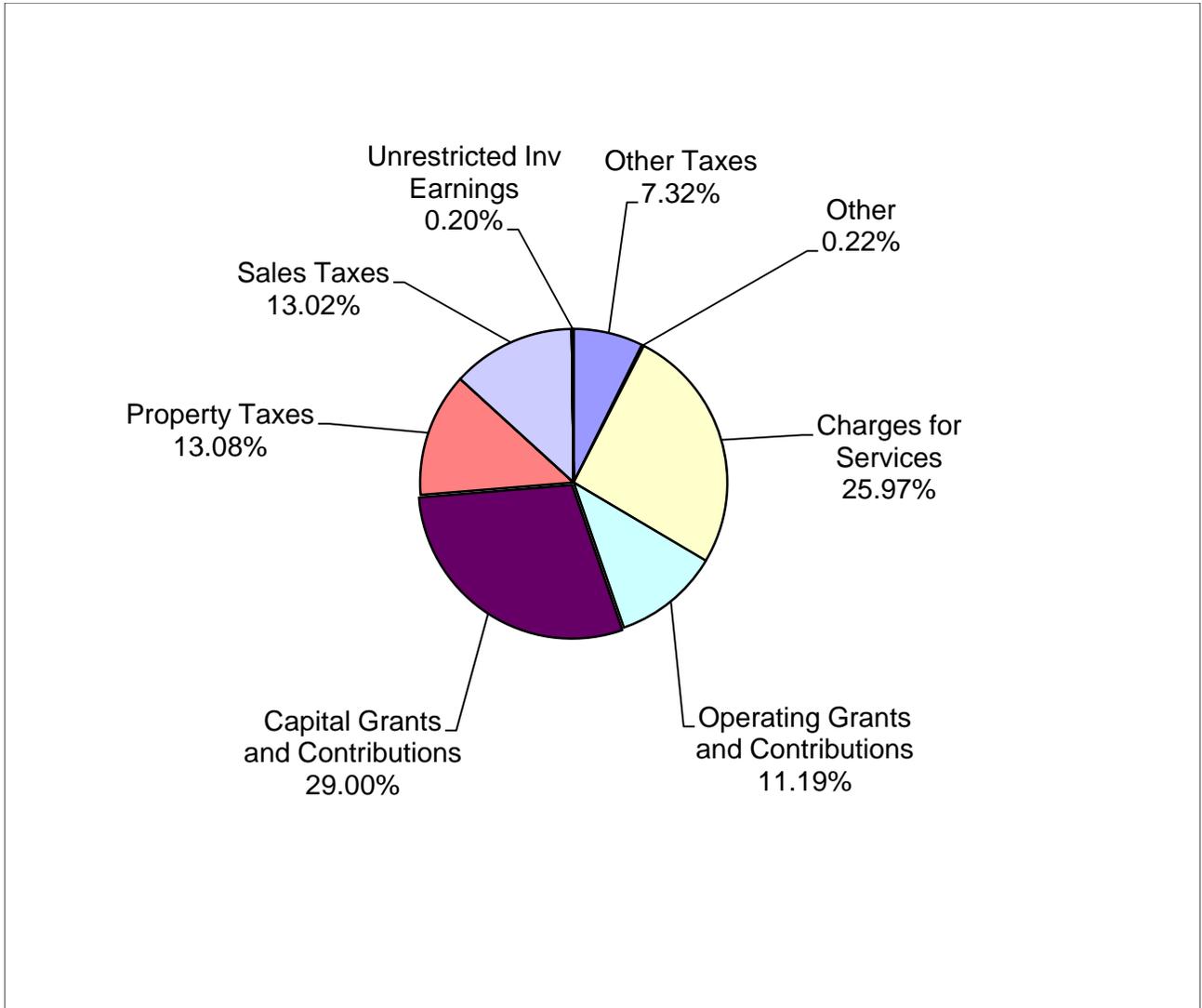


The Statement of Activities reflects total expenses of \$115,529,265. Program and general revenues totaling \$131,166,371 were recognized by the government.

City of Palmdale

Management's Discussion and Analysis

Revenues by Source-Governmental Activities



Total revenues in the Statement of Activities for the year ended June 30, 2015 were \$131,166,371. Of this amount, \$86,782,886 of the resources came from program revenues, and \$44,383,485 came from general revenues received by the government. The largest revenues are Capital Grants and Contributions, followed by, Charges for Services, Property Taxes, and Sales Taxes.

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.

City of Palmdale

Management's Discussion and Analysis

As of the end of the current fiscal year, the City of Palmdale's governmental funds reported combined ending fund balances of \$198,106,150, an increase of \$8,852,207 in comparison with the prior year. The fund balances, which are more fully discussed and detailed on page 50 and page 64 of the notes to the financial statements, have been classified into the following categories:

- \$10,884,095 is "Nonspendable" because the resources are not in a spendable form (i.e., prepaids, long-term receivables, or non-financial assets held for resale).
- \$172,742,781 is "Restricted" due to the existence of externally enforceable legal restrictions that are related primarily to special revenue funding sources and debt service reserves.
- \$11,946,745 is "Assigned" for specific purposes such as continuing appropriations, encumbrances, compensated absences, self-insurance and health insurance claims and next years budgeted deficit.
- \$2,532,529 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 \$17.2 million in General Fund, offset overall by negative unassigned balances totaling \$14.7 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 \$43,031,198. Of this amount, \$10,884,095 was nonspendable, \$3,000,250 was restricted, \$11,946,745 was assigned, and \$17,200,108 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 32.0 percent of total general fund expenditures, while total fund balance represents 80.9 percent of that same amount.

The City of Palmdale's general fund balance increased by \$2,130,978 during the current fiscal year. In comparison to last year, revenues increased overall by \$1,204,087 and expenditures increased by \$3,186,877. Property Tax revenue increased 10.8 percent, grant revenues increased by 3.9 percent and sales tax revenue increased 4.2 percent as compared to prior year resulting in an additional \$2.8 million in revenues for the general fund. Revenue increases were offset by a decline in Charges for Current Services by \$1.4 million in revenues as a result of one time revenue received in the prior year as described on page 8. The increases in expenditures were primarily the result of the payment of claims and judgments and increases in the law enforcement contract.

The Housing Authority - Housing Asset Fund has a fund balance of \$62,735,450 and is restricted for low and moderate-income housing purposes. 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 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 \$13,573,279. The deficit was reduced by \$696,188 primarily as the result of a decline in operating expenditures.

The Street Light Assessment District Fund has a fund balance of \$14,024,595 and is used to account for revenues and expenditures associated with residential street lighting services. The fund balance increased by \$11,430,813 as compared to prior year as the result of assuming an additional street light district area

City of Palmdale

Management's Discussion and Analysis

from Los Angeles County. A contribution of \$11,059,315 was received from Los Angeles County to assist with the funding of this district.

The Palmdale Civic Authority – Debt Service Fund has a fund balance of \$8,162,687 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. 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 \$3,979,700 as the result of additional budget needed to cover unanticipated claims and judgment expenses. Differences between the final amended budget and actual resulted in a \$14,804,409 decrease in appropriations and can be briefly summarized as follows:

- \$3,394,174 decrease in general governmental activities.
- \$1,032,011 decrease in public safety contracts.
- \$9,445,024 decrease in public services.
- \$11,421 decrease in community Development programs
- \$835,874 decrease in cultural and recreational programs.
- \$80,818 decrease in health and welfare services.
- \$574,160 decrease in capital projects.
- \$569,073 increase 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 S. Overall, the reclassifying of expenditures resulted in a \$10,282,321 reduction of transfers in and offsetting reduction to expenditures. Also, the assignment of a 2014 lease payable from the Palmdale Financing Authority (PFA) to the General Fund resulted in reallocation of debt payments to General Fund when payments were originally budgeted under the PFA Fund in the amount of \$569,084. See page 79, Note 12.

Capital Asset and Debt Administration

Capital Assets. The City of Palmdale's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$749,141,187 (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 decreased by \$3,791,976 in 2014-15 as compared to 2013-14. Depreciation on the capital assets is the primarily reason for the decrease.

City of Palmdale

Management's Discussion and Analysis

(Net of Depreciation)

	Governmental Activities 2015	Governmental Activities 2014
Land and Improvement	\$ 114,660,984	116,115,769
Buildings and Structures	51,536,173	52,784,319
Machinery and Equipment	2,532,825	2,490,537
Infrastructure	571,058,629	574,425,615
Construction in Progress	9,352,576	7,116,923
	<u>\$ 749,141,187</u>	<u>752,933,163</u>

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

- Completion of various streets and resurfacing projects totaling \$13,648,216, of which \$5,509,600 were contributed by Developers.
- Completion of various traffic signal projects totaling \$3,925,428.
- Completion of various storm drain and basin repair and mitigation improvements in the amount of \$4,763,676, of which \$33,300 were contributed by Developers.
- Completion of various sewer improvements in the amount of \$4,940,718, of which \$58,300 were contributed by Developers.
- Completion of various park facility improvement projects in the amount of \$424,668.

Additional information on the City of Palmdale's capital assets can be found on page 68, Note 10.

Long-Term Debt. At the end of the current fiscal year, the City of Palmdale had total bonded debt outstanding of \$93,435,358. 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 2015	Governmental Activities 2014
Revenue Bonds	\$ 28,337,814	21,697,752
Certificates of Participation and Lease Revenue Bonds	64,950,000	74,925,000
Bond Premiums	147,544	307,300
Total	<u>\$ 93,435,358</u>	<u>96,930,052</u>

The City of Palmdale's total debt was \$106,529,752 of which \$93,435,358 was Revenue Bonds and Certificates of Participation as noted on the schedule above. The remainder of the debt was comprised of \$2,910,410 in compensated absences, \$3,011,911 in self-insurance liability claims, \$697,150 in capital leases payable for equipment purchases and \$6,474,923 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 \$3,968,361 or 3.6 percent, during the current fiscal year. The decrease is primarily due to regular scheduled annual debt payments.

At the end of the current fiscal year, the City of Palmdale had a Net Pension Liability of \$34,909,000. Additional information on the City of Palmdale's net pension liability can be found on pages 85-90, Note 15.

Additional information on the Successor Agency's debt can be found on pages 94-107, Note 20 and at the Other Information Section beginning at page 195.

Additional information on the City of Palmdale's debt can be found on pages 69-82, 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 2015-16 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 a decline in oil prices and fuel receipts.
- Aligning revenues with expenditures
- 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 Due Diligence Review in an effort to reach an agreement with the State Department of Finance on the transfer of \$7.3 million in funds. These are significant challenges the City and Successor Agency face in

City of Palmdale

Management's Discussion and Analysis

FY 2015-16, with impacts likely felt for several years in the future. Additional information can be found at Note 20.

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 Manager, 38300 Sierra Highway, Suite D, Palmdale, California, 93550.

Government-Wide Financial Statements

City of Palmdale
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 322,655
Investments	122,256,683
Accounts Receivable	10,931,608
Interest Receivable	2,839,143
Property Taxes Receivable	316,171
Due from Other Governmental Units	22,633,684
Net OPEB Asset	172,243
Notes and Liens	47,604,902
Deposits and Prepays	579,494
Land Held for Resale	3,653,253
Permit Held for Resale	10,145,932
Restricted Assets:	
Cash and Investments	19,116,275
Interest Receivable	1,679
Capital Assets:	
Not Being Depreciated:	
Land and Improvements	114,660,984
Construction in Progress	9,352,576
Being Depreciated, Net of Accumulated Depreciation:	
Buildings and Structures	51,536,173
Machinery, Equipment and Other Improvements	2,532,825
Infrastructure	<u>571,058,629</u>
Total Assets	<u>989,714,909</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	351,834
Deferred Outflows Related to Pensions	<u>3,871,255</u>
Total Deferred Outflows of Resources	<u>4,223,089</u>
Liabilities:	
Accounts Payable	4,974,110
Accrued Salaries & Employee Benefits	1,401,464
Due to Other Governmental Units	500
Deposits	2,156,505
Accrued Interest Payable	2,287,212
Unearned Revenue	1,774,163
Noncurrent Liabilities:	
Due Within One Year	8,087,039
Due in More than One Year	98,442,713
Net Pension Liability	<u>34,909,000</u>
Total Liabilities	<u>154,032,706</u>
Deferred Inflows of Resources:	
Deferred Inflows Related to Pensions	<u>7,366,884</u>
Total Deferred Inflows of Resources	<u>7,366,884</u>
Net Position:	
Net Investment in Capital Assets	651,915,581
Restricted for:	
Public Safety	950,156
Public Services	61,781,407
Community Development	91,331,547
Cultural & Recreational	209,350
Debt Service	5,880,122
Unrestricted	<u>20,470,245</u>
Total Net Position	<u>\$ 832,538,408</u>

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Activities
For the Year Ended June 30, 2015

	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	\$ 17,167,502	\$ 5,272,710	\$ 3,447,048	\$ 5,125	\$ (8,442,619)
Public Safety	23,763,312	2,411,614	766,623	304,495	(20,280,580)
Public Services	51,743,421	16,223,970	7,037,945	36,065,583	7,584,077
Community Development	5,852,056	4,798,108	1,388,535	405,082	739,669
Cultural and Recreational	9,878,585	5,157,093	260,082	1,259,279	(3,202,131)
Health and Welfare	2,170,541	198,531	1,781,063	-	(190,947)
Interest on Long-Term Debt	4,953,848	-	-	-	(4,953,848)
Total Governmental Activities	\$ 115,529,265	\$ 34,062,026	\$ 14,681,296	\$ 38,039,564	\$ (28,746,379)

General Revenues:

Taxes:	
Property Taxes	\$ 17,152,560
Sales and Use Taxes	17,084,411
Unrestricted Motor Vehicle in Lieu	63,794
Franchise Taxes	5,526,119
Transient Occupancy Taxes	3,089,802
Property Transfer Tax	366,535
Business License Taxes	551,202
Unrestricted Investment Earnings	260,322
Other	288,740
Total General Revenues	44,383,485
 Change in Net Position	 15,637,106
 Net Position - Beginning of Year, as restated	 <u>816,901,302</u>
 Net Position - End of Year	 <u>\$ 832,538,408</u>

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 20). 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.

Street Lighting Assessment District Fund - This fund is used to account for revenues and expenditures restricted to residential street lighting services.

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 Financing 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, 2015

Assets	Special Revenue Funds				Debt Service Funds		Total Other Governmental Funds	Total Governmental Funds
	General	HA Housing Asset Fund	HA Mobile Home Park	Street Lighting Assessment District	Palmdale Civic Authority	Palmdale Financing Authority		
Assets:								
Cash	\$ 310,269	-	2,000	-	-	-	10,386	\$ 322,655
Investments	33,807,486	5,047,045	222,141	14,212,076	25,117	-	68,942,818	122,256,683
Receivables:								
Accounts and Interest Receivable	4,065,768	1,804,079	1,395,081	63,013	28	-	6,442,782	13,770,751
Property Taxes Receivable	111,573	-	-	9,468	-	-	195,130	316,171
Due from Other Funds	1,100,543	-	-	-	-	-	-	1,100,543
Advances Due from Fiduciary Funds (Note 19D)	104,097	15,857,215	-	-	-	-	-	15,961,312
Due from Other Governmental Units	6,088,513	-	-	-	-	-	583,859	6,672,372
Notes and Liens	54,572	22,783,680	-	-	-	-	7,513,835	30,352,087
Interfund Promissory Note (Note 4D)	-	13,553,333	-	-	-	-	-	13,553,333
Advances Due from Other Funds	-	1,411,000	-	-	-	-	-	1,411,000
Deposits and Prepaids	579,494	-	-	-	-	-	-	579,494
Restricted Assets:								
Investments	-	3,430,932	-	-	8,191,697	-	7,493,646	19,116,275
Interest Receivable	-	-	-	-	1,572	-	107	1,679
Land Held for Resale	-	1,930,347	69,593	-	-	-	1,653,313	3,653,253
Permit Held for Resale	10,145,932	-	-	-	-	-	-	10,145,932
Total Assets	\$ 56,368,247	65,817,631	1,688,815	14,284,557	8,218,414	-	92,835,876	\$ 239,213,540
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts Payable	\$ 4,198,632	92,075	80,507	259,962	55,727	-	1,688,671	\$ 6,375,574
Due to Fiduciary Funds	500	-	-	-	-	-	-	500
Due to Other Funds	-	-	-	-	-	-	1,100,543	1,100,543
Self Insurance Liability	1,025,552	-	-	-	-	-	-	1,025,552
Advances Due to Other Funds	-	-	1,411,000	-	-	-	-	1,411,000
Interfund Promissory Note	-	-	13,553,333	-	-	-	-	13,553,333
Deposits	1,935,721	-	217,254	-	-	-	3,530	2,156,505
Unearned Revenue	238,750	1,482,000	-	-	-	-	53,413	1,774,163
Total Liabilities	7,399,155	1,574,075	15,262,094	259,962	55,727	-	2,846,157	27,397,170
Deferred Inflows of Resources								
Unavailable Revenue-Reimbursements	5,933,248	1,508,106	-	-	-	-	6,268,866	13,710,220
Total Deferred Inflows of Resources	5,933,248	1,508,106	-	-	-	-	6,268,866	13,710,220
Fund Balances:								
Nonspendable	10,884,095	-	-	-	-	-	-	10,884,095
Restricted	3,004,896	62,735,450	69,593	14,024,595	8,162,687	-	84,745,560	172,742,781
Assigned	11,946,745	-	-	-	-	-	-	11,946,745
Unassigned	17,200,108	-	(13,642,872)	-	-	-	(1,024,707)	2,532,529
Total Fund Balances	43,035,844	62,735,450	(13,573,279)	14,024,595	8,162,687	-	83,720,853	198,106,150
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 56,368,247	65,817,631	1,688,815	14,284,557	8,218,414	-	92,835,876	\$ 239,213,540

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, 2015

Total Fund Balances - Total Governmental Funds (page 22) \$ 198,106,150

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 17,252,815

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	\$ 1,233,409,834	
Less Accumulated Depreciation	<u>(484,268,647)</u>	749,141,187

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. 172,243

Accounts receivable not available to pay for current-period expenditures
 are unavailable in the funds 13,710,220

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	(2,287,212)
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Deferred Charges are deferred outflows of resources
 and not reported in the Governmental Fund Balance Sheet.

Deferred Charge on Refunding	\$ 351,834	
Deferred Outflows Related to Pensions	<u>3,871,255</u>	4,223,089

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	\$ 2,910,410	
Claims Payable	1,986,359	
Pension Liability	34,909,000	
Capital Leases Payable	697,150	
Notes Payable	6,474,923	
Bonds & Certificates of Participation Payable	93,287,814	
Plus Issuance Premiums	<u>147,544</u>	(140,413,200)

Deferred earnings on Pension Plan investments are deferred inflows of
 resources and are not reported in the Governmental Fund Balance Sheet. (7,366,884)

Net Position of Governmental Activities (page 18) \$ 832,538,408

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, 2015

	Special Revenue Funds			Debt Service Funds		Total Other Governmental Funds	Total Governmental Funds
	General	HA Housing Asset Fund	HA Mobile Home Park	Street Lighting Assessment District	Palmdale Civic Authority		
Revenues:							
Property Taxes	\$ 17,152,560	-	-	-	-	-	\$ 17,152,560
Sales and Use Taxes	17,084,411	-	-	-	-	-	17,084,411
Other Taxes	9,533,659	-	-	-	-	4,351,675	13,885,334
Subventions and Grants	606,787	-	-	-	-	20,956,962	21,563,749
Park Development Fees	-	-	-	-	-	254,656	254,656
Licenses and Permits	1,644,342	-	-	-	-	158,416	1,802,758
Motor Vehicle License Fees	63,789	-	-	-	-	-	63,789
Fines and Forfeitures	230,611	-	-	-	-	341,414	572,025
Special Assessments	147	-	-	3,867,585	-	13,402,161	17,269,893
Use of Property	587,069	-	4,562,028	-	-	86,447	5,235,544
Charges for Current Services	6,399,781	123,945	-	-	-	1,239,091	7,762,817
Drainage Fees	-	-	-	-	-	300	300
Traffic Impact Fees	-	-	-	-	-	313,045	313,045
Facilities Impact Fees	-	-	-	-	-	325,752	325,752
Interfund Interest	-	606,114	-	-	-	-	606,114
Interest	215,364	19,828	1,493	91,883	44,209	457,811	830,588
Net Increase in the Fair Value of Investments:	6,232	867	40	2,452	6	11,665	21,262
Developer Contributions	-	-	-	5,000	-	153,391	158,391
State Contributions	-	-	-	-	-	23,307	23,307
Successor Agency Contributions	12,608	-	-	-	5,746,125	-	5,758,733
County Contributions	-	-	-	11,059,315	-	117,474	11,176,789
Other	3,590,568	-	-	1,433	-	347,116	3,939,117
Total Revenues	57,127,928	750,754	4,563,561	15,027,668	5,790,340	42,540,683	125,800,934
Expenditures:							
Current:							
General Government	19,017,746	-	-	-	-	737,691	19,755,437
Public Safety	23,135,229	-	-	-	-	769,602	23,904,831
Public Services	717,336	-	-	3,596,855	-	16,901,269	21,215,460
Community Development	554,679	1,179,791	3,269,055	-	-	116,426	5,119,951
Cultural and Recreational	7,757,736	-	-	-	-	1,363,500	9,121,236
Health and Welfare	419,282	-	-	-	-	1,759,214	2,178,496
Capital Outlay	891,210	-	-	-	-	24,773,156	25,664,366
Debt service:							
Principal	641,672	-	-	-	29,270,000	233,000	30,144,672
Interfund Interest	-	-	606,114	-	-	-	606,114
Cost of Issuance	207,500	-	-	-	-	-	207,500
Interest	387,581	-	-	-	4,120,884	260,510	4,950,664
Total Expenditures	53,729,971	1,179,791	3,875,169	3,596,855	33,390,884	260,510	142,868,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,397,957	(429,037)	688,392	11,430,813	(27,600,544)	(260,510)	(4,294,864)
Other Financing Sources (Uses):							
Transfers In	3,446,714	-	7,796	-	30,269,075	260,510	34,083,575
Bond Proceeds	25,920,000	-	-	-	-	-	25,920,000
Transfers Out	(30,629,047)	(20,198)	-	-	(18)	-	(34,083,575)
Total Other Financing Sources (Uses)	(1,262,333)	(20,198)	7,796	-	30,269,057	260,510	25,920,000
Net Change in Fund Balances	2,135,624	(449,235)	696,188	11,430,813	2,668,513	-	8,852,207
Fund Balances - Beginning of Year	40,900,220	63,184,685	(14,269,467)	2,593,782	5,494,174	91,350,549	189,253,943
Fund Balances - End of Year	\$ 43,035,844	62,735,450	(13,573,279)	14,024,595	8,162,687	83,720,853	\$ 198,106,150

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, 2015

Net Change in Fund Balances - Total Governmental Funds (page 24) \$ 8,852,207

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 and developer contributions 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)	\$ 29,672,032	
Less Depreciation Expense	<u>(33,464,008)</u>	(3,791,976)

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	5,496,683
Interest Revenue Earned but not received within the 60-day Accrual Period	574,009

Repayment of long-term note receivables decreases the note in the Government-Wide Statement of Net Position (4,200,000)

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.

