

January 24, 2018

10 CFR 50.71

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D. C. 20555-0001

Subject: **Docket Nos. 50-361 and 50-362**
Annual Corporate Financial Reports
San Onofre Nuclear Generating Station (SONGS) Units 2 and 3

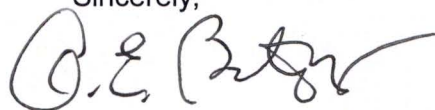
Dear Sir or Madam:

In accordance with the requirements of 10 CFR Part 50, Section 50.71(b), enclosed are copies of the annual financial reports for the licensees of the San Onofre Nuclear Generation Station, Units 2 and 3, who do not submit a Form 10-Q with the Securities and Exchange Commission or a Form 1 with the Federal Energy Regulatory Commission: the City of Riverside, California (for the fiscal year ending June 30, 2017); and the City of Anaheim, California (for the fiscal year ending June 30, 2017). Each report includes the appropriate certified financial statement required by Section 50.71(b).

There are no new commitments or required actions resulting from this letter.

If you have any questions or require additional information, please call me at (949) 368-6945.

Sincerely,



Enclosure: Annual Financial Statements for Fiscal Year 2017, City of Anaheim and City of Riverside

cc: K. M. Kennedy, Regional Administrator, NRC Region IV
M. G. Vaaler, NRC Project Manager, SONGS Units 2 and 3

M004
NRR

Enclosure

Annual Financial Statements for Fiscal Year 2017

City of Anaheim

and

City of Riverside

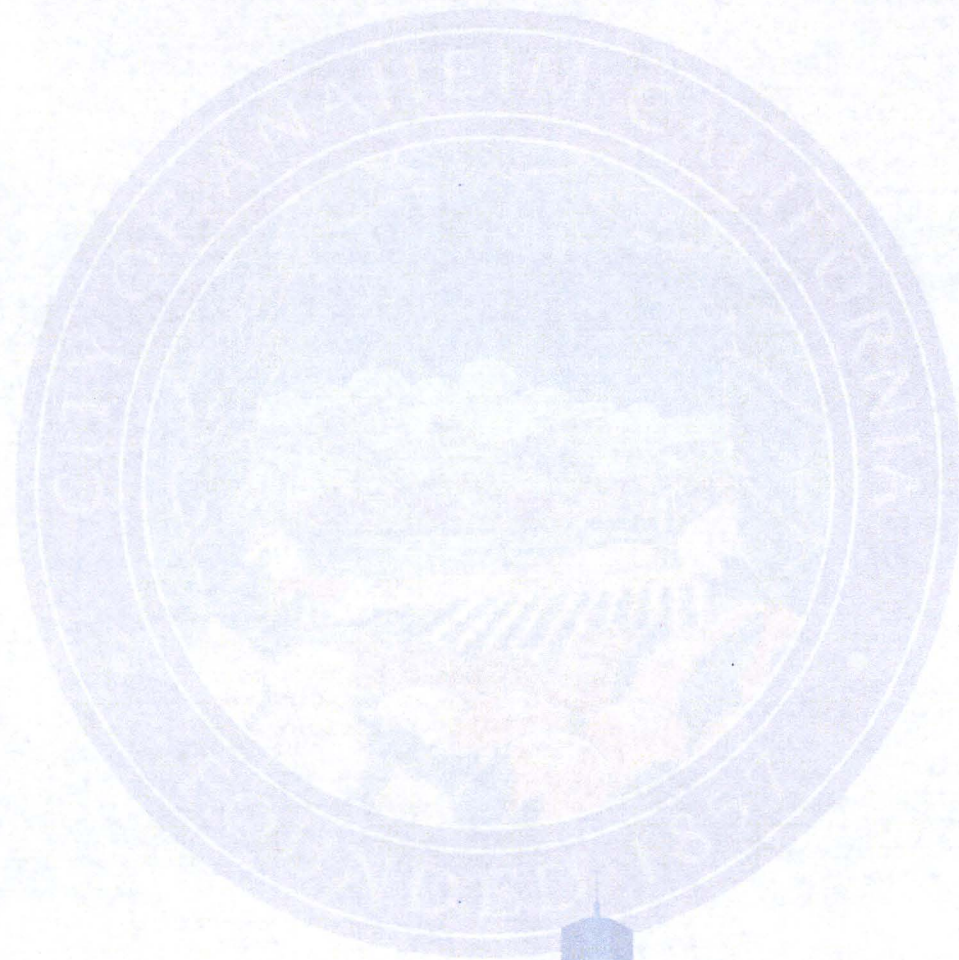
CITY OF ANAHEIM

YEAR ENDED JUNE 30, 2017

Comprehensive Annual Financial Report

Anaheim, California



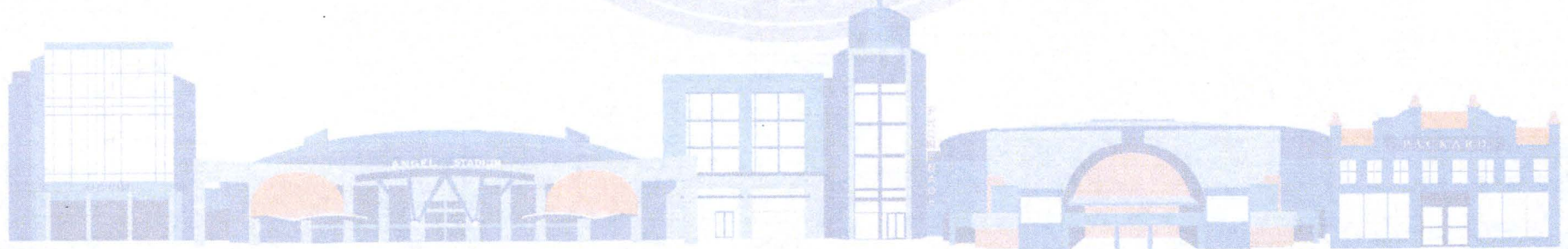


CITY OF ANAHEIM

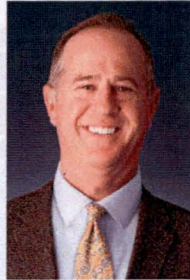
YEAR ENDED JUNE 30, 2017

Comprehensive Annual Financial Report

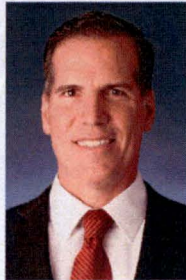
Anaheim, California



City Council



Tom Tait
Mayor



James Vanderbilt
Mayor Pro Tem (At Large)



Kris Murray
Council Member (At Large)



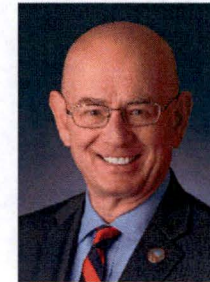
Denise Barnes
Council Member (District 1)



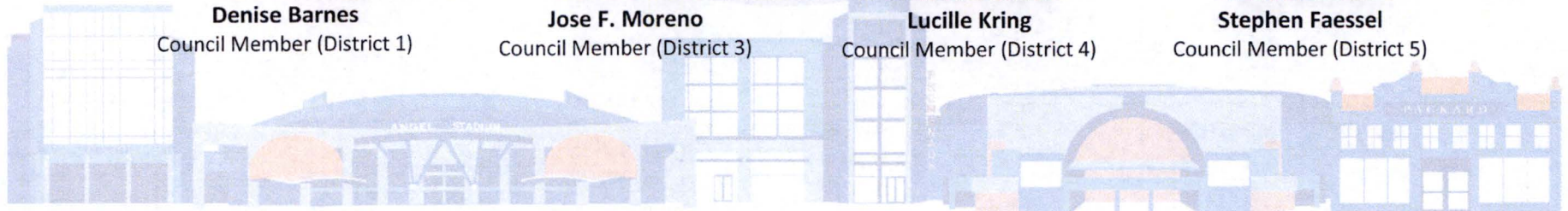
Jose F. Moreno
Council Member (District 3)



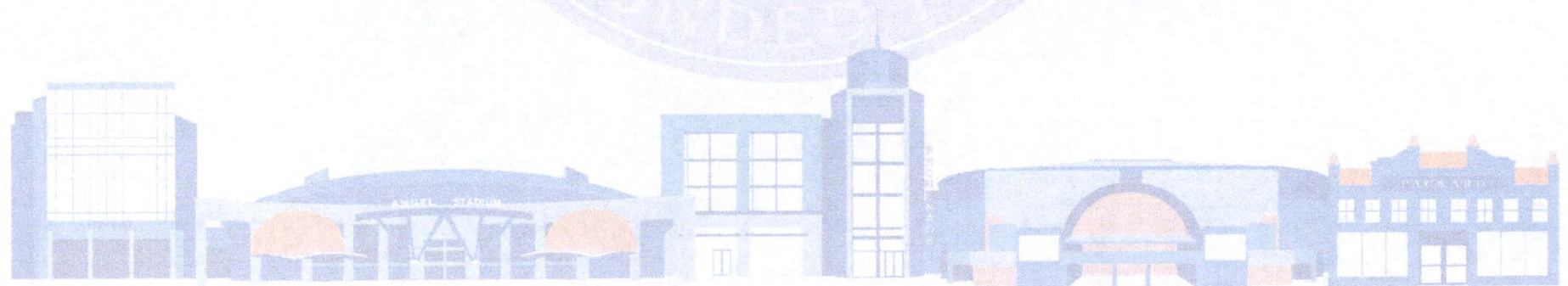
Lucille Kring
Council Member (District 4)



Stephen Faessel
Council Member (District 5)



Introductory Section



Comprehensive Annual Financial Report

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City of Anaheim, California Finance Department

December 20, 2017

To the Honorable Mayor and City Council
City of Anaheim
Anaheim, California

In accordance with the Charter of the City of Anaheim (City), please accept submission of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2017. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the City. We believe the data included is accurate in all material aspects, and is presented in a manner designed to fairly set forth the financial position and operational achievements of the City, as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

The City Charter requires an annual audit of the City's financial statements by an independent Certified Public Accountant. Accordingly, this year's audit was completed by KPMG LLP. In addition to meeting the requirements set forth in the City Charter, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and the Uniform Guidance. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are presented as a separate document.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ECONOMIC CONDITION AND OUTLOOK

Anaheim is located in northwestern Orange County, approximately 28 miles southeast of downtown Los Angeles and 90 miles north of San Diego. The City lies

on a coastal plain, which is bordered by the Pacific Ocean to the west and the Santa Ana Mountains to the east. The City is the oldest and most populous city in Orange County. Anaheim is home to the Disneyland Resort, the Anaheim Convention Center, the Anaheim Regional Transportation Intermodal Center (ARTIC), and two major league professional sports teams—the Angels Major League Baseball team, which utilizes Angel Stadium of Anaheim, and the Anaheim Ducks National Hockey League team, which utilizes Honda Center.

Anaheim is a significant contributor to the diverse Orange County economy, which is home to more than 8,500 manufacturing plants. Product manufacturers include notable firms focused on defense and aerospace, biomedical, electronics, machinery, and computer products. The City has over 25,500 active business licenses, of which over 17,500 are businesses operating within the City's boundaries.

The economy continues to grow moderately and while there is little reason to believe that a recession is on the immediate horizon, we are cautious of the possibility in the coming years. Job growth nationally and locally has had a significant impact on the economy and should continue to bolster the economic outlook over the next few years.

The unemployment rate in Anaheim for June 2017 was 4.9%, while the national average is at 4.4% and the state average at 4.9%.

The City will continue to build on the successes and achievements realized in the current year, and remain committed to efforts to grow service levels. The City's "Big Three" revenue sources of transient occupancy tax, property tax, and sales and use tax, have all shown steady growth this year. As the City moves through fiscal year 2017/18, we are optimistic about continued growth but will remain attentive to the prevailing economic climate and mindful of managing enhanced services within the limits of the City's General Fund.

MAJOR INITIATIVES

With direction from the Mayor and City Council, City management identifies the priorities that shapes the path for Anaheim's future. City initiatives are reevaluated regularly, and new items are frequently added to ensure that City efforts are consistent with the priorities of our policy body and the community. The City strives each year to better fulfill its mission of delivering outstanding municipal services that are responsive to our entire community by continuing its tradition of fostering innovation, ingenuity, an opportunity in its operations. This helps achieve the primary goals of focusing on community needs, building neighborhood connections, and governing for results that strengthen communities. The City's dedication to

improvement and modernization creates an environment where residents and businesses are free to choose how best to enjoy all that Anaheim has to offer.

INVESTING IN OUR NEIGHBORHOODS

Investing in our neighborhoods is a critical component to ensuring Anaheim has public spaces that enrich the lives of residents in our city. Anaheim's approximately 50 square-miles is home to 57 parks, 10 community facilities, 10 library locations, 6 skate parks, and 2 dog parks. While these open spaces and facilities provide places for residents to gather, rest and rejuvenate themselves, continued preservation and developments are an essential aim for Anaheim's quality of life. This desire is evident in the many projects planned for fiscal year 2017/18 including improving aging facilities and adding more public spaces. Together with the current upkeep, the new additions contribute to Anaheim's vibrant parks and community centers and provide more opportunities for residents to engage in healthy outdoor living.

Anaheim welcomed many new additions this past fiscal year including skate parks at Ponderosa, Schweitzer, and Palm Lane parks. Skate parks serve as an additional outdoor alternative for youth not enrolled in team sports such as soccer or baseball. Recognizing that skate parks are a highly requested amenity, Anaheim S.T.A.R.S (Study-Time, Arts, Recreation, and Sports) brought the new Ramp n' Roll Mobile Skate Park to neighborhoods throughout Anaheim. The mobile skate park can be set up in multiple configurations, providing a greater breadth of access to the community.

Additionally, forty years since opening in 1976, the Euclid and Sunkist library branches underwent their first renovations and reopened to the public in October 2016. The libraries feature an upgraded interior with new technology and accessibility improvements, providing a fresh look and environment that boosts the experience for all residents.