Debt Issued or Incurred:		
Bond Issuance	\$ (25,920,000)	
Self Insurance Liability Claims Payable	(343,101)	
Principal Repayments:		
Capital Leases	265,110	
Notes Payable	609,562	
Bonds & Certificates of Participation Payable	<u>29,270,000</u>	3,881,571

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	\$ 15,780	
Claims and Judgements	3,552,149	
Pension Expense	1,056,397	
Accrued OPEB Obligations	(4,030)	
Accrued Interest on Debt	73,477	
Accreted Interest on Bonds	15,062	
Amortization of Deferred Loss	(43,979)	
Amortization of Bond Premiums	<u>159,756</u>	<u>4,824,612</u>

Change in Net Position of Governmental Activities (page 19) \$ 15,637,106

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 15,251,510	16,486,110	17,152,560	666,450
Sales and Use Taxes	16,154,000	16,622,080	17,084,411	462,331
Other Taxes	9,160,950	8,876,050	9,533,659	657,609
Subventions and Grants	100,020	112,180	606,787	494,607
Licenses and Permits	1,161,980	1,132,110	1,403,541	271,431
Motor Vehicle License Fees	-	63,790	63,789	(1)
Fines and Forfeitures	370,000	273,040	230,611	(42,429)
Special Assessments	-	150	147	(3)
Use of Property	457,120	500,320	587,069	86,749
Charges for Current Services	5,550,040	5,926,720	6,640,582	713,862
Interest	105,500	115,500	215,364	99,864
Net Increase in the Fair Value of Investments	-	-	6,232	6,232
Other Agency Contributions	12,400	12,610	12,608	(2)
Other	4,659,340	3,673,050	3,590,568	(82,482)
Total Revenues	52,982,860	53,793,710	57,127,928	3,334,218
Expenditures:				
Current:				
General Government	17,027,010	22,411,920	19,017,746	3,394,174
Public Safety	24,355,090	24,167,240	23,135,229	1,032,011
Public Services	9,947,260	10,162,360	717,336	9,445,024
Community Development	444,810	566,100	554,679	11,421
Cultural and Recreational	8,641,100	8,593,610	7,757,736	835,874
Health and Welfare	501,000	500,100	419,282	80,818
Capital Outlay	2,971,310	1,465,370	891,210	574,160
Debt Service:				
Principal	641,100	641,680	641,672	8
Cost of Issuance	-	-	207,500	(207,500)
Interest	26,000	26,000	387,581	(361,581)
Total Expenditures	64,554,680	68,534,380	53,729,971	14,804,409
Excess (Deficiency) of Revenues:				
Over (Under) Expenditures	(11,571,820)	(14,740,670)	3,397,957	18,138,627
Other Financing Sources (Uses):				
Transfers In	14,167,910	14,054,230	3,446,714	(10,607,516)
Bond Proceeds	-	-	25,920,000	25,920,000
Transfers Out	(5,696,420)	(5,341,190)	(30,629,047)	(25,287,857)
Total Other Financing Sources (Uses)	8,471,490	8,713,040	(1,262,333)	(9,975,373)
Net Change in Fund Balance	(3,100,330)	(6,027,630)	2,135,624	8,163,254
Fund Balance - Beginning of Year	40,900,220	40,900,220	40,900,220	-
Fund Balance - End of Year	\$ 37,799,890	34,872,590	43,035,844	8,163,254

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Current Services	\$ 242,030	92,030	123,945	31,915
Interest	246,820	342,990	19,828	(323,162)
Elim Combined Funds Int Rev	606,120	606,120	606,114	(6)
Net Increase in the Fair Value of Investments	-	-	867	867
Total Revenues	1,094,970	1,041,140	750,754	(290,386)
Expenditures:				
Current:				
Community Development	1,427,800	3,562,440	1,179,791	2,382,649
Total Expenditures	1,427,800	3,562,440	1,179,791	2,382,649
Excess (Deficiency) of Revenues: Over (Under) Expenditures	(332,830)	(2,521,300)	(429,037)	2,092,263
Other Financing Sources (Uses):				
Transfers In	750,000	750,000	-	(750,000)
Transfers Out	(12,400)	(12,400)	(20,198)	(7,798)
Total Other Financing Sources (Uses)	737,600	737,600	(20,198)	(757,798)
Net Change in Fund Balance	404,770	(1,783,700)	(449,235)	1,334,465
Fund Balance - Beginning of Year	63,184,686	63,184,686	63,184,685	-
Fund Balance - End of Year	\$ 63,589,456	61,400,986	62,735,450	1,334,464

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ 4,386,650	4,560,580	4,562,028	1,448
Interest	-	-	1,493	1,493
Net Increase in the Fair Value of Investments	-	-	40	40
Total Revenues	4,386,650	4,560,580	4,563,561	2,981
Expenditures:				
Current:				
Community Development	2,990,330	3,390,320	3,269,055	121,265
Debt Service:				
Interfund Interest	606,120	606,120	606,114	6
Total Expenditures	3,596,450	3,996,440	3,875,169	121,271
Excess (Deficiency) of Revenues: Over (Under) Expenditures	790,200	564,140	688,392	124,252
Other Financing Sources (Uses):				
Transfers In	750,000	750,000	7,796	(742,204)
Total Other Financing Sources (Uses)	750,000	750,000	7,796	(742,204)
Net Change in Fund Balance	1,540,200	1,314,140	696,188	(617,952)
Fund Balance - Beginning of Year	(14,269,467)	(14,269,467)	(14,269,467)	-
Fund Balance - End of Year	<u>\$ (12,729,267)</u>	<u>(12,955,327)</u>	<u>(13,573,279)</u>	<u>(617,952)</u>

See Accompanying Notes to the Financial Statements

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 3,782,940	3,503,000	3,867,585	364,585
Interest	5,000	24,000	91,883	67,883
Net Increase in the Fair Value of Investments	-	-	2,452	2,452
Developer Contributions	15,000	7,000	5,000	(2,000)
County Contributions	-	10,017,000	11,059,315	1,042,315
Other	3,500	3,500	1,433	(2,067)
Total Revenues	3,806,440	13,554,500	15,027,668	1,473,168
Expenditures:				
Current:				
Public Services	3,771,020	3,983,400	3,596,855	386,545
Total Expenditures	3,771,020	3,983,400	3,596,855	386,545
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,420	9,571,100	11,430,813	1,859,713
Net Change in Fund Balance	35,420	9,571,100	11,430,813	1,859,713
Fund Balance - Beginning of Year	2,593,782	2,593,782	2,593,782	-
Fund Balance - End of Year	<u>\$ 2,629,202</u>	<u>12,164,882</u>	<u>14,024,595</u>	<u>1,859,713</u>

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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 20, 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, 2015

	Agency Funds	OPEB Trust Funds	Successor Agency Private Purpose Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash	\$ -	\$ 1,900,799	\$ 277,069
Investments	-	3,077,378	5,929,519
Receivables:			
Property Taxes Receivable	101,931	-	106
Interest Receivable	-	-	5,858
Due from Other Government Units	-	-	500
Notes and Liens	-	-	484,494
Land Held for Resale	-	-	11,673,527
Restricted Assets:			
Cash and Investments	8,420,493	-	4,002,503
Interest Receivable	1,505	-	24
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	-	-	246,066
	<u>8,523,929</u>	<u>4,978,177</u>	<u>28,651,008</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	-	-	1,715,477
	<u>-</u>	<u>-</u>	<u>1,715,477</u>
Total Assets and Deferred Outflows	<u>\$ 8,523,929</u>	<u>\$ 4,978,177</u>	<u>\$ 30,366,485</u>
Liabilities:			
Accounts Payable	50,278	-	66,505
Advances Due to Housing Asset Fund	-	-	15,857,215
Due to Other Governmental Units	583,859	-	104,097
Deposits	84,707	-	-
Accrued Interest Payable	-	-	1,524,988
Long-Term Liabilities:			
Due Within One Year	-	-	4,696,793
Due in More than One Year	7,805,085	-	118,748,346
	<u>7,805,085</u>	<u>-</u>	<u>118,748,346</u>
Total Liabilities Held on Behalf of Others	<u>\$ 8,523,929</u>	<u>-</u>	<u>140,997,944</u>
Net Position:			
Net Position Held in Trust for OPEB Benefits		4,978,177	-
Net Position (Deficit) Held in Trust		<u>-</u>	<u>(110,631,459)</u>
Total Net Position (Deficit) Held in Trust		<u>4,978,177</u>	<u>(110,631,459)</u>
Total Liabilities and Net Position		<u>\$ 4,978,177</u>	<u>\$ 30,366,485</u>

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

	OPEB Trust Funds	Successor Agency Private Purpose Trust Funds
	<u>Trust Funds</u>	<u>Funds</u>
Additions:		
Employer Contributions to Retiree Medical Trust	\$ 270,321	\$ -
Property Taxes	-	41,770,097
Use of Property	-	6,250
Charges for Current Services	-	50,805
Investment and interest income	154,801	20,224
Net Investment Gains (Losses)	88,680	-
Total Additions	<u>513,802</u>	<u>41,847,376</u>
Deductions:		
Benefits paid to participants	439,491	-
General Government	-	425,240
Community Development	-	1,711,353
Intergovernmental-Tax Sharing	-	29,207,111
Depreciation	-	8,763
Interest Expense	-	6,631,406
Total Deductions	<u>439,491</u>	<u>37,983,873</u>
Change in Net Position held in Trust	74,311	3,863,503
Net Position (Deficit) Held in Trust at July 1, 2014	<u>4,903,866</u>	<u>(114,494,962)</u>
Net Position (Deficit) Held in Trust at June 30, 2015	<u>\$ 4,978,177</u>	<u>\$ (110,631,459)</u>

See Accompanying Notes to the Financial Statements

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**Notes to the
Financial Statements**



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2015

City of Palmdale
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City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

(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 (GAAP), 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 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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 (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 Fund.

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, obligations, and housing assets, were transferred to the Housing Authority during FY2011-12. 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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, liabilities and deferred inflows of resources (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 measurable 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, Street Lighting Assessment District 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 Service Fund. Not all of the component unit funds are reflected as major funds. 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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 117-127.

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.

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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015. 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, 2015.

E. 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.

F. 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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

G. 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.

H. Land Held for Resale

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

I. 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.

J. 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.

K. 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 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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 Statement of Net Position. 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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 two items that qualifies for reporting in this category. 1) 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. 2) The contributions made against the pension liability subsequent to the measurement date. This amount is deferred and will be recognized in the subsequent measurement period of the pension liability.

In addition to liabilities, the Statement of Net Position 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 City has two types of items, one 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. The government-wide Statement of Net Position reports deferred inflows resulting from actual earnings on the pension fiduciary net position that were in excess of the projected earnings. This amount is deferred and recognized as a reduction of pension expense over a defined amortization period of five years.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

M. 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.

N. Pensions

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

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 into 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:

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 or enabling legislation.

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 balances 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 balances 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, 2015 in the amount indicated:

Non-major Special Revenue Funds:	
Federal Grants Fund	\$ 714,831
Federal Jobs Program	3,476
State Grants Fund	306,400

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

Housing Authority Mobile Home Park Fund \$ 13,573,279

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.

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, Air Quality Fund, Article 8 Fund, Park Development Fund, Traffic Impact Fund, Drainage Funds, Federal Funds, State Grants Funds, Park Assessments Fund, 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
Nonmajor Governmental Funds:					
Gas Tax Fund	\$ 782,346	326,286	-	456,060	-
Public Safety Fund	635,582	-	635,582	-	-
Prop A Fund	2,073,672	-	-	2,056,209	17,463
Prop C Fund	220,000	-	-	220,000	-
Air Quality Fund	31,556	-	-	31,556	-
Article 8 Fund	5,480,218	-	-	5,480,218	-
Park Development Fund	216,558	65,000	-	51,558	100,000
Traffic Impact Fund	65,000	65,000	-	-	-
Drainage Fund	68,994	52,000	-	16,994	-
Federal Fund	67,109	-	67,109	-	-
State Grants Fund	341,375	-	-	341,375	-
Park Assessments Fund	169,911	-	66,911	-	103,000
Landscape Maintenance Fund	65,000	65,000	-	-	-
Sewer Maintenance Fund	65,000	65,000	-	-	-

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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. 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, 2014, the City adopted GASB 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 effected the periods beginning after June 15, 2014. The City recognized a restatement to beginning net position on the statement of activities. See footnote 23 for more information.

Effective July 1, 2014, the City adopted GASB 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. This statement did not have a significant effect on the financial statements.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

Effective July 1, 2014, the City adopted GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The City recognized a restatement of beginning net position on the statement of activities. See footnote 23 for more information.

(2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 322,655
Investments	122,256,683
Restricted cash and investments	19,116,275
	141,695,613
Statement of Fiduciary Net Position:	
Cash	2,177,868
Investments	9,006,897
Restricted Cash and Investments	12,422,996
	23,607,761
Total Cash and Investments	\$ 165,303,374

Cash and investments as of June 30, 2015 consist of the following:

Cash on Hand	\$ 17,311
Deposits with Financial Institution	2,549,734
Investments:	
Pooled	\$ 127,509,017
Held by Trustees	35,227,312
	162,736,329
Total Cash and Investments	\$ 165,303,374

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 and for the OPEB Trust Fund 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 per acct.

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

The City of Palmdale's and OPEB Trust Fund 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, 2015, a demand deposit of \$281,606 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, 2015 warrant payments totaling \$49,374 were made reducing the demand deposit balances.

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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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.

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)	Total	12 Month or Less	13-24 Months	25-60 Months	More than 60 Months
Investment Type:					
Federal Agency Securities	\$ 71,869,990	\$ 3,002,700	\$ 14,992,900	\$ 53,874,390	\$ -
Negotiable Certificates of Deposit	2,255,459	1,251,732	752,876	250,851	-
Money Market Mutual Funds	83,030	83,030	-	-	-
Local Agency Investment Fund	53,300,538	53,300,538	-	-	-
Held by Trustees:					
Money Market Mutual Funds	28,632,184	28,632,184	-	-	-
Mutual Funds	4,978,177	4,978,177	-	-	-
Investment Agreements	1,616,951	956,951	-	-	660,000
Total	\$ 162,736,329	\$ 92,205,312	\$ 15,745,776	\$ 54,125,241	\$ 660,000

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
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Investment Type	Total	Minimum Legal Rating	Not Required to be Rated	NR/Aaa*	A/A2*	AA+/Aaa*	AAA/Aaa*
Federal Agency Securities	\$ 71,869,990	N/A	\$ -	\$ -	\$ -	\$ 71,869,990	\$ -
Certificates of Deposit	2,255,459	N/A	2,255,459	-	-	-	-
Money Market Mutual Funds	83,030	A	-	-	-	-	83,030
Local Agency Investment Pool	53,300,538	N/A	53,300,538	-	-	-	-
Held by Bond Trustee:							
Money Market Funds	28,632,184	A	-	-	-	-	28,632,184
Mutual Funds	4,978,177	N/A	4,978,177	-	-	-	-
Investment Agreements	1,616,951	N/A	-	956,951	660,000	-	-
Total	<u>\$ 162,736,329</u>		<u>\$ 60,534,174</u>	<u>\$ 956,951</u>	<u>\$ 660,000</u>	<u>\$ 71,869,990</u>	<u>\$ 28,715,214</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	\$ 34,921,870
Freddie Mac	Federal Agency Securities	20,016,000
Federal Ntl Mtg Assoc.	Federal Agency Securities	8,962,140

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 Ended June 30, 2015

As of June 30, 2015, \$7,885,485 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, 2015, 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	\$ 2,255,459
Federal Agency Securities	\$ 71,869,990

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 Ended June 30, 2015

(3) Interfund Transfers – Interfund transfers for the year ended June 30, 2015 were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Major Funds		
General Fund	Housing Authority Housing Asset Fund	\$ 12,402
	Non-Major Funds	3,434,312
		<u>3,446,714</u>
HA Mobile Home Park Fund	Housing Authority Housing Asset Fund	7,796
PCA Debt Service Fund	General Fund	30,269,075
PFA Debt Service Fund	General Fund	260,510
Non-Major Governmental Funds		
	Palmdale Civic Authority - Debt Service Fund	18
	General Fund	99,462
		<u>99,480</u>
Total Interfund Transfers		<u><u>\$ 34,083,575</u></u>

Transfers resulted from the following transactions:

- 1) Transferring revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them.
- 2) Transferring 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 as of Year Ended June 30, 2015 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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

<u>Payable To:</u>	<u>Payable From:</u>	<u>Amount</u>
Major funds		
General Fund	Non-Major Governmental Funds	<u>\$ 1,100,543</u>
Total Due From/To Other Funds		<u><u>\$ 1,100,543</u></u>

B. Advances Due From/To Drainage Funds as of June 30, 2015

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	\$ 749,392	\$ -
Anaverde Drainage	-	7,674,513
Portal Ridge Drainage	288,900	-
Pearland Drainage	6,636,221	-
	<u>\$ 7,674,513</u>	<u>\$ 7,674,513</u>

The repayment of the loans will be funded from future assessments received by the Anaverde Drainage Fund.

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

	<u>Fund Equity</u>
Amargosa Drainage	\$ 1,244,805
Anaverde Drainage	(9,036,800)
Big Rock Drainage	50,872
Portal Ridge Drainage	430,868
Pearland Drainage	11,012,784
Littlerock Drainage	114,326
	<u>\$ 3,816,855</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

C. Advances Due From/To Other Funds as of June 30, 2015

	Receivable	Payable
Major Funds		
Special Revenue Funds:		
Housing Authority-Housing Asset Fund	\$ 1,411,000	\$ -
Housing Authority-Mobile Home Parks Fund	-	1,411,000
Total Major Funds	\$ 1,411,000	\$ 1,411,000

The Housing Authority-Mobile Home Parks Fund has advances due to the Housing Authority-Housing Asset Fund of \$1,411,000 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, 2015

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 2014-2015, the Housing Authority Mobile Home Parks fund paid \$750,000 principal and \$606,114 interest for a total of \$1,356,114 to the Housing Authority Housing Asset Fund. The balance of the Promissory Note as of June 30, 2015 is \$13,553,333.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

(5) Notes Receivable

The City has the following Note Receivables outstanding at the end of June 30, 2015:

	<u>June 30, 2015</u>
Notes Receivable:	
BAIP	\$ 12,245
Graffiti	42,327
Federal Home Program	6,131,529
CDBG/NSP Program	1,382,306
Housing Programs	22,783,680
Successor Agency-Bond Debt	17,252,815
Total	<u>\$ 47,604,902</u>

A. City Loans

The City made loans as part of a local business incentive program (BAIP) and loans for Graffiti reimbursement charges. The loan balances are \$12,245 for BAIP and \$42,327 for Graffiti loans as of June 30, 2015.

B. 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 \$6,131,529 as of June 30, 2015.

C. 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 \$1,382,306 as of June 30, 2015.

D. 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 \$22,783,680 as of June 30, 2015.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

E. Successor Agency-Bond Debt

The City and the former Community Redevelopment Agency have entered into loan and repayment agreements whereby the Palmdale Civic Authority has loaned the proceeds of Revenue Bond proceeds to the former Agency. The loan agreements between the Authority and the former Agency require the former Agency (now the Successor 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.

	Balance at July 1, 2014	Additions	Payments	Balance at June 30, 2015
Loans Receivable Related to:				
1994 Revenue Bonds	\$ 402,752	\$ 15,063	\$ (420,000)	\$ (2,185)
1997 Revenue Bonds	1,755,000	-	(1,755,000)	-
2003 Revenue Bonds	13,640,000	-	(1,785,000)	11,855,000
2009 Revenue Bonds	5,640,000	-	(240,000)	5,400,000
Total Loans Receivable	\$ 21,437,752	\$ 15,063	\$ (4,200,000)	\$ 17,252,815

As of June 30, 2015, future loan and interest payments are as follows:

Ended	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	(2,185)	-	950,000	564,844	130,000	350,243	1,077,815	915,087
2017	-	-	1,000,000	520,250	125,000	341,872	1,125,000	862,122
2018	-	-	1,035,000	469,375	150,000	332,846	1,185,000	802,221
2021-25	-	-	6,020,000	1,494,250	890,000	1,501,087	6,910,000	2,995,337
2026-28	-	-	2,850,000	144,250	4,105,000	754,811	6,955,000	899,061
	\$ (2,185)	\$ -	\$ 11,855,000	\$ 3,192,969	\$ 5,400,000	\$ 3,280,859	\$ 17,252,815	\$ 6,473,828

FY2016 Payment totaling \$2,672,117 was received in June 2015 to comply to Successor Agency payment requirements. The payment made included the accreted interest for July and August 2015. For capital appreciation bonds the accreted interest is \$2,185, which converts to principal in FY2015-16.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

(6) Fund Balance Classification

The Fund Balances at June 30, 2015 were classified as follows:

	Special Revenue Funds				Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	HA Housing Asset Fund	HA Mobile Home Parks	Street Light Districts	Palmdale Civic Authority Fund	Palmdale Financing Authority Fund		
Nonspendable:								
Advances	\$ 104,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,097
Deposits and Prepays	579,494	-	-	-	-	-	-	579,494
Permit for Resale	10,145,932	-	-	-	-	-	-	10,145,932
Note and Liens	54,572	-	-	-	-	-	-	54,572
Total Nonspendable	10,884,095	-	-	-	-	-	-	10,884,095
Restricted:								
City Programs	2,276,397	-	-	-	-	-	169,433	2,445,830
Debt Service	4,646	-	-	-	8,162,687	-	8,084,402	16,251,735
Public Safety Programs	280,557	-	-	-	-	-	3,254,117	3,534,674
Public Services Programs	263,402	-	-	14,024,595	-	-	58,453,616	72,741,613
Low and Moderate Income Housing Programs	-	62,735,450	69,593	-	-	-	9,827,940	72,632,983
Recreation and Culture Programs	149,033	-	-	-	-	-	4,857,027	5,006,060
Health and Welfare Programs	30,861	-	-	-	-	-	-	30,861
Housing Authority Operations	-	-	-	-	-	-	99,025	99,025
Total Restricted:	3,004,896	62,735,450	69,593	14,024,595	8,162,687	-	84,745,560	172,742,781
Assigned:								
Compensated Absences	1,746,244	-	-	-	-	-	-	1,746,244
Self Insurance Claims	1,986,359	-	-	-	-	-	-	1,986,359
Health Insurance	3,500,982	-	-	-	-	-	-	3,500,982
Next Years Budget	4,713,160	-	-	-	-	-	-	4,713,160
Total Assigned	11,946,745	-	-	-	-	-	-	11,946,745
Unassigned:	17,200,108	-	(13,642,872)	-	-	-	(1,024,707)	2,532,529
Total Fund Balance	\$ 43,035,844	\$ 62,735,450	\$ (13,573,279)	\$ 14,024,595	\$ 8,162,687	\$ -	\$ 83,720,853	\$ 198,106,150

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

(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 \$25,000,000. 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 Ended June 30, 2015

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-party 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 2014-2015, \$4,803,568 was paid in general liability claims and \$904,401 was paid in liability administrative costs. At June 30, 2015, \$2,318,359 was accrued for general liability claims in the Government-Wide Financial Statements. The portion estimated to be due within one year is \$332,000 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 2014-2015, \$1,299,761 was paid in health claims and \$179,695 was paid in health administrative costs. At June 30, 2015, \$609,729 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. All administrative costs were paid during the fiscal year and no unpaid amounts are due and payable as of June 30, 2015.

During fiscal year 2014-2015, \$230,480 was paid in dental and vision claims and \$19,340 was paid in dental and vision administrative costs. At June 30, 2015, \$83,823 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, 2015, 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 Ended June 30, 2015

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:

	General Liability	Medical Benefits	Dental and Vision Claims	Total
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	(167,756)	(1,662,371)	(183,821)	(2,013,948)
Balance, June 30, 2014	1,717,257	795,875	81,993	2,595,125
Claims Incurred	5,404,670	1,113,615	232,310	6,750,595
Claims Paid	(4,803,568)	(1,299,761)	(230,480)	(6,333,809)
Balance, June 30, 2015	<u>\$ 2,318,359</u>	<u>\$ 609,729</u>	<u>\$ 83,823</u>	<u>\$ 3,011,911</u>
Due within one year	<u>\$ 332,000</u>	<u>\$ 609,729</u>	<u>\$ 83,823</u>	<u>\$ 1,025,552</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	\$ 224,879
Fees received for facility rental not yet used	10,941
Fees received for business licenses paid in advance	2,930
	<u>238,750</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>1,482,000</u>
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Total Unearned Revenues for Governmental Funds	<u>\$ 1,774,163</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 Ended June 30, 2015

Major Funds:

General Fund	\$ 5,933,248
HA Housing Asset Fund	1,508,106
Non-Major Special Revenue Funds:	
Federal Funds Fund	714,831
Federal Home Program Fund	1,206,421
Measure R Fund	957,427
Fire Facilities Impact Fund	317
Misc Grants/Developer Contributions	500,550
Proposition C Fund	2,256,596
State Grants Fund	632,553
Traffic Impact Fund	171
Total Unavailable Revenue for Governmental Funds	\$ 13,710,220

Capital Assets

Capital Assets of the City for year ended June 30, 2015, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 116,115,769	\$ 45,264	\$ (1,500,049)	\$ 114,660,984
Construction in Progress	7,116,923	24,939,469	(22,703,816)	9,352,576
Total Capital Assets, Not Being Depreciated	123,232,692	24,984,733	(24,203,865)	124,013,560
Capital Assets, being Depreciated				
Buildings & Structures	68,396,418	143,541	-	68,539,959
Improvements other than Buildings	138,509	290,461	-	428,970
Machinery and Equipment	13,533,448	650,904	(870,895)	13,313,457
Infrastructure	999,307,630	27,806,258	-	1,027,113,888
Total Capital Assts, being Depreciated	1,081,376,005	28,891,164	(870,895)	1,109,396,274
Less Accumulated Depreciation for:				
Buildings & Structures	15,612,099	1,391,687	-	17,003,786
Improvements other than Buildings	89,720	20,870	-	110,590
Machinery and Equipment	11,091,700	878,207	(870,895)	11,099,012
Infrastructure	424,882,015	31,173,244	-	456,055,259
Total Accumulated Depreciation	451,675,534	33,464,008	(870,895)	484,268,647
Total Capital Assets, being Depreciated, Net	629,700,471	(4,572,844)	-	625,127,627
Total Capital Assets, Net	\$ 752,933,163	\$ 20,411,889	\$ (24,203,865)	\$ 749,141,187

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

For the year ended June 30, 2015, depreciation expense on capital assets was charged to the governmental functions as follows:

General Government	\$ 815,599
Cultural and Recreation	865,409
Health and Welfare	543,461
Public Safety	95,300
Public Services	<u>31,144,239</u>
 Total Depreciation Expense	 <u><u>\$ 33,464,008</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, 2015, amounted to \$291,107.

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	291,107
2017	291,107
2018	<u>145,554</u>
Total minimum lease payments	727,768
Less amount representing interest	(30,618)
Present value of minimum lease payments	<u><u>\$ 697,150</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 Ended June 30, 2015

for the current year were \$376,562 and the balance remaining to be paid from pledged future revenues total \$113,923 as of June 30, 2015.

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, and 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, 2015 is \$3,511,000.

Principal	Interest	Total
\$ 244,000	\$ 171,079	\$ 415,079
255,000	152,588	407,588
268,000	140,513	408,513
280,000	134,895	414,895
294,000	120,972	414,972
1,734,000	356,166	2,090,166
436,000	11,704	447,704
\$ 3,511,000	\$ 1,087,918	\$ 4,598,918

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, 2015, 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, 2015 is \$2,850,000 with \$739,438 of unpaid accrued interest.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 20)

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 \$212,815 which was the amount of the remaining principal on the Bonds.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

Year Ending	Principal	Interest	Total
2016	212,814	-	212,814
Totals	\$ 212,814	\$ -	\$ 212,814

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 20)

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 \$930,340 which was the amount of the remaining principal and interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	905,000	25,340	930,340
Totals	905,000	25,340	930,340

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 20)

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 \$8,628,631 for the year. At year-end, pledged future revenues totaled \$16,560,606 which was the amount of the remaining principal and interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	\$ 910,000	\$ 602,638	\$ 1,512,638
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	1,090,000	416,250	1,506,250
2021-2025	6,320,000	1,185,750	7,505,750
2026	1,460,000	36,500	1,496,500
Totals	<u>\$ 12,765,000</u>	<u>\$ 3,795,606</u>	<u>\$ 16,560,606</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 20).

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 \$8,628,631 for the year. At year-end, pledged future revenues totaled \$9,139,408 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>
2016	\$ 150,000	\$ 332,376	\$ 482,376
2017	155,000	325,359	480,359
2018	145,000	318,182	463,182
2019	170,000	310,313	480,313
2020	175,000	301,384	476,384
2021-2025	1,040,000	1,339,245	2,379,245
2026-2028	3,925,000	452,550	4,377,550
Totals	<u>\$ 5,760,000</u>	<u>\$ 3,379,408</u>	<u>\$ 9,139,408</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 Ended June 30, 2015

Year Ending	Principal	Interest	Total
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	545,000	193,460	738,460
2021-2025	2,970,000	727,388	3,697,388
2026-2030	3,145,000	251,588	3,396,588
Totals	<u>8,695,000</u>	<u>2,111,550</u>	<u>10,806,550</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.

As a result of favorable interest rates in the municipal bond market, a portion of the 2002 Certificate of Participation Bonds was refinanced in October 2014 and the liability for the 2002 Certificates of Participation was partially defeased in November 2014 in the amount of \$25,445,000 by the Palmdale Financing Authority’s 2014 Certificate of Participation Bonds. The refinancing was privately placed with TPB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank, an Arizona Corporation.

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.

City of Palmdale
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For the Year Ended June 30, 2015

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 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.

Year Ending	Principal	Interest	Total
2016	\$ 390,000	\$ 671,000	\$ 1,061,000
2017	375,000	654,256	1,029,256
2018	365,000	637,163	1,002,163
2019	355,000	618,719	973,719
2020	350,000	600,213	950,213
2021-2025	2,675,000	2,658,000	5,333,000
2026-2030	4,710,000	1,727,250	6,437,250
2031-2033	4,370,000	344,000	4,714,000
Totals	<u>\$ 13,590,000</u>	<u>\$ 7,910,600</u>	<u>\$ 21,500,600</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 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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 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>
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	770,000	213,006	983,006
2021-2025	4,375,000	516,300	4,891,300
Totals	<u>\$ 7,940,000</u>	<u>\$ 1,878,734</u>	<u>\$ 9,818,734</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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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.

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>
2016	\$ 395,000	\$ 1,099,516	\$ 1,494,516
2017	415,000	1,076,982	1,491,982
2018	440,000	1,053,306	1,493,306
2019	465,000	1,025,538	1,490,538
2020	495,000	996,191	1,491,191
2021-2025	2,990,000	4,471,028	7,461,028
2026-2030	4,060,000	3,400,367	7,460,367
2031-2035	5,515,000	1,946,628	7,461,628
2036-2037	2,725,000	260,644	2,985,644
Totals	<u>\$ 17,500,000</u>	<u>\$ 15,330,200</u>	<u>\$ 32,830,200</u>

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For the Year Ended June 30, 2015

2014 Lease Payable (\$25,920,000) - On October 16, 2014, The Palmdale Financing Authority assigned the future lease revenues from the Lease Agreement dated as of October 1, 2014, by and between the City of Palmdale and the Authority, to TPB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank, an Arizona corporation, in exchange for \$25,920,000. These funds were used to redeem \$25,445,000 of outstanding 2002 Palmdale Civic Authority Certificates of Participation, pay \$262,893 of interest on the outstanding 2002 Palmdale Civic Authority Certificates of Participation, and pay financing costs of \$212,107.

All future lease payments will be paid to TPB Investments, Inc. by the City of Palmdale in semiannual installments beginning March 1, 2015 through September 1, 2032. The payments will be paid by the City of Palmdale from a first lien on the Park Assessment Fund fees.

Interest on the 2014 Certificates of Participation is payable semi-annually on March 1 and September 1 at 3.72% per annum. Principal installments are payable September 1 of each year through 2032. Certificates of Participation maturing on or after September 1, 2024 are subject to optional redemption at a price of 100% of the principal amount redeemed plus accrued interest.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 665,000	\$ 951,855	\$ 1,616,855
2017	785,000	924,885	1,709,885
2018	905,000	893,451	1,798,451
2019	1,035,000	857,367	1,892,367
2020	1,165,000	816,447	1,981,447
2021-2025	7,015,000	3,341,025	10,356,025
2026-2030	8,465,000	1,905,105	10,370,105
2031-2033	5,885,000	333,777	6,218,777
Totals	<u>\$ 25,920,000</u>	<u>\$ 10,023,912</u>	<u>\$ 35,943,912</u>

City of Palmdale
Notes to the Financial Statements
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D. Change in Long-Term Liabilities – Activity for the year ended June 30, 2015 were as follows:

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015	Due Within One Year
Compensated Absences Payable:					
Compensated Absences Payable	\$ 2,926,191	\$ 1,502,192	\$ 1,517,973	\$ 2,910,410	\$ 1,623,617
Total Compensated Absences	<u>2,926,191</u>	<u>1,502,192</u>	<u>1,517,973</u>	<u>2,910,410</u>	<u>1,623,617</u>
Liability Claims (General Fund):					
Health, Dental and Vision Claims	877,868	1,345,925	1,530,241	693,552	693,552
Liability Claims	<u>1,717,257</u>	<u>5,404,670</u>	<u>4,803,568</u>	<u>2,318,359</u>	<u>332,000</u>
Total Liability Claims	<u>2,595,125</u>	<u>6,750,595</u>	<u>6,333,809</u>	<u>3,011,911</u>	<u>1,025,552</u>
Leases Payable:					
Computer Lease	<u>962,260</u>	-	265,110	<u>697,150</u>	<u>272,854</u>
Total Leases Payable	<u>962,260</u>	-	<u>265,110</u>	<u>697,150</u>	<u>272,854</u>
Notes Payable:					
Hoprock Infrastructure	490,485	-	376,562	113,923	113,923
Section 108 HUD Loan	3,744,000	-	233,000	3,511,000	244,000
HOME Loan	<u>2,850,000</u>	-	-	<u>2,850,000</u>	-
Total Notes Payable	<u>7,084,485</u>	-	<u>609,562</u>	<u>6,474,923</u>	<u>357,923</u>
Bonds Payable:					
1994 Revenue Bonds	402,752	15,062	205,000	212,814	212,814
1997 Revenue Bonds	1,755,000	-	850,000	905,000	905,000
2003 Revenue Bonds	13,640,000	-	875,000	12,765,000	910,000
2009 Revenue Bonds	5,900,000	-	140,000	5,760,000	150,000
2012 Lease Revenue Bonds	8,695,000	-	-	8,695,000	490,000
2002 Certificates of Participation	39,785,000	-	26,195,000	13,590,000	390,000
2004 Certificates of Participation	8,575,000	-	635,000	7,940,000	660,000
2007 Certificates of Participation	17,870,000	-	370,000	17,500,000	395,000
2014 Certificates of Participation	-	25,920,000	-	25,920,000	665,000
Plus: Deferred Issuance Premiums \$43.2M COP	186,938	-	139,363	47,575	8,526
Plus: Deferred Issuance Premiums \$19.2M Rev	<u>120,362</u>	-	<u>20,393</u>	<u>99,969</u>	<u>20,753</u>
Total Bonds Payable	<u>96,930,052</u>	<u>25,935,062</u>	<u>29,429,756</u>	<u>93,435,358</u>	<u>4,807,093</u>
Total	<u>\$ 110,498,113</u>	<u>\$ 34,187,849</u>	<u>\$ 38,156,210</u>	<u>\$ 106,529,752</u>	<u>\$ 8,087,039</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

(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. During the 2014-15 fiscal year, the final payment was made on the \$8,675,000 Series 2005-A Bonds. There was no outstanding balance as of June 30, 2015.

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, 2015, a total of \$560,000 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 retail buildings. The Bond issue provided for the acquisition of land, acquisition and construction

City of Palmdale
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For the Year Ended June 30, 2015

of storm drainage retention facilities, landscaping, and street, water, and utility improvements. As of June 30, 2015, 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, 2015, a total of \$29,070,000 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, 2015, a total of \$23,630,000 in Series 2005-A Bonds and \$1,280,000 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, 2015, a total of \$6,305,000 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, 2015, a total of \$6,025,000 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
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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, 2015, a total of \$1,430,000 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. During fiscal year 2014-15, foreclosure proceedings were initiated and it is anticipated a judgement in favor of the District will be approved within a short period of time.

<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	2014-2015	161,823
		Totals	<u><u>\$ 2,691,325</u></u>

(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, 2015, there were \$3,177,607 Multifamily Mortgage Revenue Bonds outstanding.

The bonds described above do not constitute indebtedness of the Housing Authority or the City, and there exists no legal or moral obligation on the part of the Housing Authority 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
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(15) Public Employees' Retirement System (PERS) Pension Plan

A. General Information about the Pension Plan

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

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Basic Death benefit and the 1959 Survivor Benefit. The cost of living adjustments is 2 percent and applied as specified by the Public Employees' Retirement Law.

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

	<u>Miscellaneous</u>		
	On or Prior to April 10, 2011	Between April 11, 2011 and December 31, 2012	On or after January 1, 2013
Hire Date			
Formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-63	52-62
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.0%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	30.445%	30.445%	30.445%

City of Palmdale
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Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		
	Between		
	On or Prior to April 10, 2011	April 11, 2011 and Dec. 31, 2012	On or after January 1, 2013
	2.7% @ 55	2% @ 60	2% @ 62
Inactive employees or beneficiaries currently receiving benefits	195	-	-
Inactive employees entitled to but not yet receiving benefits	260	-	-
Active employees	173	8	9
Total	628	8	9

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution is 7.947 percent of annual pay, and the employer’s contribution rate is 27.689 percent of annual payroll.

B. Net Pension Liability

The City’s net pension liability for the Plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2013. For the measurement period ended June 30, 2014, the average active employee contribution rate was 7.947 percent of annual pay, and the employer’s contribution rate was 27.689 percent of annual payroll. Employer contribution rates may change if plan contracts are amended.

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Society of Actuaries Scale BB (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data.

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

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

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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	99.00%	2.43%
Inflation Sensitive	6.00%	45.00%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

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

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan for the measurement date June 30, 2014, are as follows:

City of Palmdale
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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Measurement Period 2014			
Balance at June 30, 2014	\$136,494,809	\$ 93,359,880	\$ 43,134,929
Changes for the year:			
Service Cost	2,590,160		2,590,160
Interest on the total pension liability	10,116,430		10,116,430
Contributions - employer		3,673,903	(3,673,903)
Contributions - employee		1,106,027	(1,106,027)
Projected earnings on investments		6,943,984	(6,943,984)
Differences between projected and actual earnings on investments		9,208,605	(9,208,605)
Benefit payments, including refunds of employee contributions	(5,808,324)	(5,808,324)	-
Net changes	6,898,266	15,124,195	(8,225,929)
Balance at June 30, 2015	\$143,393,075	\$ 108,484,075	\$ 34,909,000

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan, as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate.

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Plan's Net Pension Liability	\$ 54,372,579	\$ 34,909,000	\$ 18,794,917

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report which can be obtained from the CalPERS website.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,814,858. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,871,255	\$ -
Net differences between projected and actual earnings on plan investments		\$ (7,366,884)
Total	\$ 3,871,255	\$ (7,366,884)

The amount of \$3,871,255 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2016	(1,841,721)
2017	(1,841,721)
2018	(1,841,721)
2019	(1,841,721)
	(7,366,884)

(16) Public Agency Retirement Systems

For all of its part-time employees not covered by PERS, a defined contribution pension plan is made available through the Public Agency Retirement System (PARS) pursuant to the requirements of 3121(B)(7)(F) of the Internal Revenue Code. This was created in accordance with Internal Revenue Code Sections 401(a) and 501 and administered by Phase II Systems. Benefit terms, including contribution requirements for PARS are established by Internal Revenue Code 3121(b)(7)(F). Employees are required to contribute 7.5 percent of their salary to the pension plan, up to applicable Internal Revenue Code limits. The City does not contribute to Employees PARS account. Employees are immediately vested in their contributions and earnings on those contributions. For the year ended June 30, 2015, employee contributions amount was \$176,658.

The City is required to contribute 3.75 percent of the elected Council Members annual salary to the individual account. The individuals are immediately vested in their own and the City's

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

contributions and earnings on those contributions. For the year ended June 30, 2015, employee and employer contributions amount was \$1,351.

(17) 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, 6 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. 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, 2015, there were 61 retirees who met those eligibility requirements and 32 who were active participating member in the plan.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 investment 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	\$ 1,800
Interest on Net OPEB Asset	(10,576)
Adjustment to Annual Required Contribution	12,806
Annual OPEB Cost (expense)	<u>\$ 4,030</u>
Contributions Made	-
Net Increase (Decrease) OPEB Obligation (asset)	4,030
Net OPEB Obligations (asset), Beginning of the Year	(176,273)
Net OPEB Obligations (asset), End of the Year	<u><u>\$ (172,243)</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB Obligation (Asset) for 2015 is as follows:

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

Fiscal Year End	Annual OPEB Cost ¹	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	326,008	-	0%	(179,902)
June 30, 2014	3,629	-	0%	(176,273)
June 30, 2015	4,030	-	0%	(172,243)

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.

(18) Assets Transferred from Successor Agency

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 was reported as an extraordinary item on the Government-Wide Statement of Activities and capitalized on the Statement of Net Position.

City of Palmdale
Notes to the Financial Statements
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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 was reported as an extraordinary item on the Government-Wide Statement of Activities.