Moreover, the city made significant improvements to Little People's Park, Manzanita Park, and Edison Park. Little People's Park, a popular 1-acre neighborhood park that opened in 1970, received a complete renovation including a new gazebo and picnic areas, basketball court, decorative perimeter fencing, and irrigation and landscaping improvements. Through a series of community meetings, residents helped design the renovations and selected its amenities. Over by state route 91 and Harbor Boulevard, Manzanita Park received a new recreation center after an arson fire severely damaged the building in 2014. The spacious new center is now home to the Boys and Girls Club of Anaheim with a library, music room, game room and computer lab. The center provides a positive and safe space for the youth of Anaheim and provides social services to families nearby. Over at Edison Park, community residents recommended improvements including new volleyball courts, exercise equipment, and lighting along the exercise trail.

Fiscal year 2017/18 welcomes the opening of the Ponderosa Park Family Resource Center, one of three Family Resource Centers the City of Anaheim currently operates. Family Resource Centers are family friendly facilities where local residents along with public and private organizations come together to plan and provide services that promote and support the safety, stability and healthy development of Anaheim families. This much needed community facility includes the addition of a new gymnasium and increased space for community activities and programs, doubling in size to approximately 16,400 square feet. The expansion includes an outdoor special event courtyard, reception and lobby, six office spaces, a dance room, a multi-purpose room, a classroom, a teen center room, an outdoor class room area, a kitchen, a gymnasium, a workroom, an indoor public restrooms, and a designated room and play area for the contracted Orange County Health Care Agency's Women, Infant & Children program.

Anaheim makes great effort in maintaining park services and seeking resources to continue investing in our neighborhoods. With the direction and approval from City Council in February 2017, Anaheim directed \$830,000 towards park restroom renovations, athletic field renovations and a citywide park assessment. The citywide park assessment is a twelve-month process that evaluated all existing park facilities and sought input from the community in regards to future park improvements. Current improvements include seven park restroom renovations at Boysen, John Marshall, Brookhurst, Pearson, Maxwell, Peralta, and Edison Parks comprising of interior and exterior painting, lighting upgrades, updated fixtures, flooring and wall surface improvements, and signage. Anaheim's parks will also get an increase in restroom cleaning from once a day to twice a day and three times a day in our larger parks, to ensure optimal use of park restrooms by our community. In addition, five top priority park athletic fields will also receive a comprehensive turf renovation, with features that are aesthetically pleasing and durable enough to withstand heavy sports activity. The athletic fields include Edison, Schweitzer, Pioneer, Riverdale, and Modjeska Parks.

When it comes to parks, KaBOOM!, a nonprofit organization dedicated to building active play spaces for kids, is no stranger to Anaheim. In the past two years alone, KaBOOM! has brought together sponsors and volunteers to upgrade worn out and outdated playgrounds at John Marshall Park, Lincoln Park, Modjeska Park, and most recently Imperial Park. More than 300 Disney VoluntEARS, Girls Scouts of Orange County, and others joined forces on build day at Imperial Park in February 2017. Anaheim can look forward to an additional four Disney-sponsored KaBOOM! playgrounds over the next three years at Willow Park, Julianna Park, Pearson Park and Barton Park.

Additionally, the City invests significant financial resources to provide supplemental support to Anaheim schools. Over \$10.6 million is included in the fiscal year 2017/18

adopted budget to support local schools by providing after school programs, campus support and programming, and pedestrian and infrastructure investments.

SUPPORTING OUR COMMUNITY:

The Anaheim community is rich in diversity with a multi-cultural demographic. To ensure effective support for the community, the City is devoted to engaging residents through various methods of communication. One avenue for residents and stakeholders to provide their input and share their concerns is at the Neighborhood Services District Community Meetings, which occur three times a year in each district. These district community meetings serve as an opportunity for residents in each district to engage with city staff by addressing concerns and identifying actions to resolve them. For the first time, the city also held six additional neighborhood services district community meetings for residents to learn more about the city's budget and to provide input on their priorities.

For those unable to attend the meetings, another avenue for residents to provide input is on the City's website. For budget related input, residents can explore where the city's money comes from and where it goes through an online tool called OpenGov. Residents can also run a simulation to balance the budget through the Balancing Act tool. The simulation walks users through the difficult act of balancing a budget by choosing what programs are important or less critical within the framework of the city's resources. To supplement these resources, a budget preview document providing educational material and a snapshot of the budget is also available in print and online at www.anaheim.net/mycitybudget. An additional method for providing input is through the online Anaheim Anytime system. Residents can include photos and extra detail with their concerns. Anaheim continues to receive and address more than 44,000 requests annually through the system and anticipate rolling out the ability to translate the app for our Spanish-speaking community members in 2017.

In addition to multiple outreach and communication efforts, Anaheim recognizes the need to support all residents, including some of the most vulnerable community members faced with homelessness. Anaheim is proud of its pioneering efforts in Orange County to address this concern in our community. With Council's support, Anaheim has engaged in numerous efforts to better identify the resources that go into helping the homeless in Anaheim. Our existing level of commitment is indicative of our collaboration with over 70 non-profits and 49 faith-based groups and government agencies, as part of the Anaheim Homeless Collaborative that formed in January 2014.

The Anaheim Homeless Collaborative conducts weekly outreach in Anaheim, working to get people off the streets and connecting them to the services they need. As of mid-2017, the collaborative has assisted more than 761 homeless persons,

reuniting them with family or placing them in affordable housing. Anaheim is home to 12 affordable housing communities with rent-voucher assistance from the city's Housing Authority, including one of the most newly available communities, the Rockwood Apartments. Rockwood Apartments is located near Lincoln Elementary School and provides on-site assistance including after-school tutoring, clinical services, career development and more. Anaheim's affordable housing communities coupled with the rent-voucher assistance program are ways of helping to provide long-term stability to families and others confronted with homelessness. Furthermore, the city has contributed \$500,000 in funding for the County of Orange's first year-round shelter, called Bridges at Kraemer Place. The 24,390-square-foot shelter will host 200 beds. The first phase, with 100 beds spanning 6,000 square feet opened in May 2017, with the remaining beds expected in 2018.

ENSURING PUBLIC SAFETY:

Ensuring a safe Anaheim remains a high priority for the women and men at the frontlines of the Anaheim Police Department (APD) and Fire & Rescue Department. City Council's approval of the hiring of 40 police officers over 4 years supports this priority. The fiscal year 2017/18 budget completes the fourth and final year of this commitment, with the majority of the new officers assisting with reducing response times and enhancing customer service in the Patrol Division. Responding to over 200,695 calls for service during fiscal year 2016/17, the APD welcomes the additional officers to support its commitment and responsibility of delivering the highest levels of public safety service to the residents, visitors and businesses throughout the City. To assist with the large volume of calls, APD added a business process improvement allowing callers who dial the non-emergency line to self-select service options. The new autopilot feature provides callers with a menu of options to get to the appropriate staff quicker, ensuring that dispatch staff handle urgent emergency calls.

The APD remains focused on community policing and continues to build strong, trusting relationships with the residents it serves. Over the past five years, the department has focused on engaging the community to build mutual understanding and to form the relationship needed to reduce and prevent crime while improving quality of life in neighborhoods throughout Anaheim. The continued support demonstrated by the City Council through the allocation of additional resources directly and positively impacts the department's ability and capacity to deliver on its commitment to delivering excellence in police and public safety service. As an example, in 2016, with APD leadership, the Orange County Human Trafficking Task Force (OCHTFF) took dozens of dangerous suspects off the streets, arresting 48 for human trafficking and 17 for pimping. The District Attorney successfully filed all 65 cases, leading to the rescuing of 31 adult and 36 juvenile victims who were forced to live a life of abuse, subjugation and despair.

At the start of 2017, APD launched Drug Free Anaheim, an innovative and collaborative approach to providing a safe space for substance abusers to get the help they need. As of June 2017, over 50 people have sought assistance with their addiction to drugs since the launch. Modeled after a similar program in Massachusetts, those individuals who are not wanted for another unrelated matter, are not under the influence to the degree they pose a risk to themselves or others, and who come forward seeking help are eligible for assistance. A person simply walking into an APD station or contacting any APD employee seeking help with addiction will not be prosecuted or incarcerated, but will rather receive assistance from a non-profit organization that provides drug treatment placement and prevention services. APD believes in providing alternative assistance to the public without criminalizing those who want help.

The city recognizes that homelessness is a complex social concern that has become increasingly prevalent. In 2016 alone, APD responded to over 15,000 homeless related calls for service representing a 6% increase over 2015. Understanding that there are many contributing causes to homelessness, APD's Homeless Outreach Team (HOT), a participant in the county-wide Homeless Collaborative consisting of police services, mental health clinicians, faith-based organizations and non-governmental service providers, works on a holistic approach by balancing compassion and outreach in ensuring public safety and quality of life. APD manages this from multiple angles including outreach with nonprofits to provide immediate assistance with clothing, food, and hygiene as well as working with the county mental health services clinicians to set up longer-term assistance for shelter or mental health services. Along with the social concern of homelessness, APD recognizes the impacts to residents, visitors, and business owners and works on an individualized basis with residents and local businesses to identify and implement design techniques and strategies to prevent and minimize associated safety and quality of life concerns. Additionally, at the requests of residents, security cameras were installed at Brookhurst, Twila Reid and Maxwell parks to enhance public safety by providing the ability, in real time, for the APD to address criminal and unwanted behavior.

Anaheim's public safety efforts include the excellent service and dedication of Anaheim Fire & Rescue. The Anaheim Fire & Rescue Strategic Plan, updated for 2017-2022, helps guide the department's focus on programs and projects that will have a positive impact on service delivery and the department's ability to respond to and manage anticipated events in the city. This continuous planning effort is a critical element in helping the department to accomplish the identified goals and objectives to provide the best service possible.

In line with the city's desire to introduce innovative and customer cost-savings program, Anaheim Fire & Rescue has successfully implemented the pilot CCRU or the Community Care Response Unit. The CCRU, the first in California, pairs a nurse

practitioner with a paramedic to address low-level, non-urgent medical calls. This approach not only saves time and money for the patient, but reduces the impact of the out-of-service time for fire and rescue companies who can focus on responding to more serious emergencies. Over 85% of the department's 38,000 calls for service are medically related. As of March 2017, the CCRU has been able to divert transferring 49% of patients to a hospital. Anaheim Fire & Rescue is proud of the pilot program's success and looks forward to continuing this service for the residents of Anaheim.

In late 2016, Council approved the relocation and replacement of the aging Station 5 from Kraemer Boulevard to La Palma Avenue and Sunkist Street. The project will help the department meet optimal response times near the 91 Freeway and State College Boulevard and will reduce the demand on the downtown station on Broadway. The new Station 5 will feature thoughtful and impactful designs, such as using bi-folding doors that open from the side leading to the apparatus bay, as opposed to using roll up doors into the ceiling. Some roll-up doors take about 25 seconds to open while the side-opening doors take 4-6 seconds. The extra seconds not only save time, but can potentially translate into saving lives.

In addition to responding to emergencies, Fire & Rescue works diligently to educate and engage the public in order to prevent or reduce the effects of emergencies and risks in the first place. This is done through the Community Risk Reduction (CRR) division. The department proactively works to accomplish risk-reducing goals through community events, outreach at schools, station tours, water safety education, and the Ready!, Set!, Go! and Home Safety Visit Programs. Over a two-year period, Fire & Rescue will install 12,000 smoke alarms and provide Home Safety Visits to approximately 3,000 homes with the support of a grant from the federal government. A staggering statistic by the National Fire Protection Association shows that the risk of dying in a home fire is reduced by 50 percent when a working smoke alarm is in the home.

IMPROVING OUR INFRASTRUCTURE:

Anaheim enters fiscal year 2017/18 well-situated to maintain the city's extensive system of sidewalks, roadways, and infrastructure. Maintaining our city's infrastructure is vital to ensuring Anaheim's quality of service. At the forefront of maintaining and improving our existing infrastructure are the men and women in our Public Works Department and Public Utilities Department. Their work translates into the provision of a safe and efficient street network, competitive and reliable water and electric utilities, and sanitation services.

The City is pleased with our continued efforts to maintain and rehabilitate our streets and roadways. In fiscal year 2016/17, the City pruned over 18,000 trees and planted over 200 trees. The TreePower Program gave an additional 1,273 shade trees to

local residents, businesses and schools. We improved our streets with over 4 million square feet of crack fill and slurry seal along with over 5.6 million square feet of pavement rehabilitation. The City provided over 5.9 million square feet of landscape maintenance and completed sidewalk gap closures on Ball Road, Broadway, Dale Avenue and La Palma Avenue. New sewer and storm drain improvements were also made on Cerritos Avenue, Dale Avenue, Lincoln Avenue, and Harbor Boulevard.

Additional work is planned for fiscal year 2017/18 including street and sidewalk maintenance, tree maintenance, pavement rehabilitation projects, sidewalk gap closures, street widening, and sewer and storm drain improvements. Other projects include traffic signal modifications and upgrades along Euclid Avenue and traffic signal synchronization along the State College Boulevard, Orangewood Avenue, Anaheim Boulevard, La Palma Avenue, Magnolia Avenue, and Brookhurst Street corridors.

Crucial to maintaining our city's infrastructure are the vital services of our Public Utilities Department (Utilities), the only customer-owned, not-for-profit water and power utility in Orange County. In fiscal year 2016/17, Utilities continued engaging with schools and students, mentoring 23 seniors from Loara High School, hosting over 40 students from Anaheim High School for a career path symposium, and welcoming 35 students from Canyon High School for an engineering tour of utility facilities. Additionally, Utilities sponsored community-oriented events like the 2017 Fire Hydrant Event benefiting local youth organizations and offered schools an opportunity to have a solar shade structure on their campus without incurring the large financial risk associated with such a project.

The city also offered money-saving efficiency programs to residential and business customers through the Weatherization Program, where income-qualified customers receive home improvement services like attic insulation, A/C tune-up, and replacement of inefficient devices at no charge. Over 650 income-qualified customers have participated in this program, collectively saving over 632,000 kWh of energy and \$100,000 in bill savings. The City also provided customer service enhancements and regulatory relief as service reconnection fees were reduced; off-hour service requests were expanded to include evenings, weekends, and holidays; monthly billing was offered to all new customers; and call wait times have been reduced by 55% from one year ago to approximately 1.8 minutes on average today.