(19) 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 \$10,145,932 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 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 on April 30, 2015 the City transferred all rights to the project. An amended permit application has been filed by the new owners with the CEC in order to reconfigure the project from the originally proposed project before the project can move forward. The Permit Held for Resale is reported on the Statement of Net Position and the Governmental Funds Balance Sheet.

(20) 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
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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, 2015. 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, 2015 consisted of the following:

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Notes to the Financial Statements
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
Private Purpose Trust Fund:				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 4,044,224	\$ -	\$ -	\$ 4,044,224
Construction in Progress	1,987,118	-	-	1,987,118
Total Capital Assets, Not Being Depreciated	<u>6,031,342</u>	<u>-</u>	<u>-</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	183,323	8,763	-	192,086
Machinery and Equipment	6,920	-	-	6,920
Total Accumulated Depreciation	<u>190,243</u>	<u>8,763</u>	<u>-</u>	<u>199,006</u>
Total Capital Assets, Being Depreciated, Net	<u>254,829</u>	<u>(8,763)</u>	<u>-</u>	<u>246,066</u>
Total Capital Assets, Net	<u>\$ 6,286,171</u>	<u>\$ (8,763)</u>	<u>\$ -</u>	<u>\$ 6,277,408</u>

For the year ended June 30, 2015, 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	<u>\$ 15,857,215</u>	<u>\$ 15,857,215</u>

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.

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In fiscal year 2009-2010, the State required the former Community Redevelopment Agency 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 to shift tax increment of \$2,389,286 to the Supplemental Education Revenue Augmentation Fund. 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 Recognized Obligations Payment Schedule (ROPS) period of July-December 2015 or ROPS 15-16A and is estimated to be approximately \$1,316,000 with no interest charged.

E. Due to Other Governmental Units

The Successor Agency has advances due to the City as of June 30, 2015 of \$104,097 for approved obligations paid by the City on behalf of the Agency.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 97-107 for the year ended June 30, 2015, 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, 2014	Additions	Retirements	Balance at June 30, 2015	Due Within One Year
Loan Agreement:					
City of Palmdale	\$ 2,755,937	\$ -	\$ 2,755,937	\$ -	\$ -
Total Notes Payable	<u>2,755,937</u>	<u>-</u>	<u>2,755,937</u>	<u>-</u>	<u>-</u>
Notes Payable - Developers:					
Fairway Business Park	23,392,713	-	1,344,967	22,047,746	1,429,282
Dillard's Infrastructure	454,809	-	76,734	378,075	-
Total Notes Payable - Developers	<u>23,847,522</u>	<u>-</u>	<u>1,421,701</u>	<u>22,425,821</u>	<u>1,429,282</u>
Notes to Palmdale Civic Authority (PCA):					
Related to: 1994 Revenue Bonds	402,752	15,063	420,000	(2,185)	-
Related to: 1997 Revenue Bonds	1,755,000	-	1,755,000	-	-
Related to: 2003 Revenue Bonds	13,640,000	-	1,785,000	11,855,000	950,000
Related to: 2009 Revenue Bonds	5,640,000	-	240,000	5,400,000	130,000
Total Notes Payable to PCA	<u>21,437,752</u>	<u>15,063</u>	<u>4,200,000</u>	<u>17,252,815</u>	<u>1,080,000</u>
Total Notes Payable	<u>45,285,274</u>	<u>15,063</u>	<u>5,621,701</u>	<u>39,678,636</u>	<u>2,509,282</u>
Bonds Payable					
1998 Tax Allocation Bonds	25,310,000	-	710,000	24,600,000	740,000
1999 Tax Allocation Bonds	2,690,000	-	110,000	2,580,000	115,000
2002 Tax Allocation Bonds	9,990,863	544,001	-	10,534,864	-
2003 Tax Allocation Bonds	4,275,000	-	180,000	4,095,000	190,000
2003 Tax Allocation Bonds	7,000,000	-	35,000	6,965,000	35,000
2004 Tax Allocation Bonds	17,325,000	-	310,000	17,015,000	320,000
2004 Tax Allocation Bonds	5,645,000	-	160,000	5,485,000	165,000
2005 Tax Allocation Bonds	10,515,000	-	550,000	9,965,000	570,000
2005 Tax Allocation Bonds	2,560,000	-	35,000	2,525,000	40,000
Plus: Deferred Issuance Premium	16,655	-	15,016	1,639	12,511
Total Bonds Payable	<u>85,327,518</u>	<u>544,001</u>	<u>2,105,016</u>	<u>83,766,503</u>	<u>2,187,511</u>
Total	<u>\$ 133,368,729</u>	<u>\$ 559,064</u>	<u>\$ 10,482,654</u>	<u>\$ 123,445,139</u>	<u>\$ 4,696,793</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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. During the fiscal year 2014-15, the final payment was made in the amount of \$2,755,937. As of June 30, 2015, no balance is owed to the City of Palmdale by the Successor Agency.

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 Community Redevelopment Agency approved a Settlement Agreement and Mutual General Release, which provided for the former Community Redevelopment Agency 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, 2015 is \$22,047,746.

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For the Year Ended June 30, 2015

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 \$76,734, and the balance remaining to be paid from pledged future revenues total \$378,075 as of June 30, 2015.

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 Ended June 30, 2015

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. During the fiscal year 2014-15, the final principal only payments were made in the amount of \$420,000. At year-end, there were no pledged future revenues and no 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 Ended June 30, 2015

future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest were \$1,854,820. At year-end, there was no pledged future revenues after all remaining principal interest were paid in full during the fiscal year 2014-15.

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 \$2,733,756. Property taxes totaled \$8,628,631 for the year. At year-end, pledged future revenues totaled \$15,340,188 of which \$11,855,000 was the amount of the remaining principal and \$3,485,188 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 Ended June 30, 2015

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 \$787,849. Property taxes totaled \$8,628,631 for the year. At year-end, pledged future revenues totaled \$8,858,114 of which \$5,400,000 was the amount of the remaining principal and \$3,458,114 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 Ended June 30, 2015

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 current year payments of principal and interest were \$1,957,750. Net sales tax and property taxes pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$38,864,250 of which \$24,600,000 was the amount of the remaining principal and \$14,264,250 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.

The current year payments of principal and interest were \$254,926. Property taxes received totaled \$12,586,684 for the year. At year-end, pledged future revenues totaled \$3,784,775 of which \$2,580,000 was the amount of the remaining principal and \$1,204,775 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 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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 \$10,534,864 was the amount of the remaining principal and \$6,720,136 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 \$366,043. At year-end, pledged future revenues totaled \$5,786,561 of which \$4,095,000 was the amount of the remaining principal and \$1,691,561 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 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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 \$374,803. At year-end, pledged future revenues totaled \$12,182,769 of which \$6,965,000 was the amount of the remaining principal and \$5,217,769 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 \$1,168,500. At year-end, pledged future revenues totaled \$26,994,875 of which \$17,015,000 was the amount of the remaining principal and \$9,979,875 interest on the Bonds.

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

City of Palmdale
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For the Year Ended June 30, 2015

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 \$418,580. Net property taxes totaled \$12,586,684 for the year. At year-end, pledged future revenues totaled \$8,749,910 of which \$5,485,000 was the amount of the remaining principal and \$3,264,910 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 20)

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 \$980,541. At year-end, pledged future revenues totaled \$13,036,549 of which \$9,965,000 was the amount of the remaining principal and \$3,071,549 interest on the Bonds.

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

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 \$147,356. At year-end, pledged future revenues totaled \$4,278,803 of which \$2,525,000 was the amount of the remaining principal and \$1,753,803 interest on the Bonds.

(21) 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 Ended June 30, 2015

The following is the contract cost by year:

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>89,203,214</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 \$4,315,637 at June 30, 2015.

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 the 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.

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.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

E. Obligations of the Successor Agency Private Purpose Trust Fund

As more fully described at Note 20, 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.

(22) New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not determined its effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The City has not determined its effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined its effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of Generally Accepted Accounting Principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is not effective until the fiscal year ending June 30, 2016. The City has not determined the effect of this statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is not effective until the fiscal year ending June 30, 2017. The Commission has not determined the effect of this statement.

(23) Restatement of Prior Year Net Position

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*, as of July 1, 2014 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The impact of the implementation on the beginning net position is as follows:

Governmental Activities Financial Statement Adjustment:

	Governmental Activities
Net Position- Beginning of Year, as previously reported	\$ 856,362,328
Net Pension Liability	(43,134,929)
Deferred Outflows of Resources	3,673,903
Net Position - Beginning of Year, as restated	\$ 816,901,302

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2015

The following is the pro forma effect of the retroactive application of GASB 68:

<u>Governmental Activities</u>	<u>Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Deferred Outflows of Resources	\$ -	\$ 3,673,903	\$ 3,673,903
Net Pension Liability	-	(43,134,929)	(43,134,929)
Net Position	856,362,328	(39,461,026)	816,901,302

In accordance with GASB 68, the restatement of all deferred inflows and outflows was not practicable and therefore not included in the restatement of beginning balances.

(24) Subsequent Event

On September 3, 2015 the City of Palmdale Housing Authority issued \$4,235,000 Multifamily Housing Revenue Bonds to finance the acquisition and a partial renovation of four apartment properties (Housing Facilities) all located within the City Palmdale, California. Also, \$6,288,021 of Housing Authority Notes Receivable secured by the four properties is cancelled as part of the acquisition. The Bonds are payable from a first pledge of all of the net operating income from the Housing Facilities.

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Required
Supplementary Information



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2015

Required Supplementary Information

City of Palmdale
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Public Employees Retirement System (PERS)
As of the fiscal year ending June 30, 2015
Last Ten Years*

	2015
Total pension liability	
Service cost	\$ 2,590,160
Interest on the total pension liability	10,116,430
Changes of Benefit Terms	
Difference between expected and actual experience	
Changes of assumptions	
Benefit payments, including refunds of employee contributions	(5,808,324)
Net change in total pension liability	6,898,266
Total pension liability -- beginning	136,494,809
Total pension liability -- ending (a)	\$ 143,393,075
 Plan fiduciary net position	
Contributions - employer	\$ 3,673,903
Contributions - employee	1,106,027
Net investment income	16,152,589
Benefit payments including refunds of employee contributions	(5,808,324)
Net change in fiduciary net position	15,124,195
Plan fiduciary net position -- beginning	93,359,880
Plan fiduciary net position -- ending (b)	108,484,075
 Net pension liability -- ending (a) - (b)	\$ 34,909,000
 Plan fiduciary net position as a percentage of the total pension liability	75.66%
 Covered-employee payroll	\$ 13,839,153
 Net pension liability as a percentage of covered-employee payroll	252.25%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

City of Palmdale
Required Supplementary Information
Schedule of Contributions
Public Employees Retirement System (PERS)
As of the fiscal year ending June 30, 2015
Last Ten Years*

	2015
Actuarially determined contributions	\$ 3,871,255
Contributions in relation to the actuarially determined contribution	(3,871,255)
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	 \$ 13,996,328
 Contributions as a percentage of covered-employee payroll	 27.66%

Notes to Schedule

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary Increase	4.5%, average, including inflation of 3%
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Retirement age:

The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality:

The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*- Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**City of Palmdale
Required Supplementary Information
Schedules of Funding Progress**

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	2.40%

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.

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, 2015

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	\$ -	-	-	-	-	-	-	-
Investments	172,278	520,405	3,851,601	644,999	-	-	-	3,182,893
Receivables:								
Accounts and Interest Receivable	194	151,734	4,341	727	758,044	1,241,524	317,525	3,587
Property Taxes Receivable	-	-	-	477	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Notes and Liens	-	1,382,306	-	-	-	6,131,529	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	1,322,453	-	-	-	330,860	-	-
Total Assets	172,472	3,376,898	3,855,942	646,203	758,044	7,703,913	317,525	3,186,480
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	-	68,551	39,087	163	14,849	6,683	231,628	-
Due To Other Funds	-	-	-	-	743,195	26,722	89,373	-
Deposits	-	-	-	-	-	2,500	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Total Liabilities	-	68,551	39,087	163	758,044	35,905	321,001	-
Deferred Inflows of Resources								
Unavailable Revenue	-	-	-	-	714,831	1,206,421	-	317
Total Deferred Inflows of Resources	-	-	-	-	714,831	1,206,421	-	317
Fund Balances:								
Restricted	172,472	3,308,347	3,816,855	646,040	-	6,461,587	-	3,186,163
Unassigned	-	-	-	-	(714,831)	-	(3,476)	-
Total Fund Balances	172,472	3,308,347	3,816,855	646,040	(714,831)	6,461,587	(3,476)	3,186,163
Total Liabilities and Fund Balances	\$ 172,472	3,376,898	3,855,942	646,203	758,044	7,703,913	317,525	3,186,480

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
-	-	-	-	-	-	-	-	-
14,157,690	11,272	9,805,536	221,458	539,827	5,433,222	2,029,253	1,748,086	4,808,215
89,506	156,635	11,051	250	608	1,888,923	500,556	1,970	105,419
-	-	61,489	-	-	-	-	39,378	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>14,247,196</u>	<u>167,907</u>	<u>9,878,076</u>	<u>221,708</u>	<u>540,435</u>	<u>7,322,145</u>	<u>2,529,809</u>	<u>1,789,434</u>	<u>4,913,634</u>
91,222	67,882	298,225	38,201	-	144,184	201,483	-	3,194
-	-	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	53,413
<u>91,222</u>	<u>68,882</u>	<u>298,225</u>	<u>38,201</u>	<u>-</u>	<u>144,184</u>	<u>201,483</u>	<u>-</u>	<u>56,607</u>
-	-	-	-	-	957,427	500,550	-	-
-	-	-	-	-	957,427	500,550	-	-
14,155,974	99,025	9,579,851	183,507	540,435	6,220,534	1,827,776	1,789,434	4,857,027
-	-	-	-	-	-	-	-	-
<u>14,155,974</u>	<u>99,025</u>	<u>9,579,851</u>	<u>183,507</u>	<u>540,435</u>	<u>6,220,534</u>	<u>1,827,776</u>	<u>1,789,434</u>	<u>4,857,027</u>
<u>14,247,196</u>	<u>167,907</u>	<u>9,878,076</u>	<u>221,708</u>	<u>540,435</u>	<u>7,322,145</u>	<u>2,529,809</u>	<u>1,789,434</u>	<u>4,913,634</u>

City of Palmdale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

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	4,299,498	4,971,067	169,242	13,212	-	8,705,637	854,579	-
Receivables:								
Accounts and Interest Receivable	4,846	378,210	191	43,666	15,000	88,679	963	662,645
Property Taxes Receivable	-	-	-	11,076	-	82,710	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Notes and Liens	-	-	-	-	-	-	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	4,304,344	5,349,277	169,433	67,954	15,000	8,877,276	855,542	662,645
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts Payable	11,107	43,831	-	-	-	186,211	-	121,428
Due To Other Funds	-	-	-	-	15,000	-	-	215,034
Deposits	-	-	-	-	-	-	-	30
Unearned revenues	-	-	-	-	-	-	-	-
Total Liabilities	11,107	43,831	-	-	15,000	186,211	-	336,492
Deferred Inflows of Resources								
Unavailable Revenue	-	2,256,596	-	-	-	-	-	632,553
Total Deferred Inflows of Resources	-	2,256,596	-	-	-	-	-	632,553
Fund Balances:								
Restricted	4,293,237	3,048,850	169,433	67,954	-	8,691,065	855,542	-
Unassigned	-	-	-	-	-	-	-	(306,400)
Total Fund Balances	4,293,237	3,048,850	169,433	67,954	-	8,691,065	855,542	(306,400)
Total Liabilities and Fund Balances	\$ 4,304,344	5,349,277	169,433	67,954	15,000	8,877,276	855,542	662,645

Traffic Impact	Water Park	Total Special Revenue Funds	Capital Projects Funds				Total Non-Major Governmental Funds
			City Project Area's 1 and 2A	CFD/ Assessment Districts	Palmdale Civic Authority	Total Capital Projects Funds	
-	10,136	10,386	-	-	-	-	\$ 10,386
2,629,252	106,779	68,876,001	47,808	13,953	5,056	66,817	68,942,818
2,963	1,696	6,431,453	11,313	16	-	11,329	6,442,782
-	-	195,130	-	-	-	-	195,130
-	-	-	-	583,859	-	583,859	583,859
-	-	7,513,835	-	-	-	-	7,513,835
-	-	-	-	7,026,909	466,737	7,493,646	7,493,646
-	-	-	-	99	8	107	107
-	-	1,653,313	-	-	-	-	1,653,313
2,632,215	118,611	84,680,118	59,121	7,624,836	471,801	8,155,758	\$ 92,835,876
-	118,611	1,686,540	1,115	1,016	-	2,131	1,688,671
-	-	1,089,324	-	11,219	-	11,219	1,100,543
-	-	3,530	-	-	-	-	3,530
-	-	53,413	-	-	-	-	53,413
-	118,611	2,832,807	1,115	12,235	-	13,350	2,846,157
171	-	6,268,866	-	-	-	-	6,268,866
171	-	6,268,866	-	-	-	-	6,268,866
2,632,044	-	76,603,152	58,006	7,612,601	471,801	8,142,408	84,745,560
-	-	(1,024,707)	-	-	-	-	(1,024,707)
2,632,044	-	75,578,445	58,006	7,612,601	471,801	8,142,408	83,720,853
2,632,215	118,611	84,680,118	59,121	7,624,836	471,801	8,155,758	\$ 92,835,876

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	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	49,729	992,992	-	-	1,589,194	418,051	1,427,786	-
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	111,063	-	-	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	43,042	-	-	-	37,656	-
Drainage Fees	-	-	-	-	-	-	-	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	-	-	-	-	-	282,800
Interest	1,200	800	27,638	4,111	-	4,589	3	22,279
Net Increase in the Fair Value of Investments	28	20	662	113	-	-	-	617
Developer Contributions	-	-	-	11,691	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	24,182	-	83	-	-	-	-
Total Revenues	50,957	1,017,994	71,342	127,061	1,589,194	422,640	1,465,445	305,696
Expenditures:								
Current:								
General Government	-	-	52,000	-	-	-	-	14,140
Public Safety	-	-	-	-	67,109	-	-	-
Public Services	31,556	241,794	16,994	15,555	-	-	-	-
Community Development	-	-	-	-	-	81,409	-	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Health and Welfare	-	266,520	-	-	-	-	1,468,921	-
Capital Outlay	33,014	210,100	1,615,705	-	1,420,564	-	-	-
Debt Service:								
Principal	-	233,000	-	-	-	-	-	-
Interest	-	181,689	-	-	-	-	-	-
Total Expenditures	64,570	1,133,103	1,684,699	15,555	1,487,673	81,409	1,468,921	14,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,613)	(115,109)	(1,613,357)	111,506	101,521	341,231	(3,476)	291,556
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(2,000)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(2,000)	-	-	-	-	-	-
Net Changes in Fund Balances	(13,613)	(117,109)	(1,613,357)	111,506	101,521	341,231	(3,476)	291,556
Fund Balances - Beginning of Year	186,085	3,425,456	5,430,212	534,534	(816,352)	6,120,356	-	2,894,607
Fund Balances - End of Year	\$ 172,472	3,308,347	3,816,855	646,040	(714,831)	6,461,587	(3,476)	3,186,163

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
4,351,675	-	-	-	-	-	-	-	-
-	-	-	365,320	6,017,373	3,016,740	-	-	1,070,830
-	-	-	-	-	-	-	-	254,656
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,474,608	-	-	-	-	2,392,104	-
-	-	-	-	-	-	-	-	-
-	54,370	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
95,014	255	62,751	849	3,201	36,074	1,145	7,811	32,934
2,460	5	1,712	24	79	956	36	261	860
-	-	-	-	-	-	141,700	-	-
23,307	-	-	-	-	-	-	-	-
117,474	-	-	-	-	-	-	-	-
18,983	-	32,949	-	-	-	153,610	17,520	-
<u>4,608,913</u>	<u>54,630</u>	<u>5,572,020</u>	<u>366,193</u>	<u>6,020,653</u>	<u>3,053,770</u>	<u>296,491</u>	<u>2,417,696</u>	<u>1,359,280</u>
326,286	-	65,000	-	-	-	-	85,265	65,000
-	-	-	-	-	-	-	66,911	-
456,060	-	4,700,763	-	5,480,218	-	-	-	51,558
-	17,011	-	-	-	-	-	-	-
-	-	-	-	-	-	-	103,000	100,000
-	-	-	-	-	-	-	-	-
3,932,771	-	52,195	182,736	-	2,482,242	921,303	-	349,037
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>4,715,117</u>	<u>17,011</u>	<u>4,817,958</u>	<u>182,736</u>	<u>5,480,218</u>	<u>2,482,242</u>	<u>921,303</u>	<u>255,176</u>	<u>565,595</u>
(106,204)	37,619	754,062	183,457	540,435	571,528	(624,812)	2,162,520	793,685
-	-	-	-	-	-	-	-	-
(246,622)	-	-	-	-	-	-	(1,790,436)	-
(246,622)	-	-	-	-	-	-	(1,790,436)	-
(352,826)	37,619	754,062	183,457	540,435	571,528	(624,812)	372,084	793,685
14,508,800	61,406	8,825,789	50	-	5,649,006	2,452,588	1,417,350	4,063,342
<u>14,155,974</u>	<u>99,025</u>	<u>9,579,851</u>	<u>183,507</u>	<u>540,435</u>	<u>6,220,534</u>	<u>1,827,776</u>	<u>1,789,434</u>	<u>\$ 4,857,027</u>