Utilities continues to invest in its infrastructure for a safe and reliable water and electric system. Infrastructure improvements include undergrounding projects on Miraloma Avenue, Lincoln Avenue, and Orangewood Avenue, which will place overhead electric lines underground to beautify the community and improve reliability. Capital improvements also include seismically retrofitting a 4 million gallon reservoir at the La Palma Complex, a 60-year old water facility. Planned projects for fiscal year 2017/18 include construction of the Harbor Substation, a new substation

that will relieve existing congestion on the electric system. Another planned project involves expanding the Lenain Water Treatment Plant's capacity from 15 to 20 million gallons of water per day, allowing Utilities to treat less-costly raw water instead of having to import expensive treated water.

ENCOURAGING BUSINESS GROWTH:

Not only is Anaheim a vibrant and robust city to live in, Anaheim is a premier destination city hosting over 25 million visitors, providing over 23 thousand active Anaheim business licenses, and showcasing hundreds of events at city venues. The number and success of businesses is a crucial economic engine in Anaheim, translating into many positives for our city by contributing into our Big 3 revenue sources: transient occupancy tax, property tax, and sales tax. As we support development and construction in our city, we foster improvement and encourage business growth.

At City Council's direction and with support from residents in the area, the city is working on a Beach Boulevard Initiative. West Anaheim residents generally live in well-maintained neighborhoods. However, many residents report feeling unsafe due, in large part, to the negative impacts associated with the Beach Boulevard corridor. The purpose of the Beach Boulevard Specific Plan is to improve the image and economic potential of West Anaheim's corridors by creating the framework to guide and encourage future public and private investment in the area. Plans are already underway, with the city's sale of what is known as the Westgate site, clearing the way for the development of a shopping center on a long-vacant plot of land at the northeast corner of Beach Boulevard and Lincoln Avenue. Once a former landfill, the site is now designated for a 250,000- square-foot shopping center with a Main Street-style paseo with outdoor dining, plazas and public art. Other projects include potential acquisition of 13 acres of land and property along Beach Boulevard south of Lincoln for future sale and development such as housing with retail space; providing flexibility in fees and development rules to encourage preferred projects along the corridor; and allowing for the deferral or waiver of fees for preferred projects.

The center of our city, CTCity Anaheim, has seen explosive development these past few years with new homes, restaurants, and businesses coming to the area. We are seeing a healthy balance of urban residential and commercial uses as well as additional retail on Center Street Promenade. Such as The Dudes, a 6,000 square foot brew pub and Alexan at CTCity, development of 220 apartment homes that feature high-level amenities and approximately 18,500 square feet of retail on a 5-acre site at Lincoln and Anaheim Boulevard. BARN or Business Arts Residential Network is also being developed on Center Street Promenade. The new two-story building is being designed to include 13,000 square feet of retail and restaurant uses, as well as 13,000 square feet of office space. A unique component of BARN is

a multi-level 36-room boutique hotel. More additions are expected in the area, including two commercial buildings named Greenhouse and Farmhouse which will house two restaurants on Farmers Park in the Packing District. Other developments include HomeMADE and Leisuretown. HomeMADE will feature up to 80-townhouse style, live-work units. The project will have garden spaces that open towards Santa Ana Street to create an inviting neighborhood porch along the street with the unique ability to open to the public on occasion for communal dining. Leisuretown consists of a small production brewery, tasting room, retail kiosks and outdoor gardens. The project requires the adaptive re-use of a 6,000 square foot barrel-vaulted ceiling building and historic restoration of a 2,500 square foot Craftsman house.

The Anaheim Convention Center continues its impact in our local economic growth. In 2016, the center experienced a record attendance of 106,000 participants at the National Association of Music Merchants (NAMM) Show, an annual event that brings together one of the largest music trade-shows in the world, as well as record breaking attendance of over 80,000 attendees from the Natural Products Expo West tradeshow. With the recent completion of the Convention Center's Betterment VII expansion, the Anaheim Convention Center secured its position as the largest exhibition facility on the west coast, opening 600 additional parking spaces to attendees and 200,000 square feet of new, flexible event space. The expansion allows the facility to grow with its largest events, while attracting new groups for specialized conferences, break-out sessions, workshops and galas.

There are over 150 hotels in Anaheim, including 80 in the Anaheim Resort, and more coming soon. In November 2016, the Planning & Building Commission approved the Cambria Hotel & Suites, a 12-story, 350-room hotel with 15,000 square feet of restaurant space. The project will have a wide range of guest amenities including a water park, outdoor movie screening wall, sports courts, meeting space, and fitness center. In January 2017, the Planning & Building Commission approved the Element Anaheim hotel, a five-story 174-room hotel that will redevelop the former Bergstroms Childrens Store. In March 2017, the Planning & Building Commission approved the Hampton Inn & Suites hotel at the southwest corner of Katella Avenue and Haster Street. It will feature a five-story, 178-room hotel that will replace the Arena Inn & Suites motel. Recently opened hotels are the Country Inn & Suites on Clementine Street and Staybridge Suites on Ball Road. All of these exciting additions are sure to encourage and expand economic growth in our city.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally

accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finances of the City. As a result, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

BUDGETARY CONTROLS:

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, debt service funds, capital projects funds, and all the proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances generally are re-appropriated as part of the following year's budget.

RELEVANT FINANCIAL POLICIES:

Through sound fiscal management, the City of Anaheim positions itself to provide a positive atmosphere for economic development and the flexibility to strategically address budgetary challenges that result from fluctuations in the local, national, and global markets. As of June 30, 2017, the City's General Fund has a spendable, unassigned fund balance of \$42.3 million, which represents 14% of the General Fund total fiscal year 2016/17 expenditures. Traditionally, the policy has been to maintain General Fund reserves at a minimum of 7 to 10% of expenditures.

Further, the City has a long-standing practice of recognizing and reserving for known and anticipated liabilities. The City fully funds its compensated absences and at an actuarially acceptable level for self-insurance. Additionally, the City has established an irrevocable trust for other post-employment benefits (also known as retiree medical) and continues to make the annual required contribution (ARC) to ensure this future obligation is fully funded.

LONG-TERM FINANCIAL PLANNING:

On June 20, 2017, the City Council adopted the fiscal year 2017/18 budget. Additionally, as a companion to approving the budget plan, a five-year Capital Improvement Plan was presented to the City Council. The five-year plan links anticipated expenditures for infrastructure development with community needs and desires, and provides a citywide perspective of recommended projects and proposed funding sources. The Capital Improvement Plan was finalized in June 2017, and totaled \$679.2 million for the five-year fiscal period ending June 30, 2022. The five-year Capital Improvement Plan has been submitted and annually updated, in its present form, since 1982, for effective long-range planning purposes. It is City Management's belief that these two plans give City Council members an expanded opportunity to set policy and provide direction for implementation, resulting in improved management efficiency and improved financial results.


AWARD

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT AWARD: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Anaheim, California, for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 41st consecutive year that the City has achieved this prestigious award (fiscal years ended June 30, 1976 through 2016). In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis is a team effort involving many dedicated people across the entire organization. I would like to extend a special thanks to the talented finance professionals throughout the City, led by Peggy Au, Financial Accounting Manager. Appreciation is also expressed to Mayor Tom Tait, Mayor Pro Tem James Vanderbilt, and Assistant City Manager Kristine Ridge for their significant contributions as members of the Audit Committee. In closing, without the leadership and support of the City Council, preparation and results of this report would not have been possible. Its leadership has made possible the implementation of these important and innovative concepts in fiscal management by the City.

Respectfully submitted,



Linda N. Andal
Interim City Manager



Deborah A. Moreno
Finance Director/City Treasurer



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Government Finance Officers Association

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

Presented to

**City of Anaheim
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

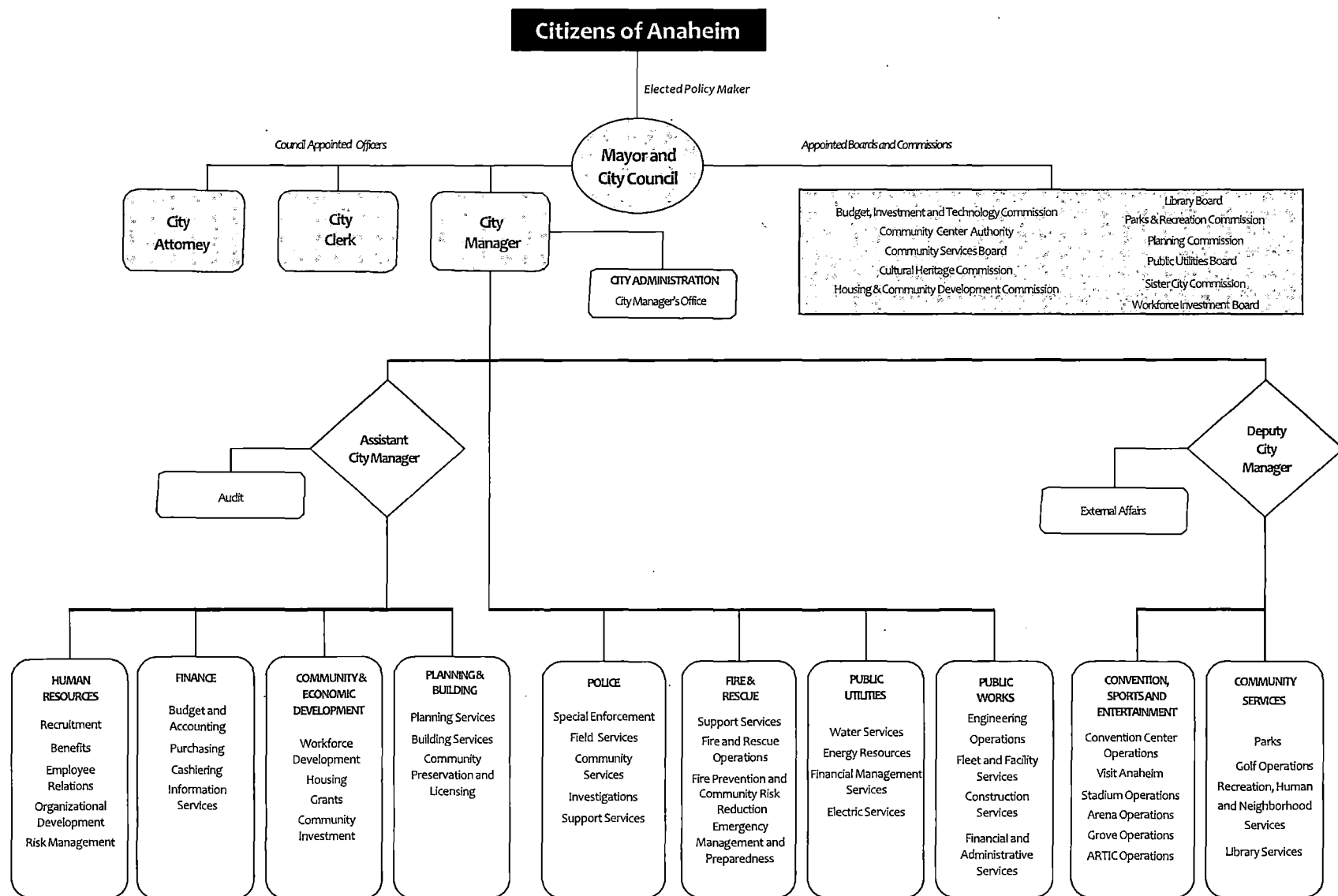
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Anaheim, California for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.



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As of June 30, 2017

**Administrative Personnel
As of December 20, 2017**

Interim City Manager	Linda N. Andai
Assistant City Manager	Kristine A. Ridge
Deputy City Manager	Greg Garcia
Acting Chief of Police	Julian Harvey
Acting City Attorney	Kristin A. Pelletier
Acting City Clerk	Theresa Bass
Community & Economic Development Executive Director	John E. Woodhead IV
Community Services Director	Brent Dennis
Convention, Sports & Entertainment Executive Director	Thomas Morton
Finance Director/City Treasurer	Deborah A. Moreno
Fire Chief	Randy R. Bruegman
Acting Human Resources Director	Jason Motsick
Planning & Building Director	David Belmer
Public Utilities General Manager	Dukku Lee
Public Works Director	Rudy Emami

Financial Section





KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

Honorable Mayor and City Council
City of Anaheim, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anaheim, California (the City), as of and for the year ended June 30, 2017, 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 U.S. generally accepted accounting principles; 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anaheim, California as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Housing Authority Fund for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15-25, the schedule of changes in net pension liability and related ratios on page 87-88, the schedule of pension plan contributions on page 89 and the schedule of funding progress for other post-employment benefits on page 90 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.

Supplementary and 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 accompanying introductory section, the combining individual fund statements and schedules, the statistical information, and other information sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical information, and other information sections 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.

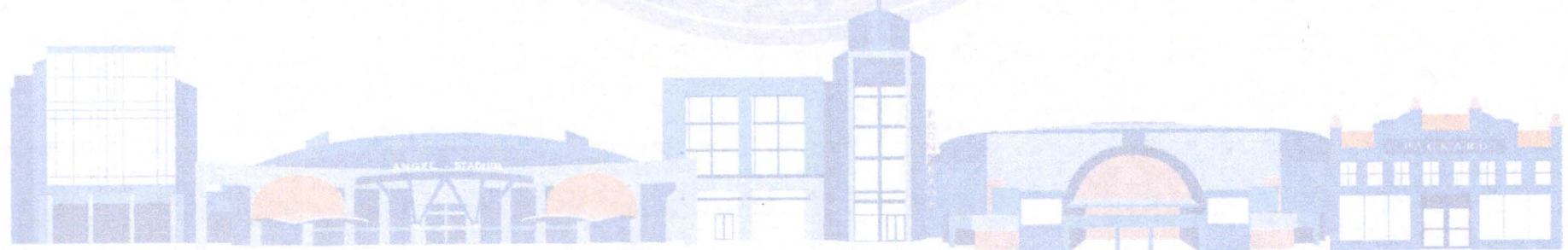
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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 solely 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.

KPMG LLP

Irvine, California
December 20, 2017

Management's Discussion and Analysis



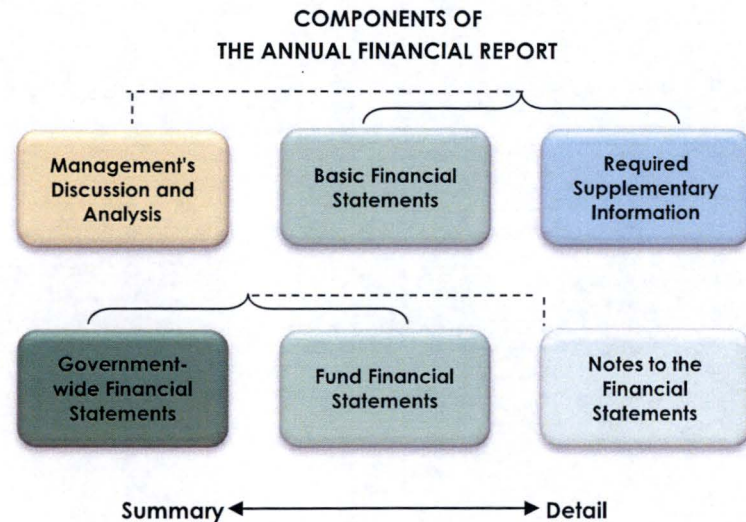
Management's Discussion and Analysis

(Unaudited)

As management of the City of Anaheim (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2017. 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 in the introductory section of this report, and the City's basic financial statements in the financial section of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



Government-wide financial statements. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, Police, Fire & Rescue, Community & Economic Development, Planning & Building, Public Works, Community Services, Public Utilities (street lighting), Convention, Sports and Entertainment (Visitor and Convention Bureau and the Honda Center), and interest on related long-term debt. The business-type activities of the City include the electric, water and sanitation utilities, golf courses, convention, sports and entertainment venues (Anaheim Convention Center, Angel Stadium of Anaheim, and The City National Grove of Anaheim) operations, and the Anaheim Regional Transportation Intermodal Center (ARTIC) operation.

The government-wide financial statements include not only the City itself, but also the Anaheim Housing Authority, Anaheim Public Financing Authority, and Anaheim Housing and Public Improvement Authority. Although these entities are legally separate, they function for all practical purposes as a part of the City, and therefore have been included as blended component units as an integral part of the primary government.

The government-wide financial statements can be found on pages 27-29 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the City can be divided into three categories: governmental funds, proprietary 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, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow 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 financial requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Housing Authority Special Revenue Fund, which are considered to be major funds. Data for the remaining 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements on pages 91-94, 99-100, and 103-104 of this report.

The City adopts an annually appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and the major special revenue fund (Housing Authority) are required to be presented; these schedules are included in the basic financial statements on pages 33-34 of this report. Additionally, budgetary schedules for the other governmental funds have been provided to demonstrate compliance with the budget and can be found as part of other supplementary schedules on pages 95-98, 101-102, and 105-108 of this report.

The governmental funds financial statements can be found on pages 31-34 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise funds to account for its electric, water and sanitation utilities, golf courses, convention, sports & entertainment venues and ARTIC operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general benefits and insurance, motorized equipment, information services, and municipal facilities maintenance functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 37-41 of this report.

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 financial statements because the resources of those funds are not available to support the City's own programs.

The City maintains three different types of fiduciary funds. The Investment Trust Fund is used to account for the external portion of the City's investment pool; the Private-Purpose Trust Fund is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency); the Agency Fund is used to account for monies collected and disbursed in a custodial capacity for the Mello-Roos districts in the City.

The fiduciary fund financial statements can be found on pages 42-43 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 45-86 of this report.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents combining individual fund statements referred to earlier in connection with nonmajor governmental funds and internal service funds. Also included are the budgetary comparison Schedules of Revenues, Expenditures and Changes in Fund Balances for all nonmajor special revenue funds, all debt service funds, and all capital projects funds. These statements and schedules can be found on pages 91-112 of this report.

FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current fiscal year by \$1,958,920.
- The City's governmental activities represent \$838,288 (43%) and the business-type activities represent \$1,120,632 (57%) of the City's total net position.
- The City's net position increased by \$86,400 (5%) as a result of the current fiscal year's operations. The net position of the City's governmental activities increased \$76,453 (10%) and the business-type activities net position increased \$9,947 (less than 1%).
- The City's restricted net position of \$358,641 represents amounts available for ongoing programs and obligations with external restrictions.
- The City's total capital assets increased by \$86,090 (3%). Capital assets in the City's governmental activities decreased by \$4,857 (less than 1%) and business-type activities capital assets increased by \$90,947 (5%) during the current fiscal year.
- The City's total long-term liabilities increased by \$205,024 (8%) during the current fiscal year; of this amount, long-term liabilities in the City's governmental activities increased by \$97,399 (8%), and business-type activities increased by \$107,625 (8%).

- At the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$445,850, an increase of \$92,951 in comparison with the prior fiscal year. Approximately 7% of this amount (\$30,134) is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current fiscal year, unrestricted fund balance (total of committed, assigned and unassigned fund balance) for the General Fund was \$44,392 or 14% of total General Fund expenditures. Unassigned fund balance was \$42,336 or 14% of total General Fund expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION JUNE 30, 2017 AND 2016

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 715,483	\$ 629,710	\$ 825,077	\$ 794,529	\$ 1,540,560	\$ 1,424,239
Capital assets, net	1,375,030	1,379,887	1,997,602	1,906,655	3,372,632	3,286,542
Total assets	2,090,513	2,009,597	2,822,679	2,701,184	4,913,192	4,710,781
Deferred outflows of resources	127,970	47,112	55,044	27,806	183,014	74,918
Total assets and deferred outflows of resources	2,218,483	2,056,709	2,877,723	2,728,990	5,096,206	4,785,699
Other liabilities	84,790	79,606	117,579	94,132	202,369	173,738
Long-term liabilities	1,250,204	1,152,805	1,524,354	1,416,729	2,774,558	2,569,534
Total liabilities	1,334,994	1,232,411	1,641,933	1,510,861	2,976,927	2,743,272
Deferred inflows of resources	45,201	62,463	115,158	107,444	160,359	169,907
Total liabilities and deferred inflows of resources	1,380,195	1,294,874	1,757,091	1,618,305	3,137,286	2,913,179
Net position:						
Net investment in capital assets	974,071	968,473	1,016,113	997,292	1,990,184	1,965,765
Restricted	274,830	211,338	83,811	76,749	358,641	288,087
Unrestricted	(410,613)	(417,976)	20,708	36,644	(389,905)	(381,332)
Total net position	\$ 838,288	\$ 761,835	\$ 1,120,632	\$ 1,110,685	\$ 1,958,920	\$ 1,872,520

At the end of fiscal year 2017, the City's net position totaled \$1,958,920 which reflects a net increase of \$86,400 or 5% from prior fiscal year.

The largest portion of the City's net position of \$1,990,184 reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, and infrastructure), net of any related outstanding debt that was used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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. Net investment in capital assets increased by \$24,419 (1%) primarily due to capital asset additions from unrestricted and grant funded resources, offset by reduction of the related outstanding debt due to current year principal payments.

An additional portion of the City's net position of \$358,641 represents resources that are subject to external restrictions on how they may be used. The increase in restricted net position of \$70,554 is primarily due to unspent restricted resources for debt services, grant, developer impact fees, housing development and other capital projects. \$35,636 of the increase is attributable to unspent contributions from

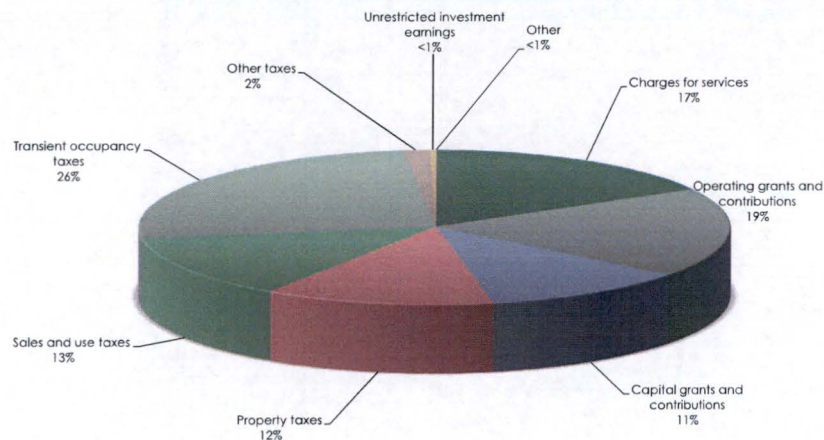
property owners pursuant to the issuance of the Community Facility District No. 08-1 (CFD 08-1, Platinum Triangle, the "District"), Special Tax Bonds, Series 2016 for the purpose of providing financing for the acquisition and construction of public facilities necessary for the continued development of the District; \$8,089 increase is from the unspent proceeds from the sale of a 7.07 acre vacant land parcel on Anaheim Way, \$8,611 increase is from the sale of land for housing development; \$3,460 increase in unspent developer impact fees; \$2,748 increase in amounts restricted for debt services; and the remaining increases are attributable to funds for grant purposes.

The remaining balance deficit of \$389,905 is the unrestricted net position, of which the unfunded pension liabilities and the related deferred inflows and outflows of resources account for \$563,554. The unrestricted net position deficit increased by \$8,573 from prior fiscal year reflecting uses for current year operations. The unfunded net pension liabilities are long-term obligations that at a minimum will be funded annually in accordance with actuarially determined contribution rates. The positive component of the unrestricted net position, excluding the effects of pension liabilities and the related deferred inflows and outflows of resources is \$173,649 and may be used to meet the City's ongoing obligations to citizens and creditors.

**CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2017 AND 2016**

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 99,170	\$ 76,981	\$ 610,358	\$ 592,355	\$ 709,528	\$ 669,336
Operating grants and contributions	109,989	108,131	425	776	110,414	108,907
Capital grants and contributions	65,937	85,782	4,381	11,743	70,318	97,525
General revenues:						
Taxes:						
Property taxes	72,909	70,646			72,909	70,646
Sales and use taxes	77,732	76,975			77,732	76,975
Transient occupancy taxes	149,566	137,570			149,566	137,570
Motor vehicle license fees	161	142			161	142
Other taxes	8,946	8,731			8,946	8,731
Unrestricted investment earnings	2,116	3,692	4,001	5,710	6,117	9,402
Other	106	87			106	87
Total revenues	586,632	568,737	619,165	610,584	1,205,797	1,179,321
EXPENSES						
Program activities:						
Governmental activities:						
General government	11,825	10,331			11,825	10,331
Police	151,559	132,889			151,559	132,889
Fire & Rescue	70,365	62,520			70,365	62,520
Community & Economic Development	100,720	110,618			100,720	110,618
Planning & Building	21,944	19,862			21,944	19,862
Public Works	61,806	48,719			61,806	48,719
Community Services	34,799	34,212			34,799	34,212
Public Utilities	2,530	2,687			2,530	2,687
Convention, Sports & Entertainment	19,238	18,503			19,238	18,503
Interest on long-term debt	34,876	35,185			34,876	35,185
Business-type activities:						
Electric Utility			412,424	390,732	412,424	390,732
Water Utility			72,715	61,620	72,715	61,620
Sanitation Utility			58,218	56,564	58,218	56,564
Golf Courses			4,465	4,405	4,465	4,405
Convention, Sports & Entertainment Venues			47,321	44,285	47,321	44,285
ARTIC Management			6,374	6,235	6,374	6,235
Total expenses	509,662	475,526	601,517	563,841	1,111,179	1,039,367
Excess before transfers	76,970	93,211	17,648	46,743	94,618	139,954
Transfers in (out)	7,701	10,856	(7,701)	(10,856)		
Special item	(8,218)				(8,218)	
Increase in net position	76,453	104,067	9,947	35,887	86,400	139,954
Net position at beginning of year	761,835	657,768	1,110,685	1,074,798	1,872,520	1,732,566
Net position at end of year	\$ 838,288	\$ 761,835	\$ 1,120,632	\$ 1,110,685	\$ 1,958,920	\$ 1,872,520

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Governmental activities. Governmental activities increased the City's net position by \$76,453. Key elements of this increase are as follows:

The most significant revenues of the governmental activities are general taxes (53%), which include transient occupancy taxes (26%), property taxes (12%), sales and use taxes (13%), and other taxes (2%). Program revenues are 47% of the total revenues of the governmental activities, which include operating grants and contributions (19%), capital grants and contributions (11%), and charges for services (17%); unrestricted investment earnings is less than 1% of the total revenues.

Public safety (Police and Fire & Rescue) expenses are the most significant (44%) of all governmental activities expenses, followed by Community & Economic Development (20%), Public Works (12%), interest on long-term debt (7%), Community Services (7%), and various other programs (10%). Included in these amounts is depreciation expense, which is 8% of the total expenses for governmental activities.

Governmental activities revenues increased \$17,895 (3%) as compared to the prior fiscal year due to the following:

- Taxes increased \$15,250 (5%) mainly due to the increase of \$11,996 (9%) in transient occupancy taxes (TOT). TOT increases are largely attributable to the continued growth of the revitalized economy and the addition of four new hotels in 2016, adding 816 rooms to the City's hotel supply; property taxes increased \$2,263 (3%) and sales and use tax increased \$757 (1%).
- Charges for services increased by \$22,189 (29%) primarily attributable to a \$3,666 increase in police services due to expanded services in the Disneyland Resort and increased numbers of reimbursable Citywide events; \$8,089 in realized gain on the sale of vacant land in Community Services

Department; and \$8,611 in realized gain on the sale of land for housing development in the Housing Authority.

- Operating grants increased \$1,858 (2%) mainly due to an increase of \$4,116 in federal funding for Section 8 rental assistance; one-time FEMA grant revenue of \$989 in the Fire & Rescue Department; partially offset by a decreases of \$1,031 in Narcotic Asset Forfeiture revenues from the U.S. Treasury and a \$2,632 decrease in Urban Area Security Initiative (UASI) grant due to the nature and timing of projects.
- Capital grants and contributions decreased by \$19,845 (23%) primarily due to a one-time capital asset and land held for resale transfer of \$68,825 from the Successor Agency in the prior fiscal year; partially offset by increases of \$36,864 for one-time contribution from property owners from the CFD 08-1 bond issuance; an increase of \$5,584 in developer impact fees; \$3,029 of a one-time transfer of the unspent bond proceeds from the Successor Agency to complete the bond funded eligible capital projects.
- Unrestricted interest earnings decreased by \$1,576 due to unrealized investment loss in the current fiscal year.