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2015

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	2,732,994	2,612,655	-	305,472	23,724	-	-	334,102
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	158,416	-	-
Fines and Forfeitures	-	-	-	341,414	-	-	-	-
Special Assessments	-	-	-	-	-	5,424,386	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	155,133	-	-
Drainage Fees	-	-	-	-	-	-	300	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	42,952	-	-	-	-	-
Interest	29,066	27,542	998	201	-	62,686	5,853	2,152
Net Increase in the Fair Value of Investments	762	810	27	3	-	1,547	154	55
Developer Contributions	-	-	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	37,414	-	-
Total Revenues	2,762,822	2,641,007	43,977	647,090	23,724	5,839,582	6,307	336,309
Expenditures:								
Current:								
General Government	-	-	-	-	-	65,000	-	-
Public Safety	-	-	-	635,582	-	-	-	-
Public Services	2,056,209	220,000	-	-	-	3,274,897	-	341,375
Community Development	-	-	-	-	-	-	-	-
Cultural and Recreational	17,463	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	23,773	-	-	-
Capital Outlay	279,281	1,608,587	9,017	-	-	4,358,605	-	229,036
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Expenditures	2,352,953	1,828,587	9,017	635,582	23,773	7,698,502	-	570,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	409,869	812,420	34,960	11,508	(49)	(1,858,920)	6,307	(234,102)
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(655,388)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(655,388)	-	-	-	-	-	-
Net Change in Fund Balances	409,869	157,032	34,960	11,508	(49)	(1,858,920)	6,307	(234,102)
Fund Balances - Beginning of Year (As Restated-Note 23)	3,883,368	2,891,818	134,473	56,446	49	10,549,985	849,235	(72,298)
Fund Balances - End of Year	\$ 4,293,237	3,048,850	169,433	67,954	-	8,691,065	855,542	(306,400)

Traffic Impact	Water Park	Total Special Revenue Funds	Capital Projects Funds				Total Capital Projects Funds	Total Non-Major Governmental Funds
			City Project Area's 1 and 2A	CFD/ Assessment District	Palmdale Civic Authority			
-	-	4,351,675	-	-	-	-	\$ 4,351,675	
-	-	20,956,962	-	-	-	-	20,956,962	
-	-	254,656	-	-	-	-	254,656	
-	-	158,416	-	-	-	-	158,416	
-	-	341,414	-	-	-	-	341,414	
-	-	13,402,161	-	-	-	-	13,402,161	
-	86,447	86,447	-	-	-	-	86,447	
-	895,038	1,185,239	53,852	-	-	53,852	1,239,091	
-	-	300	-	-	-	-	300	
313,045	-	313,045	-	-	-	-	313,045	
-	-	325,752	-	-	-	-	325,752	
18,466	-	447,618	-	10,100	93	10,193	457,811	
471	-	11,662	-	3	-	3	11,665	
-	-	153,391	-	-	-	-	153,391	
-	-	23,307	-	-	-	-	23,307	
-	-	117,474	-	-	-	-	117,474	
-	62,090	346,831	-	-	285	285	347,116	
331,982	1,043,575	42,476,350	53,852	10,103	378	64,333	42,540,683	
65,000	-	737,691	-	-	-	-	737,691	
-	-	769,602	-	-	-	-	769,602	
-	-	16,886,979	-	14,290	-	14,290	16,901,269	
-	-	98,420	18,006	-	-	18,006	116,426	
-	1,143,037	1,363,500	-	-	-	-	1,363,500	
-	-	1,759,214	-	-	-	-	1,759,214	
31,135	-	17,715,328	-	7,057,828	-	7,057,828	24,773,156	
-	-	233,000	-	-	-	-	233,000	
-	-	181,689	-	-	-	-	181,689	
96,135	1,143,037	39,745,423	18,006	7,072,118	-	7,090,124	46,835,547	
235,847	(99,462)	2,730,927	35,846	(7,062,015)	378	(7,025,791)	(4,294,864)	
-	99,462	99,462	-	-	18	18	99,480	
(739,866)	-	(3,434,312)	-	-	-	-	(3,434,312)	
(739,866)	99,462	(3,334,850)	-	-	18	18	(3,334,832)	
(504,019)	-	(603,923)	35,846	(7,062,015)	396	(7,025,773)	(7,629,696)	
3,136,063	-	76,182,368	22,160	14,674,616	471,405	15,168,181	91,350,549	
2,632,044	-	75,578,445	58,006	7,612,601	471,801	8,142,408	\$ 83,720,853	

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Budgetary Comparison Schedules

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Air Quality Improvement
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 100,000	52,230	49,729	(2,501)
Interest	-	-	1,200	1,200
Net Increase in the Fair Value of Investments	-	-	28	28
Total Revenues	100,000	52,230	50,957	(1,273)
Expenditures:				
Current				
Public Services	-	-	31,556	(31,556)
Capital Outlay	50,000	102,230	33,014	69,216
Total Expenditures	50,000	102,230	64,570	37,660
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	(50,000)	(13,613)	36,387
Net Change in Fund Balance	50,000	(50,000)	(13,613)	36,387
Other Financing Sources (Uses):				
Transfers Out	(159,000)	-	-	-
Total Other Financing Sources (Uses)	(159,000)	-	-	-
Net Change in Fund Balance	(109,000)	(50,000)	(13,613)	36,387
Fund Balance - Beginning of Year	186,085	186,085	186,085	-
Fund Balance - End of Year	<u>\$ 77,085</u>	<u>136,085</u>	<u>172,472</u>	<u>36,387</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 1,992,810	3,594,920	992,992	(2,601,928)
Interest	-	-	800	800
Other	548,000	577,000	24,182	(552,818)
Net Increase in the Fair Value of Investments:	-	-	20	20
Total Revenues	<u>2,540,810</u>	<u>4,171,920</u>	<u>1,017,994</u>	<u>(3,153,926)</u>
Expenditures:				
Current:				
Community Development	1,288,400	2,001,460	241,793	1,759,667
Health and Welfare	744,680	773,880	266,520	507,360
Capital Outlay	1,102,230	1,480,630	210,100	1,270,530
Debt Service:				
Principal	233,000	233,000	233,000	-
Interest	181,690	181,690	181,689	1
Total Expenditures	<u>3,550,000</u>	<u>4,670,660</u>	<u>1,133,102</u>	<u>3,537,558</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,009,190)</u>	<u>(498,740)</u>	<u>(115,108)</u>	<u>383,632</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(2,000)	(2,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>
Net Change in Fund Balance	(1,009,190)	(498,740)	(117,108)	381,632
Fund Balance - Beginning of Year	<u>3,425,455</u>	<u>3,425,455</u>	<u>3,425,455</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,416,265</u>	<u>2,926,715</u>	<u>3,308,347</u>	<u>381,632</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Current Services	\$ -	29,400	43,042	13,642
Drainage Fees	208,310	208,500	-	(208,500)
Interest	13,730	13,750	27,638	13,888
Elim Combined Funds Int Rev	11,500	11,500	-	(11,500)
Net Increase in the Fair Value of Investments	-	-	662	662
Total Revenues	233,540	263,150	71,342	(191,808)
Expenditures:				
Current:				
General Government	-	-	52,000	(52,000)
Public Services	-	-	16,994	(16,994)
Capital Outlay	1,812,010	2,178,640	1,615,705	562,935
Debt Service:				
Interest	23,500	23,500	-	23,500
Total Expenditures	1,835,510	2,202,140	1,684,699	517,441
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,601,970)	(1,938,990)	(1,613,357)	325,633
Other Financing Sources (Uses):				
Transfers In	-	150,000	-	(150,000)
Transfers Out	(70,480)	(78,480)	-	78,480
Total Other Financing Sources (Uses)	(70,480)	71,520	-	(71,520)
Net Change in Fund Balance	(1,672,450)	(1,867,470)	(1,613,357)	254,113
Fund Balance - Beginning of Year	5,430,212	5,430,212	5,430,212	-
Fund Balance - End of Year	<u>\$ 3,757,762</u>	<u>3,562,742</u>	<u>3,816,855</u>	<u>254,113</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 110,370	110,400	111,063	663
Interest	500	500	4,111	3,611
Net Increase in the Fair Value of Investments:	-	-	113	82
Other	200	200	11,691	11,491
Total Revenues	111,070	111,100	127,061	15,847
Expenditures:				
Current:				
Public Services	55,580	40,140	15,555	24,585
Capital Outlay	50,000	-	-	-
Total Expenditures	105,580	40,140	15,555	24,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,490	70,960	111,506	40,546
Net Change in Fund Balance	5,490	70,960	111,506	40,546
Fund Balance - Beginning of Year	534,534	534,534	534,534	-
Fund Balance - End of Year	\$ 540,024	605,494	646,040	40,546

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Funds
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 5,441,580	2,892,110	1,589,194	(1,302,916)
Total Revenues	<u>5,441,580</u>	<u>2,892,110</u>	<u>1,589,194</u>	<u>(1,302,916)</u>
Expenditures:				
Current:				
Public Safety	-	-	67,109	(67,109)
Capital Outlay	<u>5,375,210</u>	<u>2,825,740</u>	<u>1,420,564</u>	<u>1,405,176</u>
Total Expenditures	<u>5,375,210</u>	<u>2,825,740</u>	<u>1,487,673</u>	<u>1,338,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,370</u>	<u>66,370</u>	<u>101,521</u>	<u>35,151</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(66,370)</u>	<u>(66,370)</u>	<u>-</u>	<u>66,370</u>
Total Other Financing Sources (Uses)	<u>(66,370)</u>	<u>(66,370)</u>	<u>-</u>	<u>66,370</u>
Net Change in Fund Balance	-	-	101,521	101,521
Fund Balance - Beginning of Year	<u>816,352</u>	<u>816,352</u>	<u>(816,352)</u>	<u>(1,632,704)</u>
Fund Balance - End of Year	<u>\$ 816,352</u>	<u>816,352</u>	<u>(714,831)</u>	<u>(1,531,183)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 416,380	1,527,280	418,051	(1,109,229)
Interest	123,020	183,530	4,589	(178,941)
Total Revenues	<u>539,400</u>	<u>1,710,810</u>	<u>422,640</u>	<u>(1,288,170)</u>
Expenditures:				
Current:				
Community Development	416,790	1,527,280	81,409	1,445,871
Total Expenditures	<u>416,790</u>	<u>1,527,280</u>	<u>81,409</u>	<u>1,445,871</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122,610</u>	<u>183,530</u>	<u>341,231</u>	<u>157,701</u>
Net Change in Fund Balance	122,610	183,530	341,231	157,701
Fund Balance - Beginning of Year	<u>6,120,356</u>	<u>6,120,356</u>	<u>6,120,356</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,242,966</u>	<u>6,303,886</u>	<u>6,461,587</u>	<u>157,701</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 1,730,070	1,864,270	1,427,786	(436,484)
Charges for Services	40,500	42,550	37,656	(4,894)
Interest	-	-	3	3
	-	-	-	-
Total Revenues	<u>1,770,570</u>	<u>1,906,820</u>	<u>1,465,445</u>	<u>(441,375)</u>
Expenditures:				
Current:				
Health and Welfare	<u>1,772,070</u>	<u>1,906,820</u>	<u>1,468,921</u>	<u>437,899</u>
Total Expenditures	<u>1,772,070</u>	<u>1,906,820</u>	<u>1,468,921</u>	<u>437,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,500)</u>	<u>-</u>	<u>(3,476)</u>	<u>(3,476)</u>
Net Change in Fund Balance	(1,500)	-	(3,476)	(3,476)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ (1,500)</u>	<u>-</u>	<u>(3,476)</u>	<u>(3,476)</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fire Facilities Impact Fees	\$ 25,000	104,390	282,800	178,410
Interest	3,000	3,000	22,279	19,279
Net Increase in the Fair Value of Investments	-	-	617	617
Total Revenues	28,000	107,390	305,696	198,306
Expenditures:				
Current:				
General Government	1,250	14,140	14,140	-
Capital Outlay	600,000	-	-	-
Total Expenditures	601,250	14,140	14,140	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(573,250)	93,250	291,556	198,306
Net Change in Fund Balance	(573,250)	93,250	291,556	198,306
Fund Balance - Beginning of Year	2,894,607	2,894,607	2,894,607	-
Fund Balance - End of Year	\$ 2,321,357	2,987,857	3,186,163	198,306

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Gas Tax
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Other Taxes	\$ 5,794,900	4,433,400	4,351,675	(81,725)
Interest	20,000	20,000	95,014	75,014
Net Increase in the Fair Value of Investments:	-	-	2,460	2,460
State Contributions	20,000	20,000	23,307	3,307
County Contributions	100,000	100,000	117,474	17,474
Other	-	10,000	18,983	8,983
Total Revenues	5,934,900	4,583,400	4,608,913	25,513
Expenditures:				
Current:				
General Government	-	-	326,286	(326,286)
Public Services	-	-	456,060	(456,060)
Capital Outlay	5,839,480	6,691,890	3,932,771	2,759,119
Total Expenditures	5,839,480	6,691,890	4,715,117	1,976,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,420	(2,108,490)	(106,204)	2,002,286
Other Financing Sources (Uses):				
Transfers Out	(870,250)	(1,011,590)	(246,622)	764,968
Total Other Financing Sources (Uses)	(870,250)	(1,011,590)	(246,622)	764,968
Net Change in Fund Balance	(774,830)	(3,120,080)	(352,826)	2,767,254
Fund Balance - Beginning of Year	14,508,800	14,508,800	14,508,800	-
Fund Balance - End of Year	<u>\$ 13,733,970</u>	<u>11,388,720</u>	<u>14,155,974</u>	<u>2,767,254</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Current Services	\$ 49,350	49,350	54,370	5,020
Interest	-	-	255	255
Net Increase in the Fair Value of Investments	-	-	5	5
Total Revenues	49,350	49,350	54,630	5,280
Expenditures:				
Current:				
Community Development	46,640	31,610	17,011	14,599
Total Expenditures	46,640	31,610	17,011	14,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,710	17,740	37,619	19,879
Net Change in Fund Balance	2,710	17,740	37,619	19,879
Fund Balance - Beginning of Year	61,406	61,406	61,406	-
Fund Balance - End of Year	\$ 64,116	79,146	99,025	19,879

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Landscape Maintenance
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 5,501,400	5,502,000	5,474,608	(27,392)
Interest	20,000	-	62,751	62,751
Net Increase in the Fair Value of Investments:	-	-	1,712	1,712
Other	35,000	36,880	32,949	(3,931)
Total Revenues	5,556,400	5,538,880	5,572,020	33,140
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Public Services	5,035,510	5,020,100	4,700,763	319,337
Capital Outlay	56,000	56,000	52,195	3,805
Total Expenditures	5,091,510	5,076,100	4,817,958	258,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	464,890	462,780	754,062	291,282
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	399,890	397,780	754,062	356,282
Fund Balance - Beginning of Year	8,825,789	8,825,789	8,825,789	-
Fund Balance - End of Year	<u>\$ 9,225,679</u>	<u>9,223,569</u>	<u>9,579,851</u>	<u>356,282</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 267,580	365,370	365,320	(50)
Interest	-	-	849	849
Net Decrease in the Fair Value of Investments:	-	-	24	24
Total Revenues	267,580	365,370	366,193	823
Expenditures:				
Capital Outlay	267,580	365,420	182,736	182,684
Total Expenditures	267,580	365,420	182,736	182,684
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(50)	183,457	183,507
Fund Balance - Beginning of Year	50	50	50	-
Fund Balance - End of Year	<u>\$ 50</u>	<u>-</u>	<u>183,507</u>	<u>183,507</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 6,017,000	6,017,000	6,017,373	373
Interest	-	-	3,201	3,201
Net Increase in the Fair Value of Investments:	-	-	79	79
Total Revenues	6,017,000	6,017,000	6,020,653	3,653
Expenditures:				
Current:				
Public Services	-	-	5,480,218	(5,480,218)
Capital Outlay	309,370	263,490	-	263,490
Total Expenditures	309,370	263,490	5,480,218	(5,216,728)
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,707,630	5,753,510	540,435	(5,213,075)
Other Financing Sources (Uses):				
Transfers Out	(5,707,630)	(5,753,510)	-	5,753,510
Total Other Financing Sources (Uses)	(5,707,630)	(5,753,510)	-	5,753,510
Net Change in Fund Balance	-	-	540,435	540,435
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	-	540,435	540,435

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Measure R
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 24,183,000	11,955,150	3,016,740	(8,938,410)
Interest	5,000	5,000	36,074	31,074
Net Increase in the Fair Value of Investments:	-	-	956	956
Total Revenues	<u>24,188,000</u>	<u>11,960,150</u>	<u>3,053,770</u>	<u>(8,906,380)</u>
Expenditures:				
Capital Outlay	<u>24,245,420</u>	<u>11,132,930</u>	<u>2,482,242</u>	<u>8,650,688</u>
Total Expenditures	<u>24,245,420</u>	<u>11,132,930</u>	<u>2,482,242</u>	<u>8,650,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,420)</u>	<u>827,220</u>	<u>571,528</u>	<u>(255,692)</u>
Fund Balance - Beginning of Year	<u>5,649,006</u>	<u>5,649,006</u>	<u>5,649,006</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,591,586</u>	<u>6,476,226</u>	<u>6,220,534</u>	<u>(255,692)</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 563,030	565,030	-	(565,030)
Interest	-	-	1,145	1,145
Net Increase in the Fair Value of Investments:	-	-	36	36
Developer Contributions	108,680	383,000	141,700	(241,300)
Other Agency Contributions	4,435,960	1,000,000	153,610	(846,390)
Other	10,000	-	-	-
Total Revenues	<u>5,117,670</u>	<u>1,948,030</u>	<u>296,491</u>	<u>(1,651,539)</u>
Expenditures:				
Capital Outlay	<u>5,117,670</u>	<u>1,948,030</u>	<u>921,303</u>	<u>1,026,727</u>
Total Expenditures	<u>5,117,670</u>	<u>1,948,030</u>	<u>921,303</u>	<u>1,026,727</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(624,812)</u>	<u>(624,812)</u>
Net Change in Fund Balance	-	-	(624,812)	(624,812)
Fund Balance - Beginning of Year	<u>2,452,588</u>	<u>2,452,588</u>	<u>2,452,588</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,452,588</u>	<u>2,452,588</u>	<u>1,827,776</u>	<u>(624,812)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Assessments
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 2,350,000	2,350,000	2,392,104	42,104
Interest	2,000	2,000	7,811	5,811
Net Increase in the Fair Value of Investments:	-	-	261	261
Other	8,000	8,500	17,520	9,020
Total Revenues	2,360,000	2,360,500	2,417,696	57,196
Expenditures:				
Current:				
General Government	95,310	86,810	85,265	1,545
Public Safety	-	-	66,911	(66,911)
Cultural and Recreational	-	-	103,000	(103,000)
Total Expenditures	95,310	86,810	255,176	(168,366)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,264,690	2,273,690	2,162,520	(111,170)
Other Financing Sources (Uses):				
Transfers Out	(2,265,400)	(1,987,520)	(1,790,436)	(197,084)
Total Other Financing Sources (Uses)	(2,265,400)	(1,987,520)	(1,790,436)	(197,084)
Net Change in Fund Balance	(710)	286,170	372,084	85,914
Fund Balance - Beginning of Year	1,417,350	1,417,350	1,417,350	-
Fund Balance - End of Year	\$ 1,416,640	1,703,520	1,789,434	85,914

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Park Development
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 100,000	100,000	1,070,830	970,830
Park Development Fees	400,000	20,000	254,656	234,656
Interest	4,000	4,000	32,934	28,934
Net Increase in the Fair Value of Investments:	-	-	860	860
Total Revenues	504,000	124,000	1,359,280	1,235,280
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Public Services	-	-	51,558	(51,558)
Cultural and Recreational	-	-	100,000	(100,000)
Capital Outlay	1,918,840	585,290	349,037	236,253
Total Expenditures	1,918,840	585,290	565,595	19,695
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,414,840)	(461,290)	793,685	1,254,975
Other Financing Sources (Uses):				
Transfers Out	(315,000)	(315,000)	-	315,000
Total Other Financing Sources (Uses)	(315,000)	(315,000)	-	315,000
Net Change in Fund Balance	(1,729,840)	(776,290)	793,685	1,569,975
Fund Balance - Beginning of Year	4,063,342	4,063,342	4,063,342	-
Fund Balance - End of Year	<u>\$ 2,333,502</u>	<u>3,287,052</u>	<u>4,857,027</u>	<u>1,569,975</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition A
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 2,706,000	2,706,000	2,732,994	26,994
Interest	5,000	5,000	29,066	24,066
Net Increase in the Fair Value of Investments	-	-	762	762
Total Revenues	2,711,000	2,711,000	2,762,822	51,822
Expenditures:				
Current:				
Public Services	-	-	2,056,209	(2,056,209)
Cultural and Recreational	-	-	17,463	(17,463)
Capital Outlay	1,179,920	961,490	279,281	682,209
Total Expenditures	1,179,920	961,490	2,352,953	(1,391,463)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,531,080	1,749,510	409,869	(1,339,641)
Other Financing Sources (Uses):				
Transfers Out	(2,292,930)	(2,251,590)	-	2,251,590
Total Other Financing Sources (Uses)	(2,292,930)	(2,251,590)	-	2,251,590
Net Change in Fund Balance	(761,850)	(502,080)	409,869	911,949
Fund Balance - Beginning of Year	3,883,368	3,883,368	3,883,368	-
Fund Balance - End of Year	\$ 3,121,518	3,381,288	4,293,237	911,949