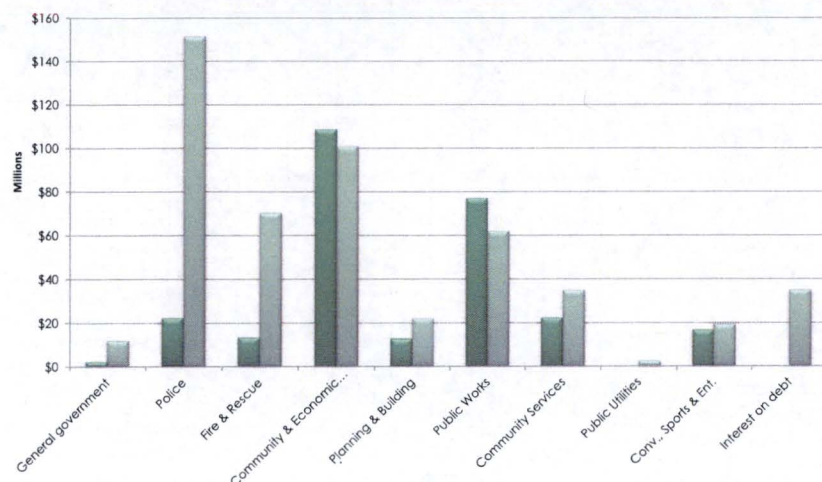
Governmental activities net transfers in decreased \$3,155 primarily due to the followings:

- Transfers out to the Convention, Sports and Entertainment Venues fund increased \$6,111. The increase was a budgeted transfer for Convention Center debt service. The Lease Revenue Bonds for the Honda Center Land had been paid in full and this funding was redirected to the Convention Center without increasing the General Fund's outlay for debt service.
- Transfer in decreased by \$1,674 due to a one-time land capital asset transferred from the Electric Utility in the prior fiscal year.

Special item

- One-time charge in transferring the unfunded pension obligation (\$7,845) and its related deferred inflows (\$1,175) and outflows of resources (\$1,548) from the Successor Agency to the City. During fiscal year 2017, the City has assumed the unfunded pension obligation from the Successor Agency pursuant to the California Department of Finance (DOF) denial in May 2017 of its request to make payment towards its unfunded pension obligation. The Successor Agency has petitioned a lawsuit against the DOF in its decision of denying the unfunded pension obligation and the case is currently under judicial review.

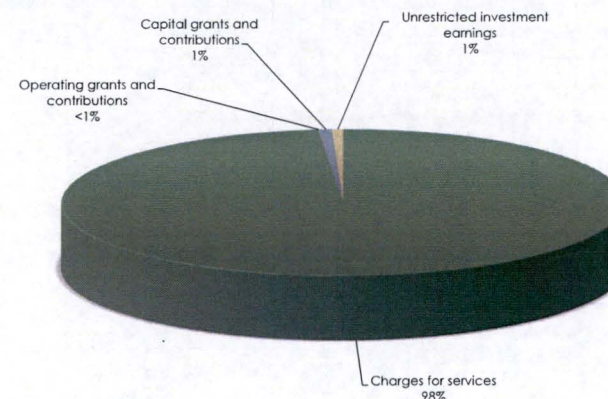
EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



Governmental activities expenses increased \$34,136 (7%) as compared to the prior fiscal year due to the following:

- The increase in Public Safety expenses of \$26,515 (14%) is mainly due to a \$16,225 increase in pension expense. In the prior fiscal year, public safety pension plans experienced favorable amortizations in actuarial assumptions and investment earnings between projected and actual earnings, resulting in lower pension expense recognition. Public Safety expenses other than pension expense increased by \$10,291 primarily due to an increase in salary and benefit costs; this amount includes costs for the service enhancements in public safety and emergency response services, and \$3,627 increase in reimbursable police services as previously discussed under revenue.
- The increase in Public Works expenses of \$13,087 (27%) is primarily due to one-time expense (\$11,135) of costs accumulated for the Anaheim Rapid Connection (ARC) capital project. Per the Cooperative Agreement with Orange County Transportation Authority (OCTA), the City concluded and discontinued all planning and work on the ARC project.
- The increase in Planning & Building of \$2,082 (10%) is primarily due to \$798 paid to County of Orange for the City's year 1 payment of its pro-rated percentage for the new Countywide Animal Shelter construction costs and \$540 increase in contract costs for animal care services.
- The decrease in Community & Economic Development of \$9,898 is mainly due to a \$6,166 loss on sale of capital asset during the current fiscal year versus a \$17,570 loss on sale of land held for resale in the prior fiscal year.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Business-type activities.

Business-type activities increased the City's net position by \$9,947. Key elements of this change are as follows:

Charges for services of \$610,358 increased by \$18,003 (3%) due to the following:

- The increase of \$3,076 (1%) in Electric Utilities charges for services is primarily due to a \$12,804 increase in retail and wholesale revenues resulting from a generally warmer year coupled with higher wholesale prices; this increase favorably reduced the amount to be recognized from Rate Stabilization Account (RSA) revenues by \$7,000 from prior fiscal year. Additional information about the RSA can be found in note 1 of the notes to the financial statement on pages 48-49 of this report.
- The increase of \$10,268 (17%) in Water Utilities charges for services is primarily due to a \$11,479 (20%) increase from the sale of water resulting from a 4.9% increase in retail customer demand of water during the fiscal year. This increase in customer demand is due to the removal of the strenuous conservation efforts in response to the drought conditions throughout the region. In addition, the demand increase is compounded with rate increases in April 2017; these increases favorably reduced the amount to be recognized from Rate Stabilization Account (RSA) by \$1,525 from prior fiscal year. Additional information about the RSA can be found in note 1 of the notes to the financial statement on pages 48-49 of this report.
- The increase of \$2,887 (5%) in Sanitation Utility charges for services is attributable to a 2% rate increase in solid waste collection and disposal revenues and a 5% rate increase in wastewater revenues for the entire fiscal year.

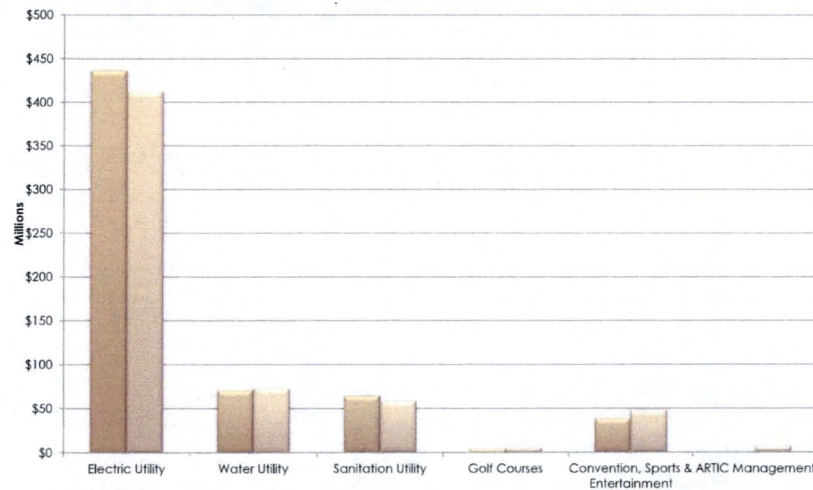
- The increase of \$1,652 (5%) in the Convention, Sports & Entertainment Venues Fund is due to an increase of \$3,186 in facilities rental resulting from more convention events and consumer shows partially offset by a \$1,685 decrease in concession fees due to lower food and beverage revenues.

Capital grants and contribution of \$4,381 decreased by \$7,362 (63%) due to the following:

- The decrease of \$5,748 (66%) in Electric Utility is primarily due to more capital contributions for various electrical facilities in the prior fiscal year.
- The decrease of \$2,007 (100%) in Golf Courses fund is due to one-time capital contribution from the California Friendly Landscape Incentive for an artificial turf project in the prior fiscal year.

Net Transfers out of \$7,701 decreased by \$3,155 as discussed in the government-wide financial analysis of governmental activities.

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE



Total expenses of \$601,117 increased \$37,676 (7%) due to the following:

- The increase in the Electric Utility expenses of \$21,692 (7%) is mainly due to \$23,866 (10%) increase in power costs resulting from increased use of renewable resources; interest expense increased \$669 (3%) due to the issuance of the 2016 A & B revenue bonds during the fiscal year; partially offset by a \$2,843 decrease in operation, maintenance, and administration due to lower maintenance costs.
- The increase in Water Utility expenses of \$11,095 (18%) is attributable mainly to \$4,889 (16%) increases in purchased water and treatment and pumping costs due to the increase in customer demand related from the ending of drought restrictions; \$5,389 (37%) increase in operation,

maintenance, and administration costs was mainly due to cancellation of a construction work in progress for the termination of the Windy Ridge Water Storage Tank construction project; and interest expense increased \$1,257 (24%) mainly due to issuance of the 2016 A revenue bonds during the fiscal year.

- The increase in Convention, Sports & Entertainment Venues of \$3,036 (7%) was primarily attributable to \$1,418 (8%) of increased labor and benefits costs; and a \$298 (20%) increase in building maintenance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of the City'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$445,850, an increase of \$92,951 in comparison with the prior fiscal year. Of the total fund balance of \$445,850, restricted fund balance totaled \$371,612 (83%) and indicates the use of resources are constrained by external parties, resource providers, constitutions or enabling legislations. Unassigned fund balance totaled \$30,134 (7%) and is available for spending at the City's discretion. The remaining fund balance is \$44,104 (10%), of which \$9,532 is not in spendable form, and \$34,572 that was assigned for particular purposes.

Governmental revenues totaled \$602,862 while expenditures were \$518,387.

The General Fund is the general operating fund of the City. At June 30, 2017, the General Fund reported a total ending fund balance of \$51,449 and consisted of the following:

- \$819 was nonspendable for inventory, prepaid and other assets
- \$6,035 was restricted for claims and judgments for the water transfer settlement
- \$203 was restricted for grant purposes
- \$2,056 was assigned for encumbrances
- \$42,336 was unassigned

General Fund total revenues increased \$17,653 (5%) as compared to the prior fiscal year primarily attributable to the following:

- Total taxes increased by \$13,887 (4%) due to the growth in the overall economy. Taxes are the largest revenue sources of the General Fund and they accounted for \$311,226 or 85% of the total General Fund revenues. During fiscal year 2017, transient occupancy taxes (TOT) increased \$11,996 (9%), property taxes increased by \$2,972 (4%), sales and use taxes decreased \$1,364 (2%) due to final distribution of the sales tax triple flip (\$9,790) in the prior fiscal year; and other taxes increased by \$263 (3%).
- Charges for services increased by \$4,385 (29%) primarily due to increase in

reimbursable police services in the Disneyland Resort and Citywide events.

General Fund expenditures increased by \$20,192 (7%) primarily due to planned service enhancements in public safety, police services, and Planning & Building as discussed in the government-wide financial analysis of the governmental-activities.

The Housing Authority Fund revenues increased by \$16,369 (19%) primarily due to an increase in Section 8 rental assistance of \$4,116; an increase of \$5,319 in housing ground lease revenue from the Hermosa Village project, \$8,611 realized gain on sale of land for housing development; partially offset by a decrease in loan principal payment received from the Successor Agency of \$2,489 in the prior fiscal year. Housing Authority expenditures increased by \$2,876 (4%) mainly due to an increase of \$3,732 in Section 8 rental assistance program, as more Anaheim residents were assisted at a higher cost per resident; \$2,475 in properties acquired for multi-family affordable housing; partially offset by a loan of \$2,500 related to the sale of a housing property and \$839 of homebuyer loans in the prior fiscal year.

Total nonmajor governmental funds revenues increased by \$11,454 (9%). License, fees and permits increased by \$5,437 (91%) mainly due to the timing of the projects that receive developer impact fees; contributions from property owners for the CFD-08-1, Platinum Triangle construction of public facilities totaled \$36,864; partially offset by a decrease of \$32,400 in use of money due to one-time land held for resale transferred from the Successor Agency in the prior fiscal year. The most significant factors of the changes are discussed in the government-wide financial analysis of the governmental-activities.

Total nonmajor governmental funds other financing sources increased by \$7,512 (12%) primarily due to a \$6,125 loan to provide funding for the acquisition of communication equipments

Total nonmajor governmental funds expenditures decreased by \$13,164 (10%) primarily due to a \$17,570 one-time loss on sale of land held for resale in the Long Range Property Management Plan in the prior fiscal year; partially offset by an increase of \$9,607 in capital outlay for various equipment acquisition and infrastructure construction; and a decrease of \$5,500 in debt service as the Arena portion of the 2014 Lease Revenue Bonds was paid off in the prior fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Electric Utility net position increased \$1,973 (6%) in the current fiscal year. The most significant factors of the change in fund net position are discussed in the government-wide financial analysis of business-type activities.

The Water Utility fund net position decreased \$697 (less than 1%) in the current fiscal year. The most significant factors of the change in fund net position are discussed in the government-wide financial analysis of business-type activities.

The Sanitation fund net position increased \$3,443 (3%) in the current fiscal year. The most significant factors of the change in fund net position are discussed in the government-wide financial analysis of business-type activities.

The Golf Courses fund net position decreased \$402 (6%) in the current fiscal year. There were no significant or unusual changes.

The Convention, Sports & Entertainment Venues fund net position increased \$6,246 (2%) in the current fiscal year. The most significant factors of the change in fund net position are discussed in the government-wide analysis of business-type activities.

The ARTIC Management fund decreased net position by \$157 (less than 1%). There were no significant or unusual changes.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the original budget was amended to increase appropriations by \$7,404 (2%). The increase in appropriations was primarily the result of the carryover of prior year appropriations and amendments amounting to \$5,132 and the reallocation of appropriations from other funds of \$2,272. These amendments offset revenues increase of \$5,400 and the balance were to be funded from savings in other programs of the General Fund during the year.

General Fund revenues of \$366,513 were greater than budgeted revenues of \$355,113 by \$11,400 (3%), primarily due to stronger development activities and increases in reimbursable police services.