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition C
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 12,039,870	7,644,000	2,612,655	(5,031,345)
Interest	3,000	3,000	27,542	24,542
Net Increase in the Fair Value of Investments:	-	-	810	810
Total Revenues	12,042,870	7,647,000	2,641,007	(5,005,993)
Expenditures:				
Current:				
Public Services	-	-	220,000	(220,000)
Capital Outlay	9,860,870	5,432,250	1,608,587	3,823,663
Total Expenditures	9,860,870	5,432,250	1,828,587	3,603,663
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,182,000	2,214,750	812,420	(1,402,330)
Other Financing Sources (Uses):				
Transfers Out	(875,390)	(886,390)	(655,388)	231,003
Total Other Financing Sources (Uses)	(875,390)	(886,390)	(655,388)	231,003
Net Change in Fund Balance	1,306,610	1,328,360	157,032	(1,171,328)
Fund Balance - Beginning of Year	2,891,818	2,891,818	2,891,818	-
Fund Balance - End of Year	\$ 4,198,428	4,220,178	3,048,850	(1,171,328)

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Facilities Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Facilities Impact Fees	\$ 35,000	-	42,952	42,952
Interest	-	600	998	398
Net Increase in the Fair Value of Investments:	-	-	27	27
Total Revenues	35,000	600	43,977	43,377
Expenditures:				
Capital Outlay	50,000	53,680	9,017	44,663
Total Expenditures	50,000	53,680	9,017	44,663
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(53,080)	34,960	88,040
Net Change in Fund Balance	(15,000)	(53,080)	34,960	88,040
Fund Balance - Beginning of Year	134,473	134,473	134,473	-
Fund Balance - End of Year	\$ 119,473	81,393	169,433	88,040

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Safety
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 247,780	247,780	305,472	57,692
Fines and Forfeitures	340,000	340,000	341,414	1,414
Interest	-	-	201	201
Net Increase in the Fair Value of Investments:	-	-	3	3
Total Revenues	587,780	587,780	647,090	59,310
Expenditures:				
Current:				
Public Safety	-	-	635,582	(635,582)
Total Expenditures	-	-	635,582	(635,582)
Excess (Deficiency) of Revenues Over (Under) Expenditures	587,780	587,780	11,508	(576,272)
Other Financing Sources (Uses):				
Transfers Out	(587,780)	(575,440)	-	575,440
Total Other Financing Sources (Uses)	(587,780)	(575,440)	-	575,440
Net Change in Fund Balance	-	12,340	11,508	(832)
Fund Balance - Beginning of Year	56,446	56,446	56,446	-
Fund Balance - End of Year	\$ 56,446	68,786	67,954	(832)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 55,000	30,000	23,724	(6,276)
Total Revenues	55,000	30,000	23,724	(6,276)
Expenditures:				
Current:				
Health and Welfare	55,000	30,000	23,773	6,227
Total Expenditures	55,000	30,000	23,773	6,227
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(49)	(49)
Net Change in Fund Balance	-	-	(49)	(49)
Fund Balance - Beginning of Year	49	49	49	-
Fund Balance - End of Year	\$ 49	49	-	(49)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Licenses and Permits	\$ 150,000	100,000	158,415	58,415
Special Assessments	5,500,000	5,400,000	5,424,386	24,386
Charges for Current Services	355,000	75,960	155,133	79,173
Interest	10,000	50,000	62,686	12,686
Net Increase in the Fair Value of Investments:	-	-	1,547	1,547
Other	30,000	24,450	37,414	12,964
Total Revenues	6,045,000	5,650,410	5,839,582	189,172
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Public Services	3,943,920	3,710,580	3,274,897	435,683
Capital Outlay	4,628,750	4,996,680	4,358,605	638,075
Total Expenditures	8,572,670	8,707,260	7,698,502	1,008,758
Other Financing Sources (Uses):				
Transfers Out	(65,000)	(65,000)	-	65,000
Total Other Financing Sources (Uses)	(65,000)	(65,000)	-	65,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,592,670)	(3,056,850)	(1,858,920)	1,197,930
Net Change in Fund Balance	(2,592,670)	(3,121,850)	(1,858,920)	1,262,930
Fund Balance - Beginning of Year	10,549,985	10,549,985	10,549,985	-
Fund Balance - End of Year	\$ 7,957,315	7,428,135	8,691,065	1,262,930

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sewer Upgrade
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Sewer Upgrade Fees	\$ -	300	300	-
Interest	2,500	2,500	5,853	3,353
Net Increase in the Fair Value of Investments:	-	-	154	154
Total Revenues	2,500	2,800	6,307	3,507
Expenditures:				
Capital Outlay	824,620	-	-	-
Total Expenditures	824,620	-	-	-
Net Change in Fund Balance	(822,120)	2,800	6,307	3,507
Fund Balance - Beginning of Year	849,235	849,235	849,235	-
Fund Balance - End of Year	\$ 27,115	852,035	855,542	3,507

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Grants
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 2,434,150	1,268,180	334,102	(934,078)
Interest	-	-	2,152	2,152
Net Increase in the Fair Value of Investments:	-	-	55	55
Total Revenues	<u>2,434,150</u>	<u>1,268,180</u>	<u>336,309</u>	<u>(931,871)</u>
Expenditures:				
Current:				
Public Services	-	-	341,375	(341,375)
Capital Outlay	2,311,260	974,420	229,036	745,384
Total Expenditures	<u>2,311,260</u>	<u>974,420</u>	<u>570,411</u>	<u>404,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122,890</u>	<u>293,760</u>	<u>(234,102)</u>	<u>(527,862)</u>
Other Financing Sources (Uses):				
Transfers Out	(122,890)	(293,760)	-	293,760
Total Other Financing Sources (Uses)	<u>(122,890)</u>	<u>(293,760)</u>	<u>-</u>	<u>293,760</u>
Net Change in Fund Balance	-	-	(234,102)	(234,102)
Fund Balance - Beginning of Year	(72,298)	(72,298)	(72,298)	-
Fund Balance - End of Year	<u>\$ (72,298)</u>	<u>(72,298)</u>	<u>(306,400)</u>	<u>(234,102)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Traffic Impact
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Traffic Impact Fees	\$ 250,000	250,000	313,045	63,045
Interest	10,000	10,000	18,466	8,466
Net Increase in the Fair Value of Investments:	-	-	471	471
Total Revenues	260,000	260,000	331,982	71,982
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Capital Outlay	1,098,330	401,920	31,135	370,785
Total Expenditures	1,098,330	401,920	96,135	305,785
Excess (Deficiency) of Revenues Over (Under) Expenditures	(838,330)	(141,920)	235,847	377,767
Other Financing Sources (Uses):				
Transfers Out	(804,930)	(804,930)	(739,866)	65,064
Total Other Financing Sources (Uses)	(804,930)	(804,930)	(739,866)	65,064
Net Change in Fund Balance	(1,643,260)	(946,850)	(504,019)	442,831
Fund Balance - Beginning of Year	3,136,063	3,136,063	3,136,063	-
Fund Balance - End of Year	\$ 1,492,803	2,189,213	2,632,044	442,831

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Water Park
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ 72,000	75,090	86,447	11,357
Charges for Current Services	857,000	886,000	895,038	9,038
Other	50,000	62,090	62,090	-
Total Revenues	979,000	1,023,180	1,043,575	20,395
Expenditures:				
Current:				
Cultural and Recreational	1,213,980	1,180,820	1,143,037	37,783
Total Expenditures	1,213,980	1,180,820	1,143,037	37,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,980)	(157,640)	(99,462)	58,178
Other Financing Sources (Uses):				
Transfers In	234,980	157,640	99,462	(58,178)
Total Other Financing Sources (Uses)	234,980	157,640	99,462	(58,178)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	-	-	-

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 101,700	103,050	44,209	(58,841)
Net Increase in the Fair Value of Investments	-	-	6	6
Other Agency Contributions	3,124,310	3,124,310	5,746,125	2,621,815
Total Revenues	<u>3,226,010</u>	<u>3,227,360</u>	<u>5,790,340</u>	<u>2,562,980</u>
Expenditures:				
Debt Service:				
Principal	3,825,000	29,270,000	29,270,000	-
Interest	4,497,480	4,120,890	4,120,884	6
Total Expenditures	<u>8,322,480</u>	<u>33,390,890</u>	<u>33,390,884</u>	<u>6</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,096,470)</u>	<u>(30,163,530)</u>	<u>(27,600,544)</u>	<u>2,562,986</u>
Other Financing Sources (Uses):				
Transfers In	5,200,890	30,269,340	30,269,075	(265)
Transfers Out	-	-	(18)	(18)
Total Other Financing Sources (Uses)	<u>5,200,890</u>	<u>30,269,340</u>	<u>30,269,057</u>	<u>(283)</u>
Net Change in Fund Balance	104,420	105,810	2,668,513	2,562,703
Fund Balance - Beginning of Year	<u>5,494,174</u>	<u>5,494,174</u>	<u>5,494,174</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,598,594</u>	<u>5,599,984</u>	<u>8,162,687</u>	<u>2,562,703</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ -	-	-	-
Net Increase Fair Value of Inv	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
Debt Service:				
Interest	260,510	622,100	260,510	361,590
Cost of Issuance	-	207,500	-	207,500
Total Expenditures	260,510	829,600	260,510	569,090
Excess (Deficiency) of Revenues Over (Under) Expenditures	(260,510)	(829,600)	(260,510)	569,090
Other Financing Sources (Uses):				
Issuance of Bonds	-	25,920,000	-	(25,920,000)
Transfers In	260,520	622,100	260,510	(361,590)
Transfers Out	-	(25,707,890)	-	25,707,890
Total Other Financing Sources (Uses)	260,520	834,210	260,510	25,346,300
Net Change in Fund Balance	10	4,610	-	25,915,390
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ 10</u>	<u>4,610</u>	<u>-</u>	<u>(4,610)</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.

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City of Palmdale
Statement of Fiduciary Assets and Liabilities
Assessment and Community Facilities District Agency Funds
June 30, 2015

Assets:

Receivables:

Property Taxes Receivable	\$ 101,931
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Restricted Assets:

Investments	1,290,127
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Money Market Funds	7,130,366
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Interest Receivable	1,505
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Total Assets	<u>8,523,929</u>
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Liabilities:

Accounts Payable	50,278
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Due to Other Governmental Units	583,859
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Deposits	84,707
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Held on Behalf of Others	<u>7,805,085</u>
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Total Liabilities	<u>\$ 8,523,929</u>
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City of Palmdale
Combining Statement of Fiduciary Assets, Liabilities and Net Position
Retiree Health Premium Trust Funds
June 30, 2015

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 117,845	\$ 1,782,954	\$ 1,900,799
Investments:			
Mutal Funds	1,593,829	1,483,549	3,077,378
Total Net Position Held in Trust	\$ 1,711,674	\$ 3,266,503	\$ 4,978,177

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, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Investments	\$ 132,112	-	132,112	\$ -
Receivables:				
Property Taxes Receivable	98,468	101,931	98,468	101,931
Restricted Assets:				
Investments	8,383,644	36,849	-	8,420,493
Interest Receivable	962	1,505	962	1,505
Total Assets	<u><u>8,615,186</u></u>	<u><u>140,285</u></u>	<u><u>231,542</u></u>	<u><u>8,523,929</u></u>
Liabilities:				
Accounts Payable	9,828	50,278	9,828	50,278
Advances Due to Other				
Governmental Units	583,859	-	-	583,859
Deposits	151,859	-	67,152	84,707
Held on Behalf of Others	7,869,640	-	64,555	7,805,085
Total Liabilities	<u><u>\$ 8,615,186</u></u>	<u><u>50,278</u></u>	<u><u>141,535</u></u>	<u><u>\$ 8,523,929</u></u>

City of Palmdale
Combining Statement of Changes in Fiduciary Net Position
Retiree Health Premium Trust Funds
For the Year Ended June 30, 2015

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total OPEB Trust Funds
Additions:			
Contributions to Retiree Medical Trust	\$ 8,006	\$ 262,315	\$ 270,321
Investment and Interest Income	85,191	69,610	154,801
Net Realized and Unrealized Gains (Losses)	127,614	(38,934)	88,680
Total Additions (deletions)	<u>220,811</u>	<u>292,991</u>	<u>513,802</u>
Deductions:			
Benefits Paid to Participants and expenses	<u>299,602</u>	<u>139,889</u>	<u>439,491</u>
Total Deductions	<u>299,602</u>	<u>139,889</u>	<u>439,491</u>
Changes in Net Position	(78,791)	153,102	74,311
Net Position Held in Trust as July 1, 2013	<u>1,790,465</u>	<u>3,113,401</u>	<u>4,903,866</u>
Net Position Held in Trust as June 30, 2014	<u>\$ 1,711,674</u>	<u>\$ 3,266,503</u>	<u>\$ 4,978,177</u>

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Statistical

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2015

City of Palmdale

STATISTICAL SECTION

June 30, 2015

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	169
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	176
These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	
Debt Capacity	181
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	188
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	190
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.

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

	2006 (2)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in Capital Assets	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	651,915,581
Restricted	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	160,152,582
Unrestricted	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	20,470,245
Total Governmental Activities Net Position	<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>	<u>832,538,408</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)

	2006	2007	2008	2009	2010
Expenses					
Governmental Activities:					
General Government	18,492,758	18,083,870	17,845,760	19,185,451	30,120,518
Public Safety	18,794,840	20,449,561	23,305,979	27,202,602	21,998,235
Public Services	20,478,327	39,983,924	45,472,059	42,531,740	43,942,305
Community Development	30,193,545	35,764,713	43,987,895	39,966,752	34,169,400
Cultural and Recreational	17,040,010	17,599,199	17,875,462	16,894,235	13,652,211
Health and Welfare	1,662,536	1,304,242	1,329,262	1,240,971	2,004,790
Interest on Long-Term Debt	9,606,507	15,001,139	12,947,831	12,868,534	12,780,665
Total Governmental Activities Expenses	<u>116,268,523</u>	<u>148,186,648</u>	<u>162,764,248</u>	<u>159,890,285</u>	<u>158,668,124</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	1,941,424	5,890,753	4,665,010	5,954,230	8,553,972
Public Safety	9,028,094	8,298,051	5,945,185	3,248,263	2,915,485
Public Services	10,882,903	10,583,084	8,899,491	10,173,275	11,845,911
Community Development	4,099,792	3,985,741	4,160,614	4,178,530	4,272,836
Cultural and Recreational	3,396,516	4,426,375	4,593,948	4,796,044	4,549,359
Health and Welfare	563,806	383,453	438,066	320,888	297,947
Operating Grants and Contributions	12,313,944	16,119,583	8,367,715	7,223,053	7,454,967
Capital Grants and Contributions	32,968,553	44,182,951	43,630,373	48,552,845	34,558,609
Total Primary Governmental Activities					
Program Revenues	<u>75,195,032</u>	<u>93,869,991</u>	<u>80,700,402</u>	<u>84,447,128</u>	<u>74,449,086</u>
Net Revenues (Expenses)	<u>(41,073,491)</u>	<u>(54,316,657)</u>	<u>(82,063,846)</u>	<u>(75,443,157)</u>	<u>(84,219,038)</u>
General Revenues and other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Tax Increment (Note 1)	38,442,251	41,637,203	45,247,711	48,020,519	43,025,101
Property Taxes (Note 2)	4,395,603	5,800,726	6,546,013	6,918,844	5,261,215
Sales and Use Taxes	17,902,901	18,239,981	16,509,935	14,448,749	14,104,937
Motor Vehicle in Lieu	9,902,805	13,061,697	14,139,907	14,256,968	12,217,092
Franchise Taxes	3,713,779	3,851,987	3,910,119	4,101,425	3,795,048
Transient Occupancy Taxes	1,407,786	1,532,879	1,482,127	1,517,223	2,581,658
Business License Taxes	424,065	465,301	444,099	455,216	428,916
Unrestricted Investment Earnings	1,989,688	2,884,946	2,727,326	2,064,949	137,085
Other General Revenues	2,617,100	815,603	825,777	744,262	1,114,030
Extraordinary Item-Dissolution of RDA (Note 1)	-	-	-	-	-
Total Governmental Activities	<u>80,795,978</u>	<u>88,290,323</u>	<u>91,833,014</u>	<u>92,528,155</u>	<u>82,665,082</u>
Change in Net Position	<u>39,722,487</u>	<u>33,973,666</u>	<u>9,769,168</u>	<u>17,084,998</u>	<u>(1,553,956)</u>

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.

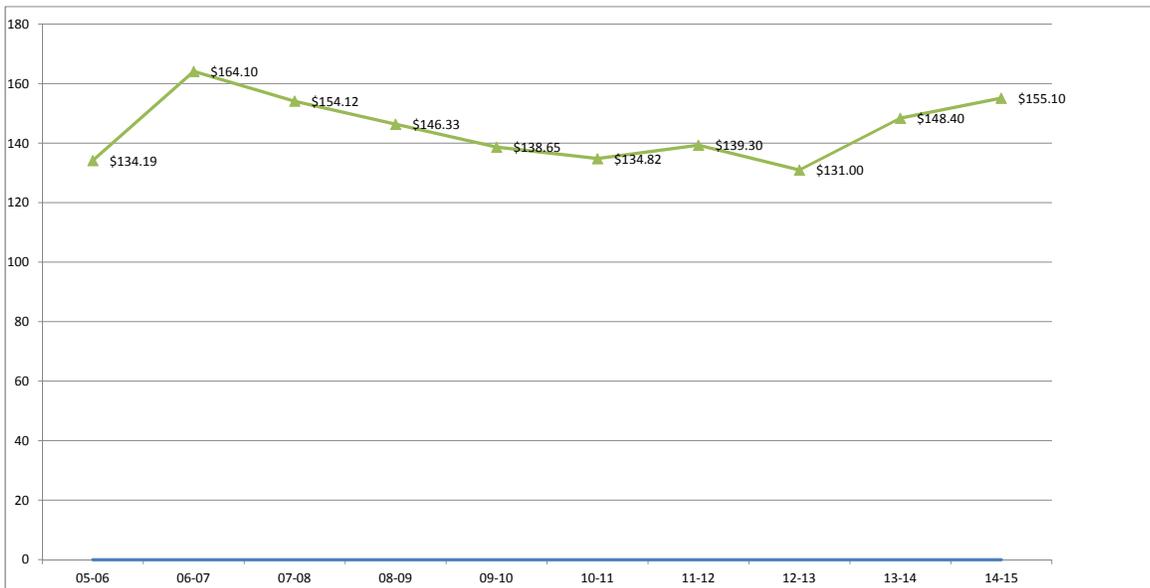
City of Palmdale
Changes in Net Position, (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

2011	2012	2013	2014	2015
18,062,918	16,855,129	17,227,290	24,150,674	17,167,502
21,707,909	21,761,897	22,873,718	22,973,910	23,763,312
43,029,300	48,181,827	49,082,866	47,723,268	51,743,421
38,275,996	22,039,137	6,480,832	5,418,368	5,852,056
10,819,142	10,809,922	9,732,400	10,863,071	9,878,585
2,338,032	1,861,040	1,402,424	2,830,718	2,170,541
11,987,929	9,253,632	5,624,571	5,152,837	4,953,848
<u>146,221,226</u>	<u>130,762,584</u>	<u>112,424,101</u>	<u>119,112,846</u>	<u>115,529,265</u>
13,101,053	5,665,531	8,912,099	8,451,711	5,272,710
2,712,950	2,286,012	2,394,095	2,462,495	2,411,614
12,869,081	13,835,689	13,044,551	13,521,227	16,223,970
4,539,129	4,535,231	5,227,628	5,173,147	4,798,108
4,345,598	4,581,581	4,628,582	4,820,809	5,157,093
287,880	274,643	245,701	275,289	198,531
8,568,420	8,932,066	9,142,066	12,637,721	14,681,296
25,479,096	23,057,899	19,661,447	35,822,039	38,039,564
<u>71,903,207</u>	<u>63,168,652</u>	<u>63,256,169</u>	<u>83,164,438</u>	<u>86,782,886</u>
<u>(74,318,019)</u>	<u>(67,593,932)</u>	<u>(49,167,932)</u>	<u>(35,948,408)</u>	<u>(28,746,379)</u>
36,535,369	16,474,950	-	-	-
4,765,792	4,553,208	4,831,816	5,269,406	6,098,318
14,921,645	15,177,845	15,649,190	16,396,713	17,084,411
10,967,302	10,391,440	10,400,447	10,651,753	11,484,571
4,182,380	4,445,066	4,556,419	5,847,596	5,526,119
2,633,405	2,788,736	2,907,995	2,824,182	3,089,802
444,511	480,470	468,830	515,815	551,202
241,789	280,195	(136,096)	391,725	260,322
145,076	233,760	270,275	274,312	288,740
-	125,544,368	(3,547,799)	10,346,241	-
<u>74,837,269</u>	<u>180,370,038</u>	<u>35,401,077</u>	<u>52,517,743</u>	<u>44,383,485</u>
<u>519,250</u>	<u>112,776,106</u>	<u>(13,766,855)</u>	<u>16,569,335</u>	<u>15,637,106</u>

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

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

FUND BALANCES
ALL OTHER GOVERNMENTAL FUND
Last Ten Fiscal Years
(In Millions)



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

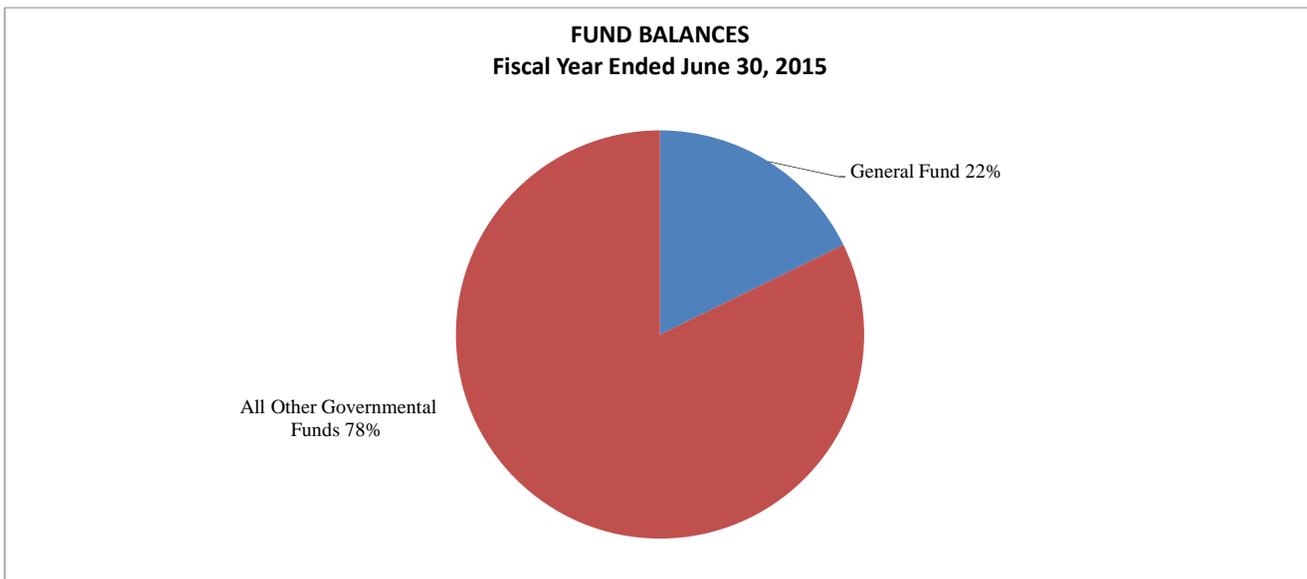
The Following Fund Balances are classified in compliance to GASB 54:

	2011	2012	2013	2014	2015
General Fund					
Nonspendable	4,180,275	4,685,548	10,574,731	10,491,577	10,884,095
Restricted	-	2,917,536	4,135,688	3,053,154	3,004,896
Assigned	7,672,148	5,639,221	5,432,558	5,717,857	11,946,745
Unassigned	17,472,584	16,415,346	18,391,993	21,637,632	17,200,108
Total General Fund	29,325,007	29,657,651	38,534,970	40,900,220	43,035,844
All Other Governmental Funds					
Nonspendable	599,434	-	-	-	-
Restricted	140,356,828	142,828,907	147,398,476	163,742,301	169,737,885
Assigned	13,865,470	13,643,822	-	-	-
Unassigned	(20,001,075)	(17,187,366)	(16,444,270)	(15,388,578)	(14,667,579)
Total All Other Governmental Funds	134,820,657	139,285,363	130,954,206	148,353,723	155,070,306
Total Governmental Funds	164,145,664	168,943,014	169,489,176	189,253,943	198,106,150

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

	2006	2007	2008	2009	2010
Revenues:					
Taxes (see page 176)	80,013,130	88,309,633	90,707,345	92,059,450	83,783,678
Subventions and Grants	25,526,725	16,300,075	14,959,865	14,968,117	15,968,036
Fees and Charges	36,294,470	41,688,957	25,479,113	18,261,796	15,855,734
Licenses and Permits	8,637,100	7,346,818	4,940,292	2,114,087	1,942,445
Special Assessments	5,550,737	6,625,214	7,464,331	10,825,548	13,375,425
Interfund Interest	-	-	-	-	-
Interest	4,571,403	6,570,867	6,019,741	3,896,529	976,511
Successor Agency Contributions	-	-	-	-	-
Capital Contributions	1,180,186	2,812,722	752,247	1,468,992	296,693
Net Increase (Decrease) in the Fair Value of Investments:	140,958	914,287	313,160	390,484	(395,472)
Other revenue	1,716,820	1,470,536	1,395,222	2,401,536	4,205,689
Total Revenues	163,631,529	172,039,109	152,031,316	146,386,539	136,008,739
Expenditures:					
Current:					
General Government	14,860,807	17,188,633	16,348,207	18,020,219	18,478,189
Public Safety	18,731,400	20,380,190	23,000,452	22,865,674	21,898,106
Public Services	15,324,792	17,065,903	17,833,777	18,452,277	20,462,591
Community Development	7,755,690	8,845,220	10,175,300	11,811,091	23,755,350
Cultural and Recreational	14,377,525	15,891,139	16,609,622	15,923,788	12,897,447
Health and Welfare	1,646,832	1,257,153	1,327,240	1,246,003	2,017,575
Other	-	-	-	-	-
Intergovernmental - Tax Sharing	20,724,822	23,345,814	24,052,674	26,522,289	9,501,128
Intergovernmental - ERAF	1,847,224	-	-	-	11,605,102
Capital Outlay	43,164,445	43,037,684	39,929,164	26,023,665	14,253,471
Debt service:					
Principal	5,264,256	5,376,806	5,850,994	6,448,665	7,200,485
Interfund Interest	-	-	-	-	-
Interest	8,731,778	14,615,545	11,948,349	12,391,397	12,053,242
Cost of Issuance	588,714	444,331	-	320,683	3,724
Payments to Adv Refund Escrow	644,214	-	-	-	-
Total Expenditures	153,662,499	167,448,418	167,075,779	160,025,751	154,126,410
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,969,030	4,590,691	(15,044,463)	(13,639,212)	(18,117,671)
Other Financing Sources (Uses):					
Capital Lease Proceeds	1,588,803	22,386	2,146,379	-	-
Gain (Loss) on Resale Land	-	-	(4,953,791)	-	310,632
Issuance of Notes	1,254,260	14,961,094	5,462,181	-	2,200,000
Issuance of Bonds	16,920,000	19,960,000	-	6,380,000	-
Payments to Refunded Bond Escrow	(13,562,858)	-	-	(6,149,500)	-
Debt Issuance Premiums (Discounts)	(97,115)	-	-	33,398	-
Transfer to Fiduciary Funds	-	-	-	-	-
Transfers In	78,886,339	71,612,552	50,508,086	71,782,468	49,118,864
Transfers Out	(78,886,339)	(71,612,552)	(50,508,086)	(71,782,468)	(49,118,864)
Total Other Financing Sources (Uses)	6,103,090	34,943,480	2,654,049	263,898	2,510,632
Extraordinary Items:					
Extraordinary Gain (Loss) Upon Dissolution of the Redevelopment Agency	-	-	-	-	-
Net Change in Fund Balances	16,072,120	39,534,171	(12,390,414)	(13,375,314)	(15,607,039)
Debt service as a percentage of noncapital expenditures	11.61%	20.39%	13.67%	16.66%	18.41%

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

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

2011	2012	2013	2014	2015
77,274,996	58,488,094	42,329,440	46,089,020	48,122,305
21,721,531	18,185,576	15,156,355	18,645,952	21,563,749
20,087,670	13,776,125	17,248,834	22,906,797	14,528,075
1,810,522	1,574,855	1,513,526	1,652,670	1,802,758
14,019,785	13,998,835	14,179,059	14,402,577	17,269,746
-	570,935	661,662	636,401	606,114
957,706	750,011	601,227	683,854	830,588
-	-	3,553,656	3,389,127	5,758,733
239,995	328,515	443,774	315,299	11,358,487
(176,960)	69,767	(736,165)	480,776	21,262
5,421,695	3,825,141	3,556,653	4,227,192	3,939,117
141,356,940	111,567,854	98,508,021	113,429,665	125,800,934
15,544,789	16,049,708	16,049,207	19,285,105	19,755,437
21,690,842	21,638,652	22,692,501	22,926,361	23,904,831
17,791,923	17,241,488	16,929,292	17,238,982	21,215,460
19,093,766	13,705,233	5,962,701	4,874,350	5,119,951
9,611,612	9,484,918	8,899,259	9,963,444	9,121,236
2,335,940	1,853,032	1,388,304	2,824,602	2,178,496
-	-	-	-	-
17,449,701	8,289,166	-	-	-
2,389,286	-	-	-	-
14,572,641	13,489,752	12,456,560	10,777,668	25,664,366
7,258,139	7,080,489	13,623,679	4,453,442	30,144,672
-	570,935	661,662	636,401	606,114
11,599,191	8,431,895	5,506,918	5,139,543	4,950,664
-	-	320,404	-	207,500
-	-	-	-	-
139,337,830	117,835,268	104,490,487	98,119,898	142,868,727
2,019,110	(6,267,414)	(5,982,466)	15,309,767	(17,067,793)
-	-	1,345,884	-	-
-	-	-	-	-
-	-	-	-	-
-	-	8,695,000	-	25,920,000
-	-	-	-	-
-	-	35,543	-	-
-	-	-	-	-
71,537,568	16,092,930	25,593,919	11,001,936	34,083,575
(71,537,568)	(16,092,930)	(25,593,919)	(11,001,936)	(34,083,575)
-	-	10,076,427	-	25,920,000
-	4,278,664	(3,547,799)	-	-
2,019,110	(1,988,750)	546,162	15,309,767	8,852,207
15.36%	15.56%	21.65%	15.07%	31.17%

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
2005-06	52,303,973	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 ^e	1,823,981	465,301	4,369,349	4,020,516	1,532,879	969,475	71,893,633
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	37,736	45,749,393
2014-15	17,152,560	17,084,411	551,202	5,526,119	4,351,675	3,089,802	366,535	48,122,304
Change 2006-2015	-67.21%	-4.57%	29.98%	30.45%	77.41%	119.48%	-71.48%	-39.86%

^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.

Source: City of Palmdale, Finance Department

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
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	658,139	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
2014-15	7,077,476,628	1,327,043,593	371,182,157	3,083	292,000	222,889,982	2,152,995	5,245,552	30,665,697

(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						
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	0.45668%	-
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	0.44421%	-
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	0.43553%	-
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	0.42304%	-
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	0.42380%	-
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	0.44557%	-
2011-12	583,252,015	148,423,521	(83,267,879)	6,000	8,824,580,032	963,200	273,267,652	9,098,810,884	0.45828%	-
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	0.46508%	-
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	0.43604%	-
2014-15	558,074,395	174,080,817	(78,416,749)	6,000	9,690,696,150	963,200	362,362,996	10,054,022,346	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 2005/06 - 2014/15 Combined Tax Rolls

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

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
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%	0.02178%	0.03150%	0.03523%	0.03390%	0.03271%	0.03386%
Antelope Valley Community College	0.01633%	0.02905%	0.00983%	0.01682%	0.02459%	0.02539%	0.02599%	0.02949%	0.02740%	0.02480%
Antelope Valley Union High	0.02266%	0.01996%	0.01907%	0.02095%	0.02421%	0.02902%	0.02913%	0.03075%	0.02602%	0.02585%
Antelope Valley East Kern Water Agency	0.07050%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%
County Detention Facilities 1987 Debt	0.00080%	0.00066%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Eastside Union School District	0.06574%	0.05531%	0.05414%	0.05789%	0.06700%	0.08172%	0.08149%	0.08302%	0.08677%	0.08893%
LA County Flood Control	0.00005%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Lancaster School District	0.01858%	0.01515%	0.01604%	0.01855%	0.02282%	0.03061%	0.03074%	0.03380%	0.05503%	0.04837%
Palm Ranch Irrigation District	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Palmdale School District	0.02092%	0.01619%	0.01678%	0.01827%	0.01988%	0.02337%	0.02323%	0.02527%	0.04839%	0.04591%
Palmdale Water District	0.15228%	0.11965%	0.12544%	0.12593%	0.31737%	0.31356%	0.29166%	0.33361%	0.32898%	0.34586%
Westside Union School District	0.01933%	0.01407%	0.01470%	0.01729%	0.03359%	0.05571%	0.05062%	0.05526%	0.05615%	0.08166%
Total Direct & Overlapping² Tax Rates	1.38718%	1.34059%	1.32650%	1.34618%	1.60175%	1.66136%	1.63859%	1.69559%	1.73195%	1.76574%
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%	0.10374%
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	1.07129%	1.07115%	1.07049%	1.07049%	1.07049%	1.07049%	1.07049%	0.00000%	0.00000%	0.00000%
Total Direct Rate⁵	0.44421%	0.43553%	0.42304%	0.42380%	0.44557%	0.45828%	0.46508%	0.43604%	0.07637%	0.07933%

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 2005/06 - 2014/15 Tax Rate Table

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

<u>Taxpayer</u>	2014-15		2005-06	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Lockheed Corporation	\$ 228,675,763	2.26%	\$ 319,816,531	3.75%
Lancaster Hospital Corporation	219,133,961	2.16%		0.00%
Antelope Valley Mall LLC	109,452,500	1.08%	85,252,544	1.00%
Northrop Grumman Systems Corporation	111,238,788	1.10%	87,062,412	1.02%
MGP X Properties LLC	109,024,669	1.08%		0.00%
Wal Mart Real Estate Business Trust/Sam's West Inc.	76,505,013	0.76%		0.00%
Time Warner Cable	54,546,425	0.54%		0.00%
Universal Health Svcs of Palmdale Inc	42,501,203	0.42%		0.00%
Target Corporation	39,081,127	0.39%		0.00%
LV Ritter Ranch LLC	32,572,990	0.32%		0.00%
Palmdale Hills Property		0.00%	70,749,876	0.83%
Adelphia Communication of CA II LLC		0.00%	46,129,044	0.54%
Bascom Fountains LLC		0.00%	27,452,500	0.32%
Anaverde LLC		0.00%	25,750,604	0.30%
California Investors VII		0.00%	25,558,575	0.30%
Wal Mart Realty Company		0.00%	21,061,074	0.25%
Amargosa Palmdale Investments LLC		0.00%	20,718,932	0.24%
Top Ten Total	1,022,732,439	10.09%	729,552,092	8.55%
Total City Taxable Assessed Value	\$ 10,132,439,095	100.00%	\$ 8,536,311,702	100.00%

Source: HdL Coren & Cone, Los Angeles County Assessor 2014/15 and 2005/06 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)		
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%
2014-15	5,181,707	4,561,031	88.02%	159,671	54,300	338,739	5,113,742	98.69%

- (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)
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
2015	65,097,544	-	-	28,337,814	697,150	6,474,923	100,607,431	3.54%	641

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
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
2015	-	28,337,814	28,337,814	0.28%	180

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, 2015

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	\$ 26,172,018	87.573%	\$ 22,919,708
464.50-Eastside Union Elem School District 1998 Series A Debt Service	2,265,730	10.481%	237,481
464.51-Eastside Union School District Series 2002	3,440,000	10.481%	360,561
464.52-Eastside Union School District Debt Service Series 2003	2,550,000	10.481%	267,277
529.51-Lancaster School District Debt Service 1999 Series 2001	3,314,669	0.613%	20,319
529.52-Lancaster School District Debt Service 1999 Series 05 Ref. Bond	9,129,574	0.613%	55,963
529.53-Lancaster School District Debt Service 2012 Series 2013A Bond	4,370,000	0.613%	26,788
529.54-Lancaster School District Debt Service 2012 Series 2013B Bond	29,510,000	0.613%	180,893
593.53-Palmdale School District Debt Service 2010 Ref Bonds	2,404,604	94.543%	2,273,379
593.54-Palmdale School District Debt Service 2012 Series 2013A Bonds	12,025,000	94.543%	11,368,769
593.55-Palmdale School District Debt Service Ref Series 2013B Bonds	44,790,000	94.543%	42,345,710
689.53-Westside Union School District Series C Debt Service	300,000	39.344%	118,032
689.54-Westside Union School District 1998 Series A Debt Service	4,595,714	39.344%	1,808,131
689.55-Westside Union School District 1998 Series S-2001 A Debt Service	3,066,695	39.344%	1,206,556
689.56-Westside Union School District 1998 Series S-2002 A Debt Service	2,520,712	39.344%	991,745
689.61-Westside Union School District 2008 Series A Debt Service	9,279,852	39.344%	3,651,051
689.62-Westside Union School District Debt Service 2008 Series B	31,838,931	39.344%	12,526,660
689.63-Westside Union School District Debt Service 2012 Series A	13,510,000	39.344%	5,315,354
689.64-Westside Union School District Debt Service 2012 Series B	5,000,000	39.344%	1,967,192
717.52-Antelope Valley Union High School District 2002 Series B Debt Service	3,806,694	41.018%	1,561,423
717.53-Antelope Valley Unified High School District 2002 DS Series 2005	1,628,179	41.018%	667,843
717.54-Antelope Valley Unified High School District Refund SR 2012	66,035,000	41.018%	27,086,114
792.51-Antelope Valley CCD Debt Service 2004 Series A	550,000	38.336%	210,850
792.52-Antelope Valley CCD 2004 Series B Debt Service	1,153,085	38.336%	442,051
792.53-Antelope Valley CCD Debt Service 2006 Ref Bonds	2,825,000	38.336%	1,083,002
792.54-Antelope Valley CCD 2004 Series C Debt Service	42,445,000	38.336%	16,271,872
792.55-Antelope Valley CCD Debt Service 2014 Ref Series A	16,220,000	38.336%	6,218,159
792.56-Antelope Valley CCD Debt Service 2014 Ref Series B	77,818,682	38.336%	29,832,857
935.52-Action-Agua Dulce USD 2008 Debt Service Series A	12,361,715	0.007%	911
TOTAL OVERLAPPING DEBT			\$ 191,016,651
City of Palmdale's Direct Debt			\$ -
Total Direct and Overlapping Debt			\$ 191,016,651

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 2014/15 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
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%
2014-15	10,380,860,342	389,282,263	28,337,814	7.28%

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, 2015.

City of Palmdale
Former Community Redevelopment Agency - Project Area 1 & 1A 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
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
2015	-	-	875,000	638,338	-	-	115,000	366,491
	Debt Summary			Pledged Revenue				
Fiscal Year	Total Principal	Total Interest	Total Debt Service	Gross Tax Increment (2)	Less: Operating Expenses (3)	Net Available	Coverage	
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	
2015	990,000	1,004,829	1,994,829	8,956,435	327,804	8,628,631	4.33	

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.

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
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	-
2015	110,000	144,925	-	-	160,000	258,580	310,000	858,500	710,000	1,247,750	205,000	-

Fiscal Year	1997 Revenue Bonds Debt Service		Debt Summary		Pledged Revenue				Net Available	Coverage
	Principal	Interest	Total Principal	Total Interest	Service	Sales Tax (2)	Increment (2)	Expenses (3)		
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)
2015	850,000	74,480	2,345,000	2,584,235	4,929,235	Note (4)	32,094,739	19,508,055	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
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	-	-
2015	180,000	186,043	35,000	339,803	550,000	430,541	35,000	112,356	-	-

Fiscal Year	Debt Summary			Pledged Revenue		
	Total Principal	Total Interest	Total Debt Service	20% Set Aside Tax Increment (3)	Net Available	Coverage
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
2015	800,000	1,068,743	1,868,743	6,418,948	6,418,948	3.43

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
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%
2014	155,734	2,892,448	18,573	29.10	35,356	11.0%	74.2%	15.3%

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) Palmdale School District, California Department of Education
- (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	2015		Employer	2006	
	Number of Employees	Percentage of Total Valley Employment		Number of Employees	Percentage of Total Valley Employment
Edwards Air Force Base	10,647	6.89%	Edwards Air Force Base	12,117	8.86%
China Lake NWC	6,690	4.33%	China Lake NWC	4,986	3.65%
County of Los Angeles	3,743	2.42%	Lockheed Martin	4,200	3.07%
Lockheed Martin	3,700	2.39%	County of Los Angeles	3,441	2.52%
Mojave Air & Spaceport	2,500	1.62%	Palmdale School District	3,094	2.26%
Antelope Valley Hospital Medical Center	2,300	1.49%	A.V. High School District	2,400	1.76%
Northrop Grumman	2,100	1.36%	Antelope Valley Hospital	2,200	1.61%
Wal-Mart (5) stores	1,922	1.24%	Countrywide	2,200	1.61%
CA Correction Institute - Tehachapi	1,915	1.24%	Lancaster School District	2,142	1.57%
Antelope Valley Mall (All Stores)	1,800	1.16%	Wal-Mart (4 stores)	2,047	1.50%

Source: City of Palmdale Economic Development Department 2014 GAVEA Report

Note 1: FY2015 represents employment reported for calendar year 2014 and the most recent year available. Calendar year 2015 will not be available until Jan 2016.