General Fund expenditures were less than budgeted. Of the total appropriations of \$321,721, approximately 4%, or \$11,527, went unspent. \$6,683 of planned expenditures in Community & Economic Development for potential land purchases that did not materialize in fiscal year 2017. There were no other significant variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)
JUNE 30, 2017 AND 2016

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 646,359	\$ 647,289	\$ 89,505	\$ 89,505	\$ 735,864	\$ 736,794
Construction in Progress	59,098	50,033	299,828	207,644	358,926	257,677
Building, structures, and improvements	192,256	196,327	525,263	533,946	717,519	730,273
Utility plant			1,070,268	1,063,095	1,070,268	1,063,095
Machinery and equipment	39,015	37,018	12,738	12,465	51,753	49,483
Infrastructure	438,302	449,220			438,302	449,220
Total	\$ 1,375,030	\$ 1,379,887	\$ 1,997,602	\$ 1,906,655	\$ 3,372,632	\$ 3,286,542

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2017 amounted to \$3,372,632 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, buildings, structures and improvements, utility plant, machinery and equipment, and infrastructure. The total increase over the prior fiscal year was 3% (\$86,090), of which governmental activities decreased 0.3% (\$4,857) and business-type activities increased 5% (\$90,947).

The decrease of capital assets in governmental activities was primarily due to removal of costs (\$11,135) accumulated for the ARC project that was discontinued; capital asset additions totaled \$56,110, capital assets transfer, net from business-type activities of \$310, capital asset retirements of \$11,745 and offset by current year depreciation of \$38,397. Major capital asset activities during the current fiscal year include the following:

- Additions of \$40,462 in construction work in progress including various street improvements and street widening totaled \$18,160 that include the Brookurst Street widening (\$3,974), West/Westmont Pioneer Neighborhood rehabilitation (\$1,062), Lincoln Avenue widening (\$1,318), Santa Ana Street improvement (\$661) and Cerritos Avenue sidewalk (\$698); park developments totaled \$10,411 that include the Ponderosa Park (\$7,488), Pioneer Park (\$1,032); and various software and equipment upgrades totaled \$8,190 and that include the Enterprise Permit Tracking and Land Management system (\$1,610) and the 800 mHz radio communication equipment (\$6,129).
- Acquisitions of various vehicles and equipment totaling \$5,470.
- Completion of \$19,653 of construction work in progress including the Lincoln Avenue/Brookurst to Euclid improvements (\$2,127), Ball Road sidewalk (\$1,074), La Palma /Potoma Circle to weir Canyon Road

improvements (\$1,042), the Olive Park improvement (\$1,486), the Manzanita Park improvement (\$1,213), the Little People's Park improvement (\$711) and the Euclid and Sunkist Branch Libraries renovation (\$1,646).

- Sale of land and building at 295 West Centre Street Promenade, the Anaheim Way site, and the excess right-of-way on West Katella with a net book value total \$10,950.

The increase in business-type activities is primarily due to increases in the following:

- The Electric Utility increase of \$12,379 (1%) is comprised of capital asset additions of \$69,176, and partially offset by current year depreciation of \$56,796. During the current fiscal year, the Electric Utility started construction work in progress of the 69-12KV Harbor substation located at the Northeast corner of Katella Avenue and Zyen Street, also included in the additions are the replacement of aging overhead, electrical lines with state-of-the-art, underground projects on the Underground District #62 Phase 2 at Miraloma Avenue, as well as the rehabilitation of the underground distribution system in the Resort area in addition to the ongoing replacement of aging circuit breakers, poles, transformers and switches throughout the City. The Electric Utility completed 7.83 circuit miles of underground conversion on Miraloma Avenue as well as installation of 14,987 feet of direct buried cable and the purchase of 149 new transformers, installation of fiber optic equipment, upgrading communication equipment and improvements to general facilities. This updated system will provide more efficient and function services to Anaheim's customers.
- The Water Utility decrease of \$195 is comprised of capital asset additions of \$15,088 and partially offset by current year depreciation of \$10,634 and

\$4,650 write-off of constructions work in progress primarily for the termination of Windy Ridge Water Storage Tank Construction project. During the current fiscal year, the Water Utility completed the following construction work in progress: \$706 for the rehabilitation and replacement of various pressure regulating stations (PRS) throughout the City, the purpose of the PRS is to provide for the transfer of water from a high-elevation service area to a lower one in order to maintain adequate system pressures and flows; \$2,592 for the 8" main replacement project on County Glen Way, these improvements increase the service reliability and reduce maintenances expenses of the water system; and \$1,152 for the replacement of various transition and distribution water mains throughout the City, these various projects increase water system reliability by replacing aging infrastructure to minimize the risk of system failures and also to improve water flow requirement.

- The Sanitation Utility increase of \$2,356 is comprised of capital asset additions of \$5,460 and partially offset by current year depreciation of \$2,779. Construction work in progress decreased \$2,389 mainly due to additions of \$3,964 for bond funded sanitary system improvement projects including the sewer system improvements on Cerritos from Nutwood to Brookhurst (\$1,332), Sycamore from Alomar Avenue & Loara Street to

Euclid Street (\$962); partially offset by the completion of the Orangewood Avenue from Euclid Street to Janette (\$3,899), Cerritos from Nutwood to Brookhurst (\$1,534); and Lincoln Avenue from Lemon Street to Claudina Street (628).

- The Golf Courses decrease of \$463 includes capital asset addition of \$48 of land improvement in the Dad Miller Golf Course and offset by current year depreciation of \$511.
- The Convention, Sports & Entertainment Venues increase of \$79,150 is comprised of capital asset additions of \$92,311, and partially offset by current year depreciation of \$13,054. Work in progress additions for the fiscal year were \$89,794 primarily for the Convention Center Expansion Betterment VII bond funded project.
- The ARTIC Management decrease of \$2,280 is comprised of capital asset additions of \$22 and offset by current year depreciation of \$2,302.

Additional information on the City' Capital Assets can be found in notes 1 and 6 of the notes to the financial statements, on page 49 and page 61-62 of this report

**LONG-TERM LIABILITIES
JUNE 30, 2017 AND 2016**

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds		\$ 700				\$ 700
Revenue bonds	\$ 627,589	631,621	\$ 1,235,400	\$ 1,124,159	\$ 1,862,989	1,755,780
Interest payable			2,635	2,207	2,635	2,207
Capital lease obligations	1,738	2,088			1,738	2,088
Notes and loans payable	29,577	20,820	20,523	36,200	50,100	57,020
Self-insurance	51,865	50,616			51,865	50,616
Compensated absences	20,941	20,538			20,941	20,538
Decommissioning provision			116,477	119,994	116,477	119,994
Net pension liabilities	518,494	426,422	149,319	134,169	667,813	560,591
Total	<u>\$ 1,250,204</u>	<u>\$ 1,152,805</u>	<u>\$ 1,524,354</u>	<u>\$ 1,416,729</u>	<u>\$ 2,774,558</u>	<u>\$ 2,569,534</u>

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, capital leases, notes and loans payable, self-insurance, compensated absences, provision for decommissioning costs, and net pension liabilities totaled \$2,774,558 at June 30, 2017. Of this total, \$1,250,204 (45%) was in governmental activities and \$1,524,354 (55%) was in business-type activities.

The City's governmental activities outstanding long-term liabilities increased \$97,399 (8%) during the current fiscal year. The increases are primarily due to the accrued accretion interest payable of \$19,285 on the 1997 Anaheim Resort Improvement Bonds; an increase in net pension liabilities of \$92,072 as actuarially determined for the measurement date of June 30, 2016; and \$12,148 of issuances of loans payable for technology equipment and software acquisitions, and partially offset by principal payments of \$28,773 that decreased the long-term liabilities.

The City's business-type activities outstanding long-term liabilities increased \$107,625 (8%). The increases are primarily due to issuances of the 2016 Series A and B Electric Revenues Bonds in the principal amount of \$289,065 at a premium of \$35,183; the 2016 Water Revenue Bonds in the principal amount of \$35,225 at a premium of \$5,230; and current year increase in the net pension obligation of \$15,150. Partially offsetting the increases are current year principal payments of \$55,001, payments for decommissioning costs of \$4,270, and a reduction for the refunded bonds principal balance of \$204,980.

Additional information on the City's long-term liabilities can be found in notes 7, 8 and 10 of the notes to the financial statements, on pages 62-74, 76-80 of this report.

ECONOMIC FACTORS

- There remains a focus on public pensions and their sustainability; many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. One of the most significant factors used in determining the liability and the funding requirements is the rate of return that investments will yield prior to making payments, known as the discount rate. The City's pension plans currently utilize a discount rate of 7.50% (net of pension plan investment and administrative expenses), which is used in determining the unfunded pension liability and funding requirements. In December 2016, the CalPERS Board of Administration voted to lower this rate in its actuarial assumptions from 7.50% to 7.00% over a three-year phase in beginning with the June 30, 2016 actuarial valuation. The reduction of discount rate will be a significant increase in the unfunded liability and the contributions required to meet those obligations. Beginning in fiscal years 2018-2019, 2019-2020 and 2020-2021, the discount rates will be 7.375%, 7.25% and 7.00% respectively. Additional information about the City's retirement plans can be found in note 10 of the notes to the financial statements on pages 76-80 of this report.
- The State of California enacted pension legislation that went into effect in January 2013 and applies mainly to new public employees. Some of the major changes include mandatory cost sharing by employees, reducing the overall benefit level (e.g. percentage of pay), increasing the retirement age, and placing a cap on the salary used to determine retirement benefits. The

impacts to the City for these changes for future employees have yet to be determined.

- Tourism plays a significant role in the economies of California, Orange County and the City of Anaheim. While Anaheim has been able to compete for and capture a significant portion of tourism revenue, Anaheim has long recognized its inability to robustly tap into the upscale convention and tourism business. At June 30, 2017, the City has entered into various economic assistance agreements for hotel developments. These agreements provide tax abatements from the City's receipts of Transient Occupancy Tax (TOT). Provision of the economic assistance is contingent upon completion of construction of the hotels, the commencement of and continued operations as a four-diamond quality, and the generation of and payment to the City of TOT. Additional information about the City's Tax Abatement can be found in note 5 of the notes to the financial statements on page 60 of this report.
- On July 7, 2015 the City Council approved an Agreement concerning Entertainment Tax Reimbursement with Walt Disney Parks and Resorts, U.S., Inc. (Disney). Under the agreement, the City would be obligated, in the event any entertainment taxes are enacted by the voters, to reimburse Disney an amount equal to 100% of the amounts remitted to the City from this tax. In return, Disney is required to make a minimum of \$1 billion of capital improvements to receive the first extended tax rebate period of thirty years. Afterwards, there is the option for an additional capital investment of at least \$500 million for a second extended rebate period of fifteen years. Other performance obligations include specific timetables for the capital improvements to be commenced and completed; local hiring and nondiscrimination provisions; and continuous operation of improvements requirements.
- For the 2018 fiscal year, the City appropriated \$329,867 in estimated available resources of \$367,267 for General Fund spending. This leaves approximately \$37,400 in estimated available reserves, which is 11% of General Fund appropriations. The City's long-standing policy is to maintain General Fund reserves of at least 7% to 10% of annual appropriations.
- California Senate Bill 1X 2 signed into law in April 2011 mandated that all California utilities are required to reach 33% by 2020 and 50% by 2030. The higher renewable power costs will increase future power supply costs. The Electric Utility has a number of strategies to mitigate the potential cost impacts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director/City Treasurer, City of Anaheim, 200 South Anaheim Boulevard, Suite 643, Anaheim, California, 92805.



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Basic Financial Statements



Statement of Net Position

June 30, 2017 (In thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 68,724	\$ 41,992	\$ 110,716
Investments	236,936	148,030	384,966
Accounts receivable, net	27,541	65,301	92,842
Accrued interest receivable	905	1,593	2,498
Internal balances, net	16,102	(16,102)	
Due from other governments	36,315		36,315
Inventories	1,134	16,533	17,667
Land held for resale, net	28,862		28,862
Prepaid and other assets	12,017	97,533	109,550
Restricted cash and cash equivalents	78,411	290,230	368,641
Restricted investments	106,106	179,899	286,005
Unamortized prepaid bond insurance	1,226	68	1,294
Net other post-employment benefits (OPEB) asset	11,304		11,304
Notes receivable, net	78,290		78,290
Due from Successor Agency	11,610		11,610
Capital assets, net:			
Nondepreciable	705,457	389,333	1,094,790
Depreciable	669,573	1,608,269	2,277,842
Total assets	2,090,513	2,822,679	4,913,192
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding bonds	1,653	16,797	18,450
Deferred pension related items	126,317	38,247	164,564
Total deferred outflows of resources	127,970	55,044	183,014
LIABILITIES			
Accounts payable	29,123	90,643	119,766
Wages payable	8,545	1,461	10,006
Due to other governments	28,948		28,948
Interest payable	4,922	12,321	17,243
Arbitrage rebate liability		134	134
Deposits	9,892	8,774	18,666
Unearned revenues	3,360	4,246	7,606
Long-term liabilities:			
Due within one year	53,981	33,704	87,685
Due in more than one year	677,729	1,338,696	2,016,425
Interest payable		2,635	2,635
Net pension liabilities	518,494	149,319	667,813
Total liabilities	1,334,994	1,641,933	2,976,927
DEFERRED INFLOWS OF RESOURCES			
Deferred Regulatory credits		100,054	100,054
Deferred pension related items	45,201	15,104	60,305
Total deferred inflows of resources	45,201	115,158	160,359
NET POSITION			
Net investment in capital assets	974,071	1,016,113	1,990,184
Restricted for:			
Debt service		20,244	20,244
Capital projects	101,346	52,693	154,039
Community & Economic Development	114,627		114,627
Streets, roads and transportation improvement projects	39,959		39,959
Other purposes	18,898	10,874	29,772
Unrestricted	(410,613)	20,708	(389,905)
Total net position	\$ 838,288	\$ 1,120,632	\$ 1,958,920

The accompanying notes are an integral part of these financial statements.



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Statement of Activities

Year Ended June 30, 2017 (In thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ 26,476	\$ (14,651)	\$ 1,742	\$ 716		\$ (9,367)		\$ (9,367)
Police	148,017	3,542	15,441	6,537	\$ 364	(129,217)		(129,217)
Fire & Rescue	69,491	874	10,582	1,193	1,485	(57,105)		(57,105)
Community & Economic Development	100,189	531	19,046	86,020	3,454	7,800		7,800
Planning & Building	20,819	1,125	11,357	1,421	2	(9,164)		(9,164)
Public Works	61,727	79	16,140	13,221	47,514	15,069		15,069
Community Services	34,144	655	11,190	881	10,159	(12,569)		(12,569)
Public Utilities	2,530					(2,530)		(2,530)
Convention, Sports & Entertainment	18,937	301	13,672		2,959	(2,607)		(2,607)
Interest on long-term debt	34,876					(34,876)		(34,876)
Total governmental activities	517,206	(7,544)	99,170	109,989	65,937	(234,566)		(234,566)
Business-type activities:								
Electric Utility	408,050	4,374	433,561		3,023		\$ 24,160	24,160
Water Utility	71,622	1,093	70,777	247	247		(1,444)	(1,444)
Sanitation Utility	57,773	445	63,893	178			5,853	5,853
Golf Courses	4,338	127	4,062				(403)	(403)
Convention, Sports & Entertainment Venues	45,816	1,505	37,015		1,111		(9,195)	(9,195)
ARTIC Management	6,374		1,050				(5,324)	(5,324)
Total business-type activities	593,973	7,544	610,358	425	4,381		13,647	13,647
Total government	\$ 1,111,179	\$	\$ 709,528	\$ 110,414	\$ 70,318	(234,566)	13,647	(220,919)
General revenues:								
Taxes:								
Property taxes						72,909		72,909
Sales and use taxes						77,732		77,732
Transient occupancy taxes						149,566		149,566
Motor vehicle license fees						161		161
Other taxes						8,946		8,946
Unrestricted investment earnings						2,116	4,001	6,117
Other						106		106
Transfers						7,701	(7,701)	
Total general revenues and transfers						319,237	(3,700)	315,537
Special item						(8,218)		(8,218)
Change in net position						76,453	9,947	86,400
Net position at beginning of year						761,835	1,110,685	1,872,520
Net position at end of year						\$ 838,288	\$ 1,120,632	\$ 1,958,920

The accompanying notes are an integral part of these financial statements.



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Balance Sheet

Governmental Funds

June 30, 2017 (In thousands)

	General	Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,420	\$ 17,570	\$ 22,240	\$ 49,230
Investments	30,772	61,081	77,315	169,168
Accounts receivable, net	16,494	22	5,140	21,656
Accrued interest receivable	165	232	288	685
Due from other funds	1,461		12,948	14,409
Due from other governments	15,020	114	21,181	36,315
Inventories	224			224
Land held for resale, net		6,684	22,178	28,862
Prepaid and other assets	595		8,747	9,342
Restricted cash and cash equivalents		835	75,563	76,398
Restricted investments			106,106	106,106
Notes receivable, net		51,402	26,888	78,290
Due from Successor Agency	884		10,726	11,610
Total assets	<u>\$ 75,035</u>	<u>\$ 137,940</u>	<u>\$ 389,320</u>	<u>\$ 602,295</u>
LIABILITIES				
Accounts payable	\$ 8,653	\$ 665	\$ 12,463	\$ 21,781
Wages payable	3,573	88	230	3,891
Deposits	8,481	211	1,200	9,892
Due to other funds	35		13,158	13,193
Due to other governments			1,500	1,500
Unearned revenue	802	278		1,080
Total liabilities	<u>21,544</u>	<u>1,242</u>	<u>28,551</u>	<u>51,337</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,158	54	13,996	15,208
Unavailable resources- long-term notes receivable		51,402	26,888	78,290
Unavailable resources - due from Successor Agency	884		10,726	11,610
Total deferred inflows of resources	<u>2,042</u>	<u>51,456</u>	<u>51,610</u>	<u>105,108</u>
FUND BALANCES:				
Nonspendable:				
Inventory	224			224
Prepaid and other assets	595		8,713	9,308
Land held for resale				
Restricted:				
Anaheim Resort maintenance and improvement			5,900	5,900
Capital projects			13,173	13,173
Claims and judgments	6,035			6,035
Community & Economic Development projects			24,490	24,490
Debt service			126,098	126,098
Development impact projects			94,152	94,152
Grant purposes	203		7,059	7,262
Homebuyer assistance programs		801	5,190	5,991
Low and moderate income housing		59,553		59,553
Rental assistance		1,984		1,984
Streets, roads and transportation improvement projects			26,974	26,974
Assigned:				
Capital projects			8,129	8,129
Debt service			1,483	1,483
Housing projects		22,904		22,904
Other purposes	2,056			2,056
Unassigned	42,336		(12,202)	30,134
Total fund balances	<u>51,449</u>	<u>85,242</u>	<u>309,159</u>	<u>445,850</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,035</u>	<u>\$ 137,940</u>	<u>\$ 389,320</u>	<u>\$ 602,295</u>

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2017 (In thousands)

Total fund balances - governmental funds		\$ 445,850
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in the operation of governmental funds are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	\$ 646,359	
Construction in progress	57,325	
Buildings, structures and improvements	336,808	
Machinery and equipment	59,919	
Infrastructure	861,347	
Accumulated depreciation	(615,129)	
Total capital assets, net		1,346,629
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		105,108
Unamortized prepaid bond insurance (\$1,226) and deferred charge on refunding bonds (\$1,653) are not current financial resources, and, therefore, are not reported in the funds.		2,879
Internal service funds are used by management to charge the costs of certain activities, such as insurance, employee benefits, and fleet services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		41,296
Compensated absences, not otherwise included in the internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds.		(570)
Certain liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		(27,448)
Effects of net pension obligation are not due and payable in the current period, and therefore, are not reported in the funds.		
Deferred outflows of resources	120,099	
Net pension obligation	(496,073)	
Deferred inflows of resources	(42,180)	(418,154)
Long-term liabilities of governmental funds, including bonds (\$627,589), notes and loans payable (\$24,885), and accrued interest payable (\$4,828) are not due and payable in the current period and, therefore, are not reported in the funds.		(657,302)
Net position of governmental activities		\$ 838,288

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017 (In thousands)

	General	Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 72,873		\$ 36	\$ 72,909
Sales and use taxes	80,500			80,500
Transient occupancy taxes	149,566			149,566
Other taxes	8,287			8,287
Licenses, fees and permits	25,053	\$ 47	11,404	36,504
Intergovernmental revenues	2,381	77,992	43,424	123,797
Charges for services	19,529		22,518	42,047
Fines, forfeits and penalties	2,756			2,756
Use of money and property	3,833	12,989	14,385	31,207
Contribution from property owners			36,864	36,864
Other	1,198	12,643	4,584	18,425
Total revenues	<u>365,976</u>	<u>103,671</u>	<u>133,215</u>	<u>602,862</u>
Expenditures:				
Current:				
City Council	673			673
City Administration	3,001			3,001
City Attorney	7,062		120	7,182
City Clerk	1,226			1,226
Human Resources	1,615			1,615
Finance	5,728		22	5,750
Police	143,919		4,882	148,801
Fire & Rescue	69,357		807	70,164
Community & Economic Development	2,099	80,583	9,407	92,089
Planning & Building	20,531		1,466	21,997
Public Works	18,546		12,340	30,886
Community Services	30,221		2,037	32,258
Public Utilities	2,496			2,496
Convention, Sports & Entertainment	708		13,315	14,023
Capital outlay	3,012	2,480	39,040	44,532
Debt service:				
Principal retirement			26,123	26,123
Interest charges			15,571	15,571
Total expenditures	<u>310,194</u>	<u>83,063</u>	<u>125,130</u>	<u>518,387</u>
Excess of revenues over expenditures	<u>55,782</u>	<u>20,608</u>	<u>8,085</u>	<u>84,475</u>
Other financing sources (uses):				
Transfers in	31,644	1,029	71,124	103,797
Transfers out	(91,957)	(1,500)	(7,989)	(101,446)
Issuance of loan payable			6,125	6,125
Total other financing sources (uses)	<u>(60,313)</u>	<u>(471)</u>	<u>69,260</u>	<u>8,476</u>
Net change in fund balances	<u>(4,531)</u>	<u>20,137</u>	<u>77,345</u>	<u>92,951</u>
Fund balances at beginning of year	<u>55,980</u>	<u>65,105</u>	<u>231,814</u>	<u>352,899</u>
Fund balances at end of year	<u>\$ 51,449</u>	<u>\$ 85,242</u>	<u>\$ 309,159</u>	<u>\$ 445,850</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017 (In thousands)

Net change in fund balances - total governmental funds	\$ 92,951
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$44,532) exceeded depreciation (\$33,076) in the current period.	11,456
Transfers of capital assets between governmental funds and proprietary funds do not require the use of financial resources and are not reported as transfers in the funds.	310
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-in, retirements and contributions) is to decrease net position.	(19,199)
Revenues in governmental funds provide current financial resources but have been included in the Statement of Activities in prior fiscal year.	(3,049)
Collections of notes and long-term receivables provide current financial resources to governmental funds but reduce receivables in the Statement of Net Position.	(13,389)
Proceeds from long-term debt provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Position	(6,125)
Payments of principal on long-term debt use current financial resources in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	26,123
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(20,687)
Net effect of accrued net pension liabilities, the related deferred outflows and deferred inflows of resources, and the special item are not reported as expenditures in the funds.	4,276
Internal service funds are used by management to charge the costs of certain activities, such as insurance, employee benefits, and fleet services, to individual funds. The net expense of the internal service funds is reported with governmental activities.	3,786
Change in net position of governmental activities	<u>\$ 76,453</u>

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Budgetary Basis Actual - General Fund
Year Ended June 30, 2017 (In thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	\$ 70,386	\$ 74,886	\$ 72,873	\$ (2,013)
Sales and use taxes	78,958	78,958	80,500	1,542
Transient occupancy taxes	149,105	149,105	149,566	461
Other taxes	8,119	8,119	8,287	168
Licenses, fees and permits	21,903	21,903	25,053	3,150
Intergovernmental revenues	2,188	2,188	2,381	193
Charges for services	12,605	12,605	19,529	6,924
Fines, forfeits and penalties	2,950	2,950	2,756	(194)
Use of money and property	4,574	2,908	3,833	925
Other	5,971	1,491	1,735	244
Total revenues	<u>356,759</u>	<u>355,113</u>	<u>366,513</u>	<u>11,400</u>
Expenditures:				
City Council	711	725	673	(52)
City Administration	3,512	3,498	3,001	(497)
City Attorney	6,768	7,068	7,062	(6)
City Clerk	1,280	1,398	1,226	(172)
Human Resources	1,806	1,806	1,615	(191)
Finance	6,861	6,861	5,728	(1,133)
Police	136,723	144,027	144,027	
Fire & Rescue	70,332	70,876	70,103	(773)
Community & Economic Development	11,118	8,782	2,099	(6,683)
Planning & Building	19,850	20,531	20,531	
Public Works	18,776	19,467	19,467	
Community Services	31,924	32,026	30,241	(1,785)
Public Utilities	2,712	2,712	2,496	(216)
Convention, Sports & Entertainment	1,944	1,944	1,925	(19)
Total expenditures	<u>314,317</u>	<u>321,721</u>	<u>310,194</u>	<u>(11,527)</u>
Excess of revenues over expenditures	<u>42,442</u>	<u>33,392</u>	<u>56,319</u>	<u>22,927</u>
Other financing sources (uses):				
Transfers in	29,967	29,967	30,144	177
Transfers out	(84,435)	(85,435)	(91,957)	(6,522)
Total other financing uses	<u>(54,468)</u>	<u>(55,468)</u>	<u>(61,813)</u>	<u>(6,345)</u>
Net change in fund balance	<u>(12,026)</u>	<u>(22,076)</u>	<u>(5,494)</u>	<u>16,582</u>
Fund balance at beginning of year	<u>55,980</u>	<u>55,980</u>	<u>55,980</u>	
Fund balance at end of year	<u>\$ 43,954</u>	<u>\$ 33,904</u>	<u>50,486</u>	<u>\$ 16,582</u>
Adjustment to reconcile to GAAP:				
Receipt of interfund receivable			(537)	
Elimination of interfund payable			1,500	
Ending fund balance - GAAP basis			<u>\$ 51,449</u>	

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances **Budget and Budgetary Basis Actual - Housing Authority** **Year Ended June 30, 2017** (In thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Licenses, fees and permits	\$ 35	\$ 35	\$ 47	\$ 12
Intergovernmental revenues	75,410	75,410	77,992	2,582
Use of money and property	10,374	10,374	12,989	2,615
Other	3,474	3,474	12,643	9,169
Total revenues	<u>89,293</u>	<u>89,293</u>	<u>103,671</u>	<u>14,378</u>
Expenditures:				
Current:				
Community & Economic Development	112,335	112,335	83,492	(28,843)
Total expenditures	<u>112,335</u>	<u>112,335</u>	<u>83,492</u>	<u>(28,843)</u>
Excess of revenues over expenditures	<u>(23,042)</u>	<u>(23,042)</u>	<u>20,179</u>	<u>43,221</u>
Other financing sources:				
Transfers in			1,029	1,029
Transfers out				
Total other financing sources			<u>1,029</u>	<u>1,029</u>
Net change in fund balance	(23,042)	(23,042)	21,208	44,250
Fund balance at beginning of year	65,105	65,105	65,105	
Fund balance at end of year	<u>\$ 42,063</u>	<u>\$ 42,063</u>	<u>86,313</u>	<u>\$ 44,250</u>
Adjustments to reconcile to GAAP:				
Cost of improvements to land held for resale			570	
Decline in value of land held for resale			(141)	
Elimination of interfund receivable			(1,500)	
Ending fund balance - GAAP basis			<u>\$ 85,242</u>	