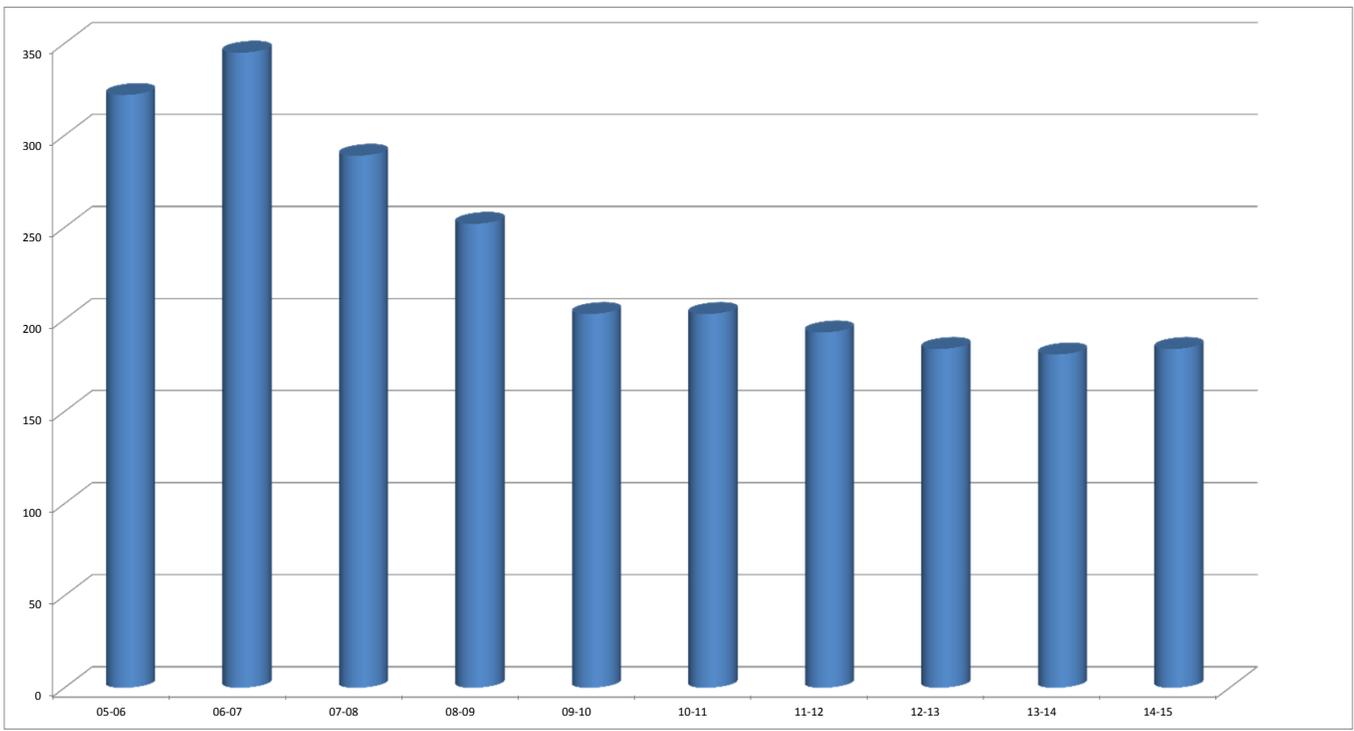
The Antelope Valley region is considered to be the City's economic region and covers 3,514.2 square miles of area and includes the City of Palmdale, Lancaster, Tehachapi and Ridgecrest. The principal employers represent all employers within the greater Antelope Valley region.

Note 3: 2006 total employment used to calculate the percentage of principal employers is an estimate. The estimate is based on the ratio of the 2006 employment to total population and then applied to total population reported for the calendar year 2006.

City of Palmdale
 Full-time-Equivalent City Government Employees by Function:Program
 Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CITY MANAGER	13.00	13.00	10.00	9.00	8.00	8.00	5.00	5.00	7.00	5.00
CITY ATTORNEY	6.00	6.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
ADMINISTRATIVE SERVICES	28.00	29.00	26.00	25.00	18.00	18.00	18.00	18.00	17.00	20.00
ECONOMIC & COMMUNITY DEVELOPMENT	69.00	71.00	60.00	44.00	34.00	34.00	38.00	35.00	33.00	39.00
NEIGHBORHOOD SERVICES	34.00	41.00	32.00	31.00	26.00	26.00	21.00	19.00	24.00	21.00
PUBLIC WORKS	125.00	136.00	116.00	106.00	91.00	91.00	87.00	89.00	83.00	81.00
RECREATION & CULTURE	47.00	49.00	40.00	32.00	22.00	22.00	20.00	14.00	13.00	14.00
Total	322.00	345.00	289.00	252.00	203.00	203.00	193.00	184.00	181.00	184.00

CITY OF PALMDALE - FULL TIME EMPLOYEES
 Last Ten Fiscal Years



Source: City of Palmdale, Finance Department

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</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>	<u>2014/15</u>
Communications										
Television programs produced	21	25	23	69	27	46	25	18	7	10
Commercials produced	5	4	7	6	17	13	4	2	4	5
Still Photo Shoots	-	-	-	-	-	-	-	-	2	24
Newsletters published - hard copies	6	5	3	3	3	3	3	3	3	3
Newsletters published - external e-newsletters	-	-	-	-	-	-	-	-	51	80
Newsletters published - internal e-newsletters	-	-	-	-	-	-	-	-	-	22
Economic and Community Development										
Film permits issued	22	10	18	17	35	20	21	22	15	19
Businesses licensed	5,600	6,000	6,000	6,307	4,357	4,841	6,290	4,973	6,240	8,873
Building permits issued	3,110	2,387	1,300	838	790	814	851	862	1,168	1,517
Engineer grading permits issued	50	80	50	10	10	17	14	9	23	17
Engineer Geotechnical review	146	120	62	19	14	20	10	16	18	10
Engineer Improvement plans	510	595	180	58	34	71	91	74	80	70
Engineer Inspections	8,100	9,500	9,000	5,706	1,600	3,005	2,667	1,921	2,189	3,200
Financial assistance to businesses	4	5	4	4	3	1	-	-	-	-
SBDC business counseling hours	105	205	340	350	273	232	278	275	275	275
Business retention site visits	20	10	10	20	15	34	35	32	32	35
General Government										
Buildings maintained	37	41	41	41	41	41	40	40	48	57
Square footage of facilities	296,000	415,089	415,089	415,089	382,000	396,127	387,300	387,300	312,600	415,830
Neighborhood Services										
Neighborhood watch presentations	67	70	200	169	122	122	93	172	115	118
Business watch presentations	30	30	30	23	16	10	12	56	36	11
PAC presentations	35	40	44	37	28	18	18	23	62	11
Administration Citations Processed	0	0	372	424	576	744	535	768	641	741
Parking Enforcement										
Vehicle Impounds	356	300	350	391	400	400	292	410	330	205
Citations Issued	7,640	9,329	9,640	8,040	6,651	6,601	7,416	8,648	5,585	5,195
Calls for Service	2,122	1,890	1,276	1,029	835	772	696	719	757	1,086
Number of law violations:										
Part 1 crimes	6,242	5,410	5,044	4,721	4,445	4,201	4,087	4,305	4,093	4,750
Part 2 crimes	8,050	8,307	8,186	7,337	7,053	7,011	6,589	5,787	7,775	6,614
Crime reports taken	29,362	21,248	20,734	19,146	18,562	17,716	16,605	-	20,612	19,254
Arrests	8,671	7,884	9,951	11,629	10,486	9,497	9,901	7,435	5,267	6,206
Accident reports taken	2,427	1,808	2,044	1,753	1,424	1,303	1,385	1,278	1,572	1,967
Animal licenses issued	21,297	24,952	23,720	11,576	7,240	9,642	9,375	8,504	8,314	8,318
Code Enforcement cases closed	3,000	5,076	5,270	5,892	4,373	4,057	4,016	3,254	3,421	3,835
Mobile Home Parks paid occupied spaces	787	787	787	787	787	787	787	787	787	787
Health and Welfare										
Family members assisted with food and/or shelter	3,833	2,562	1,270	3,910	3,130	3,157	3,370	5,561	10,281	7,184
SAVES meals provided	80,493	53,794	68,376	74,117	99,876	92,547	87,507	86,037	575,085	361,956
SAVES motel vouchers provided (night)	547	395	386	647	565	433	188	19	25	29

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</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>	<u>2014/15</u>
Communications										
Public Services										
Number of landscape districts maintained	218	206	228	228	245	245	245	245	245	248
Landscaped area (acres) maintained	83	117	126	130	130	253	253	253	253	253
Irrigation controllers maintained	336	345	485	393	542	542	542	542	542	542
Landscape median area maintained (sq. ft.)	680,781	1,081,053	983,767	983,767	983,767	2,500,344	2,500,344	2,500,344	2,500,344	2,500,344
SR 14 Interchange area maintained (sq. ft.)	125,382	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
Park-n-ride Acres Maintained	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	-	-	-
Detention basins maintained	305	233	250	265	226	226	226	226	226	226
Detention basins (acres) maintained	88	92	110	120	90	207	94	94	94	94
Service requests - landscape maint.	779	1,855	1,038	300	429	234	252	215	365	1,109
Vandalism repair hours	600	500	1,552	825	0	663	126	200	3,246	20
Graffiti abatement hours	6,240	7,247	7,247	6,441	5,362	4,260	5,150	4,775	-	1,211
Lighting districts	100	123	134	148	148	149	149	171	150	164
Number of street lights in districts	3,000	4,971	3,433	3,400	3,400	4,100	4,100	18,692	18,437	18,513
Commercial acreage in street lighting districts	457	503	328	460	296	600	600	625	625	2,090
Residential parcels in street lighting districts	6,000	8,279	7,408	6,600	6,200	8,000	8,000	37,038	40,730	40,770
Striping and marking sq. ft.	319,206	1,253,295	1,253,649	78,767	1,637,856	237,822	1,900,000	1,068,911	2,500,000	2,500,000
Trees planted	850	49	1,490		36	0	263	500	130	320
Street trees pruned	1,800	2,200	2,000	2,200	1,662	1,034	1,200	980	947	410
Street signs maintained	8,450	8,575	8,615	8,524	1,332	1,095	8,650	8,650	9,100	9,100
Street centerline miles	508	518	550	555	518	518	518	518	504	504
Street curb miles swept	24,800	26,200	26,200	26,400	26,400	26,400	26,400	26,400	-	-
Street pavement area (acres)	2,185	2,200	2,450	2,525	2,109	2,109	2,109	2,109	2,109	2,109
Bridges maintained	9	9	9	9	9	9	9	9	9	9
Box culverts maintained	6	6	6	6	6	6	6	6	7	7
Number of passengers served ⁴	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	3,500,593
Number of commuter and fixed routes ⁴	17	16	21	16	15	16	18	18	18	18
Cultural and Recreational										
Library circulation*	431,290	391,000	391,000	422,429	247,579	341,581	329,022	332,010	318,006	284,027
Library volumes owned*	136,860	137,500	139,000	134,184	71,726	72,101	69,805	89,210	N/A	N/A
Library programs*	430	527	350	613	36	48	79	139	233	190
Playhouse general attendance ¹	18,060	15,721	18,714	23,539	15,850	5,220	6,642	8,735	N/A	N/A
Larry Chimbole Center attendance	107,300	112,120	160,000	109,000	99,000	59,795	61,099	57,850	-	75,000
Legacy Commons Attendance	69,460	69,840	70,000	68,900	62,206	36,400	36,000	36,000	36,000	37,000
Hammack Community Activity Center attendance	18,460	29,264	29,500	10,000	-	-	-	-	N/A	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	N/A
Amphitheater attendance ^{1,2}	75,000	65,000	75,000	57,000	9,800	49,800	33,150	25,800	N/A	N/A
Day Camp participants	4,130	4,493	5,017	1,200	950	987	920	920	N/A	N/A

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</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>	<u>2014/15</u>
Communications										
After school participants ¹	33,980	35,429	36,000	11,100	8,406	9,467	11,175	11,000	N/A	N/A
Tiny Tot Participants ¹	10,920	11,318	9,240	11,500	359	1,637	1,633	1,630	N/A	N/A
Park and skatepark patrons	413,230	347,746	423,998	433,000	378,938	-	-	-	N/A	N/A
Recreational swimming attendance ¹	23,900	26,000	27,600	33,971	36,502	15,051	9,165	3,330	N/A	N/A
Lesson swimming attendance ¹	11,270	12,550	13,900	19,386	15,372	15,931	15,883	16,802	N/A	N/A
Youth sports participants	179,882	166,372	169,408	157,545	150,680	168,189	167,527	16,000	1,700	1,661
Adult sports participants	1,274,473	131,280	137,309	133,052	131,142	122,377	125,525	119,136	2,500	2,446
General Program Registrants ²	-	-	-	-	-	-	-	-	7,193	13,701
Aquatic Program Registrants ²	-	-	-	-	-	-	-	-	8,934	8,378
Facility Rental Bookings ²	-	-	-	-	-	-	-	-	2,259	4,819
Airpark Attendance	-	-	-	-	-	-	-	-	11,874	16,918
Airpark Guided Tours ²	-	-	-	-	-	-	-	-	258	51
Community Event Attendance ²	-	-	-	-	-	-	-	-	64,750	43,000
Playhouse Performance Attendance ²	-	-	-	-	-	-	-	-	5,155	10,125
DryTown Admissions ²	-	-	-	-	-	-	-	-	81,000	85,000
Tournament Attendance ²	-	-	-	-	-	-	-	-	50,000	46,500

*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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Number of City owned building facilities	37	41	41	45	47	47	47	47	47	47
City Vehicles	2	3	4	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	3
Public Security Officers Vehicles	1	2	2	2	2	2	2	2	2	2
Public Services										
Streets and Bikeways (miles)	433	437	550	555	560	580	580	580	580	580
Landscaped area (acres)	81	83	121	130	253	260	260	260	260	260
Park-n-ride	22	22	22	22	22	22	22	22	22	22
Storm drainage systems (feet)	81,700	81,700	91,500	92,300	92,300	95,000	95,000	95,000	95,000	95,000
Retention and detention basins	10	10	11	11	11	11	11	11	11	11
Storm drainage pump stations	3	3	3	3	3	3	3	3	3	3
Detention basins (acres)	80	88	110	120	207	207	207	207	207	207
Traffic signals	89	114	136	164	-	166	166	168	168	168
Traffic signs	6,500	8,575	8,615	8,675	-	8,700	8,700	8,700	8,700	8,700
Transportation Center	1	1	1	1	1	1	1	1	1	1
Bridges	7	9	9	9	9	9	9	9	9	9
Street Lights	1,500	2,340	3,000	3,400	4,100	4,150	4,150	4,200	4,200	4,200
Vehicles	70	78	78	78	81	75	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	18	19	21	21	21	21	21	21	21	21
Developed park acreage	486	576	576	576	576	576	576	576	576	576
Number of swimming pools	2	4	4	4	4	4	4	4	3	3
Number of tennis courts	9	9	9	9	9	9	9	9	9	9
Number of Libraries	2	2	2	2	2	1	1	1	1	1
Number of Community Centers	3	4	4	4	4	4	4	3	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	20	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	1
Community Theatre	1	1	1	1	1	1	1	1	1	1
Amphitheatre	-	1	1	1	1	1	1	1	1	1
Vehicles	7	7	7	7	7	7	7	3	4	4
Health and Welfare										
Vehicles	2	2	2	2	2	2	2	2	2	2

Source: City of Palmdale, various City departments

**Other
Information**



CITY OF PALMDALE, CALIFORNIA
Year Ended June 30, 2015

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2015

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 outstanding balance of the notes as of June 30, 2015 is \$22,047,746.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2015

Year Ending	Principal	Interest	Total
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	1,822,825	927,836	2,750,661
2021-2025	10,966,444	2,786,857	13,753,301
2026	2,980,918	139,563	3,120,481
Totals	<u>\$ 22,047,746</u>	<u>\$ 8,579,338</u>	<u>\$ 30,627,084</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 from the current year was \$76,734, and the balance remaining to be paid from pledged future revenues total \$378,075 as of June 30, 2015.

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.

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2015

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 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. During the fiscal year 2014-15, the final principal only payments were made in the amount of \$420,000. At year-end, there were no pledged future revenues and no remaining principal on the Bonds. In connection with ROPS 14-15B, a payment of the approved enforceable obligation was made in the amount of \$215,000, which includes the accreted interest for July and August, 2015. For these capital appreciation bonds the accreted interest is \$2,185, which converts to principal in the fiscal year 2015-16.

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 \$1,854,820. At year-end, there was no pledged future revenues after all remaining principal interest were paid in full during the fiscal year 2014-15.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2015

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 were \$2,733,756. Property tax totaled \$8,628,631 for the year. At year-end, pledged future revenues totaled \$15,340,188 of which \$11,855,000 was the amount of the remaining principal and \$3,485,188 was interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	950,000	584,438	1,534,438
2017	1,000,000	545,250	1,545,250
2018	1,035,000	495,250	1,530,250
2019	1,090,000	443,500	1,533,500
2020	1,145,000	389,000	1,534,000
2021-2025	6,635,000	1,027,750	7,662,750
Totals	<u>\$ 11,855,000</u>	<u>\$ 3,485,188</u>	<u>\$ 15,340,188</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.

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.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2015

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 were \$787,849. Property taxes totaled \$8,628,631 for the year. At year-end, pledged future revenues totaled \$8,858,114 of which \$5,400,000 was the amount of the remaining principal and \$3,458,114 of interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	\$ 130,000	\$ 354,510	\$ 484,510
2017	125,000	345,976	470,976
2018	150,000	337,769	487,769
2019	155,000	327,922	482,922
2020	165,000	317,746	482,746
2021-2025	1,010,000	1,409,506	2,419,506
2026-2027	3,665,000	364,686	4,029,686
Totals	<u>\$ 5,400,000</u>	<u>3,458,114</u>	<u>8,858,114</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 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 20)

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2015

The current year payments of principal and interest were \$1,957,750. Net sales tax and property taxes pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$38,864,250 of which \$24,600,000 was the amount of the remaining principal and \$14,264,250 interest on the Bonds.

Year Ending	Principal	Interest	Total
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	905,000	1,047,125	1,952,125
2021-2025	5,250,000	4,491,500	9,741,500
2026-2030	6,695,000	3,006,375	9,701,375
2031-2035	8,545,000	1,109,875	9,654,875
Totals	<u>\$ 24,600,000</u>	<u>\$ 14,264,250</u>	<u>\$ 38,864,250</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 20)

The current year payments of principal and interest were \$254,926. Property taxes received totaled \$12,586,684 for the year. At year-end, pledged future revenues totaled \$3,784,775 of which \$2,580,000 was the amount of the remaining principal and \$1,204,775 interest on the Bonds.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2015

Year Ending	Principal	Interest	Total
2016	115,000	138,738	253,738
2017	120,000	132,275	252,275
2018	130,000	125,400	255,400
2019	135,000	118,113	253,113
2020	145,000	110,413	255,413
2021-2025	835,000	421,988	1,256,988
2026-2030	1,100,000	157,850	1,257,850
Totals	<u>\$ 2,580,000</u>	<u>\$ 1,204,775</u>	<u>\$ 3,784,775</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 20)

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 \$10,534,864 was the amount of the remaining principal and \$6,720,136 interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	\$ -	\$ -	\$ -
2017	905,869	64,131	970,000
2018	856,754	108,246	965,000
2019	817,131	152,869	970,000
2020	769,815	195,185	965,000
2021-2025	3,266,644	1,583,356	4,850,000
2026-2030	2,446,293	2,403,707	4,850,000
2031-2033	1,472,359	2,212,641	3,685,000
Totals	<u>\$ 10,534,864</u>	<u>\$ 6,720,136</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

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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 20)

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 \$366,043. At year-end, pledged future revenues totaled \$5,786,561 of which \$4,095,000 was the amount of the remaining principal and \$1,691,561 interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	\$ 190,000	\$ 179,103	\$ 369,103
2017	195,000	171,690	366,690
2018	200,000	163,888	363,888
2019	205,000	155,788	360,788
2020	205,000	147,459	352,459
2021-2025	1,070,000	600,650	1,670,650
2026-2029	2,030,000	272,984	2,302,984
Totals	<u>\$ 4,095,000</u>	<u>\$ 1,691,561</u>	<u>\$ 5,786,561</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 20)

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 \$374,803. At year-end, pledged future revenues totaled \$12,182,769 of which \$6,965,000 was the amount of the remaining principal and \$5,217,769 interest on the Bonds.

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<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 35,000	\$ 338,333	\$ 373,333
2017	35,000	336,863	371,863
2018	35,000	335,393	370,393
2019	35,000	333,923	368,923
2020	40,000	332,288	372,288
2021-2025	215,000	1,633,594	1,848,594
2026-2030	1,695,000	1,541,225	3,236,225
2031-2033	4,875,000	366,153	5,241,153
Totals	<u>\$ 6,965,000</u>	<u>\$ 5,217,769</u>	<u>\$ 12,182,769</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 20)

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 \$1,168,500. At year-end, pledged future revenues totaled \$26,994,875 of which \$17,015,000 was the amount of the remaining principal and \$9,979,875 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	630,000	733,000	1,363,000
2021-2025	3,675,000	3,144,875	6,819,875
2026-2030	4,690,000	2,104,250	6,794,250
2031-2034	5,980,000	777,000	6,757,000
Totals	<u>\$ 17,015,000</u>	<u>\$ 9,979,875</u>	<u>\$ 26,994,875</u>

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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.

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 20)

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 \$418,580. Net property taxes totaled \$12,586,684 for the year. At year-end, pledged future revenues totaled \$8,749,910 of which \$5,485,000 was the amount of the remaining principal and \$3,264,910 interest on the Bonds.

Year Ending	Principal	Interest	Total
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	170,000	228,285	398,285
2021-2025	1,000,000	1,003,000	2,003,000
2026-2030	1,235,000	733,756	1,968,756
2031-2034	2,445,000	323,594	2,768,594
Totals	<u>\$ 5,485,000</u>	<u>\$ 3,264,910</u>	<u>\$ 8,749,910</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 20)

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

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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 \$980,541. At year-end, pledged future revenues totaled \$13,036,549 of which \$9,965,000 was the amount of the remaining principal and \$3,071,549 interest on the Bonds.

Year Ending	Principal	Interest	Total
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	680,000	309,781	989,781
2021-2025	3,960,000	1,076,519	5,036,519
2026-2028	2,885,000	193,484	3,078,484
Totals	<u>\$ 9,965,000</u>	<u>\$ 3,071,549</u>	<u>\$ 13,036,549</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 20)

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 \$147,356. At year-end, pledged future revenues totaled \$4,278,803 of which \$2,525,000 was the amount of the remaining principal and \$1,753,803 interest on the Bonds.

Year Ending	Principal	Interest	Total
2016	\$ 40,000	\$ 110,976	\$ 150,976
2017	40,000	109,466	149,466
2018	40,000	107,926	147,926
2019	40,000	106,321	146,321
2020	45,000	104,568	149,568
2021-2025	250,000	493,033	743,033
2026-2030	220,000	434,188	654,188
2031-2034	1,850,000	287,325	2,137,325
Totals	<u>\$ 2,525,000</u>	<u>\$ 1,753,803</u>	<u>\$ 4,278,803</u>

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