Statement of Net Position
Proprietary Funds
June 30, 2017 (In thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports & Entertainment Venues	ARTIC Management	Total	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 16,908	\$ 5,860	\$ 11,108	\$ 6	\$ 8,004	\$ 106	\$ 41,992	\$ 19,494
Investments	58,780	20,368	34,880	20	33,982		148,030	67,768
Restricted cash and cash equivalents	11,866	2,879	3,209		87		18,041	
Restricted investments	17,262	3,781	5,422		13,395		39,860	
Accounts receivable, net	48,459	6,054	7,816	143	2,611	218	65,301	2,253
Accrued interest receivable	1,110	104	175		204		1,593	220
Interfund receivable	345						345	833
Inventories	13,967	2,564			2		16,533	910
Prepaid and other assets	27,106	4			2,005	143	29,258	2,675
Total current assets	195,803	41,614	62,610	169	60,290	467	360,953	94,153
Noncurrent assets:								
Restricted cash and cash equivalents, less current portion	204,229	62,540	5,420				272,189	2,013
Restricted investments, less current portion	100,659	2,087			37,293		140,039	
Unamortized prepaid bond insurance			68				68	
Accounts receivable, less current portion								3,632
Interfund receivable, less current portion	2,407						2,407	27
Prepaid and other assets	68,275						68,275	
Net other post-employment benefits (OPEB) asset								11,304
Capital assets:								
Land	34,243	2,339	316	1,949	18,135	32,523	89,505	
Buildings, structures and improvements			114,569	18,874	499,982	171,041	804,466	8,978
Utility plant	1,370,170	456,834					1,827,004	
Machinery and equipment			8,315	834	28,518	2,482	40,149	72,712
Construction in progress	91,236	15,232	6,667		186,693		299,828	1,773
Total capital assets	1,495,649	474,405	129,867	21,657	733,328	206,046	3,060,952	83,463
Less accumulated depreciation	(601,412)	(155,324)	(21,702)	(12,394)	(266,703)	(5,815)	(1,063,350)	(55,062)
Capital assets, net	894,237	319,081	108,165	9,263	466,625	200,231	1,997,602	28,401
Total noncurrent assets	1,269,807	383,708	113,653	9,263	503,918	200,231	2,480,580	45,377
Total assets	1,465,610	425,322	176,263	9,432	564,208	200,698	2,841,533	139,530
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred charge on refunding bonds	11,047	5,332			418		16,797	
Deferred pension related items	19,117	6,652	3,989	238	8,251		38,247	6,218
Total deferred outflows of resources	30,164	11,984	3,989	238	8,669		55,044	6,218

(continued)

Statement of Net Position
Proprietary Funds
June 30, 2017 (In thousands) (continued)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports & Entertainment Venues	ARTIC Management	Total	
LIABILITIES								
Current liabilities (payable from current assets):								
Accounts payable	\$ 50,738	\$ 12,651	\$ 4,344	\$ 327	\$ 1,470	\$ 284	\$ 69,814	\$ 7,342
Wages payable	536	228	106	8	419		1,297	4,654
Interest payable					2,006		2,006	94
Compensated absences								12,069
Long-term liabilities	5,226		654		4,846	3,500	14,226	13,051
Unearned revenues					4,236	10	4,246	2,280
Deposits	4,170	331	565	3	3,661	44	8,774	
Interfund payable		345		1,251			1,596	825
Total current liabilities (payable from current assets)	60,670	13,555	5,669	1,589	16,638	3,838	101,959	40,315
Current liabilities (payable from restricted assets):								
Accounts payable	5,744	1,310	385		13,390		20,829	
Wages payable	147		12		5		164	
Interest payable	7,513	1,922	793		87		10,315	
Arbitrage rebate liability	76	58					134	
Long-term liabilities	15,648	3,370	460				19,478	
Total current liabilities (payable from restricted assets)	29,128	6,660	1,650		13,482		50,920	
Total current liabilities	89,798	20,215	7,319	1,589	30,120	3,838	152,879	40,315
Noncurrent liabilities:								
Interfund payable, less current portion		2,407					2,407	
Interest payable						2,635	2,635	
Long-term obligations, less current portion	749,966	175,430	40,387		239,936	16,500	1,222,219	53,546
Net pension liabilities	77,861	25,862	14,035	1,035	30,526		149,319	22,421
Provision for decommissioning costs	116,477						116,477	
Total noncurrent liabilities	944,304	203,699	54,422	1,035	270,462	19,135	1,493,057	75,967
Total liabilities	1,034,102	223,914	61,741	2,624	300,582	22,973	1,645,936	116,282
DEFERRED INFLOWS OF RESOURCES								
Regulatory credits	98,218	1,836					100,054	
Deferred pension related items	7,633	3,363	1,340	91	2,677		15,104	3,021
Total deferred inflows of resources	105,851	5,199	1,340	91	2,677		115,158	3,021
NET POSITION								
Net investment in capital assets	294,820	207,536	66,664	9,263	257,599	180,231	1,016,113	23,984
Restricted for:								
Debt service	16,748	3,036	460				20,244	
Capital projects	16,060	3,038	12,357		21,238		52,693	
Other purposes	10,874						10,874	
Unrestricted	17,319	(5,417)	37,690	(2,308)	(9,219)	(2,506)	35,559	2,461
Total net position	\$ 355,821	\$ 208,193	\$ 117,171	\$ 6,955	\$ 269,618	\$ 177,725	1,135,483	\$ 26,445
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(14,851)	
Net position of business-type activities							\$ 1,120,632	

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2017 (In thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports & Entertainment Venues	ARTIC Management	Total	
Operating revenues:								
Sales of retail and wholesale electricity, net	\$ 397,615						\$ 397,615	
Transmission revenues	31,457						31,457	
Sales of water, net		\$ 69,569					69,569	
Solid waste collection fees			\$ 45,341				45,341	
Wastewater fees			12,889				12,889	
Street cleaning fees			3,277				3,277	
Green fees and cart rentals				\$ 3,607			3,607	
Facilities rental					\$ 28,591	\$ 1,007	29,598	
Concession fees				232	6,446		6,678	
Charges for services								\$ 148,555
Other	4,489	1,208	2,386	223	1,978	43	10,327	80
Total operating revenues	433,561	70,777	63,893	4,062	37,015	1,050	610,358	148,635
Operating expenses:								
Cost of purchased power	263,729						263,729	
Fuel and generation of power	19,337						19,337	
Cost of purchased water		27,581					27,581	
Treatment and pumping of water		8,367					8,367	
Maintenance, operations and administration	50,128	19,645	54,255	3,944	32,662	3,644	164,278	47,150
Insurance premiums and claims								15,767
Compensated absences and other benefits								82,738
Depreciation and amortization	56,796	10,634	2,779	511	13,054	2,302	86,076	5,321
Total operating expenses	389,990	66,227	57,034	4,455	45,716	5,946	569,368	150,976
Operating income (loss)	43,571	4,550	6,859	(393)	(8,701)	(4,896)	40,990	(2,341)
Nonoperating income (expenses):								
Intergovernmental revenues		247	178				425	380
Investment income	2,244	1,013	376	(2)	370		4,001	235
Interest expense	(22,192)	(6,407)	(1,427)	(7)	(1,417)	(428)	(31,878)	(202)
Gain (loss) from disposal of capital assets			(15)		(107)		(122)	215
Total nonoperating expenses	(19,948)	(5,147)	(888)	(9)	(1,154)	(428)	(27,574)	628
Income (loss) before contributions and transfers	23,623	(597)	5,971	(402)	(9,855)	(5,324)	13,416	(1,713)
Capital contributions	3,023	247			1,111		4,381	
Transfers in	53	600			16,807	5,167	22,627	5,040
Transfers out	(24,726)	(947)	(2,528)		(1,817)		(30,018)	
Change in net position	1,973	(697)	3,443	(402)	6,246	(157)	10,406	3,327
Net position at beginning of year	353,848	208,890	113,728	7,357	263,372	177,882		23,118
Net position at end of year	\$ 355,821	\$ 208,193	\$ 117,171	\$ 6,955	\$ 269,618	\$ 177,725		\$ 26,445
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(459)	
Change in net position of business-type activities							\$ 9,947	

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017 (In thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports & Entertainment Venues	ARTIC Management	Total	
Cash flows from operating activities:								
Receipts from customers and users	\$ 437,980	\$ 67,903	\$ 61,032	\$ 3,614	\$ 37,055	\$ 930	\$ 608,514	
Receipts from interfund services provided	2,709	313	31				3,053	\$ 148,555
Payments to suppliers	(262,435)	(29,936)	(42,530)	(3,252)	(9,226)	(3,689)	(351,068)	(31,254)
Payments for salaries, wages and other benefits	(45,293)	(14,788)	(8,195)	(567)	(19,958)		(88,801)	(94,286)
Payments for interfund services used	(12,762)	(4,858)	(3,496)	(195)	(3,452)	(36)	(24,799)	(4,326)
Payments for insurance premiums and claims								(14,782)
Other receipts			2,370	417		43	2,830	125
Net cash provided by (used for) operating activities	120,199	18,634	9,212	17	4,419	(2,752)	149,729	4,032
Cash flows from noncapital financing activities:								
Receipt of interfund balances				700			700	832
Payment of interfund balances		(345)		(112)			(457)	(845)
Payment of decommissioning costs	(4,270)						(4,270)	
Transfers in		600				2,167	2,767	5,040
Transfers out	(24,726)	(894)	(2,528)		(1,817)		(29,965)	
Operating grant receipts		247	801				1,048	
Net cash provided by (used for) noncapital financing activities	(28,996)	(392)	(1,727)	588	(1,817)	2,167	(30,177)	5,027
Cash flows from capital and related financing activities:								
Proceeds from sale of capital assets								359
Capital contributions	2,234	5					2,239	
Capital purchases	(61,208)	(12,898)	(4,891)	(48)	(78,781)	(22)	(157,848)	(8,014)
Proceeds from issuance of bonds	324,248	40,455					364,703	
Transfer to refunded bond escrow agent	(214,176)						(214,176)	
Proceeds from issuance of loan	315		205		27		547	6,023
Debt Issuance costs	(910)	(443)					(1,353)	
Principal payments on long-term debt	(32,164)	(3,380)	(1,054)		(15,403)	(3,000)	(55,001)	(2,650)
Interest payments	(29,889)	(6,853)	(1,956)	(14)	(12,088)		(50,800)	(99)
Payment of interfund balances for capital purposes	345			(537)			(192)	
Transfers in for capital purposes	50				16,807	3,000	19,857	
Transfers out for capital purposes		(50)					(50)	
Net cash provided by (used for) capital and related financing	(11,155)	16,836	(7,696)	(599)	(89,438)	(22)	(92,074)	(4,381)
Cash flows from investing activities:								
Purchase of investment securities	(53,969)	(12,376)	(18,931)	(9)	(14,063)		(99,348)	(31,831)
Proceeds from sale and maturity of investment securities	118,055	40,410	17,035	5	101,363		276,868	31,272
Interest received	3,675	1,190	663		643		6,171	747
Net cash provided by (used for) investing activities	67,761	29,224	(1,233)	(4)	87,943		183,691	188
Increase (decrease) in cash and cash equivalents	147,809	64,302	(1,444)	2	1,107	(607)	211,169	4,866
Cash and cash equivalents at beginning of the year	85,194	6,977	21,181	4	6,984	713	121,053	16,641
Cash and cash equivalents at end of the year	\$ 233,003	\$ 71,279	\$ 19,737	\$ 6	\$ 8,091	\$ 106	\$ 332,222	\$ 21,507

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports & Entertainment Venues	ARTIC Management	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 43,571	\$ 4,550	\$ 6,859	\$ (393)	\$ (8,701)	\$ (4,896)	\$ 40,990	\$ (2,341)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization	56,796	10,634	2,779	511	13,054	2,302	86,076	5,321
Increase in provision for decommissioning costs	753						753	
Write-off of a construction work in progress		4,650					4,650	
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources that provided (used) cash:								
Accounts receivable	(931)	(1,135)	(542)	(31)	(547)	(78)	(3,264)	337
Inventories	3,767	(199)					3,568	(120)
Prepays and other assets	(1,387)	16			(9)	(3)	(1,383)	164
Accounts payable	11,737	2,240	327	(27)	531	(78)	14,730	519
Wages and benefits payable	(2,166)	(696)	(293)	(43)	(496)		(3,694)	(1,433)
Unearned revenues					85		85	77
Deposits	321	(363)	82		502	1	543	
Compensated absences, OPEB and self-insurance liability								1,508
Regulatory credits	7,738	(1,063)					6,675	
Total adjustments	76,628	14,084	2,353	410	13,120	2,144	108,739	6,373
Net cash provided by (used for) operating activities	\$ 120,199	\$ 18,634	\$ 9,212	\$ 17	\$ 4,419	\$ (2,752)	\$ 149,729	\$ 4,032
Schedule of noncash investing, capital and noncapital financing:								
Capital assets financed through capital leases								\$ 969
Capital contributions	\$ 789	\$ 242			\$ 1,111		\$ 2,142	
Transfers in (out) of capital assets	53	(53)	\$ (310)				(310)	
Write-off of a construction work in progress		4,650					4,650	
Decrease in fair value of investments	(1,508)	(192)	(332)	\$ (1)	(235)		(2,268)	(568)
Reconciliation of cash and cash equivalents:								
Cash and cash equivalents	\$ 16,908	\$ 5,860	\$ 11,108	\$ 6	\$ 8,004	\$ 106	\$ 41,992	\$ 19,494
Restricted cash and cash equivalents, current portion	11,866	2,879	3,209		87		18,041	
Restricted cash and cash equivalents, noncurrent portion	204,229	62,540	5,420				272,189	2,013
Total cash and cash equivalents	\$ 233,003	\$ 71,279	\$ 19,737	\$ 6	\$ 8,091	\$ 106	\$ 332,222	\$ 21,507

Statement of Fiduciary Net Position (Deficit)
Fiduciary Funds
June 30, 2017 (In thousands)

	Investment Trust Funds	Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS			
Restricted cash and cash equivalents	\$ 327	\$ 33,383	\$ 7,103
Restricted investments	1,139		29
Accrued interest receivable	7	27	
Accounts receivable, net		4	7
Notes receivable, net		794	
Prepaid and other assets		97	
Unamortized prepaid bond insurance		1,725	
Total assets	<u>1,473</u>	<u>36,030</u>	<u>7,139</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding bonds		195	
Total deferred outflows of resources		<u>195</u>	
LIABILITIES			
Accounts payable		63	
Wages payable		4	
Interest payable		5,766	
Deposits		260	
Due to bond holders			7,139
Long-term liabilities:			
Due within one year		9,983	
Due in more than one year		221,339	
Total liabilities		<u>237,415</u>	<u>\$ 7,139</u>
NET POSITION			
Held in trust for pool participants	1,473		
Held in trust for other purposes (deficit)		(201,190)	
Total net position (deficit)	<u>\$ 1,473</u>	<u>\$ (201,190)</u>	

Statement of Changes in Fiduciary Net Position (Deficit)
Fiduciary Funds
Year Ended June 30, 2017 (In thousands)

	Investment Trust Funds	Successor Agency Private Purpose Trust Fund
ADDITIONS		
Property taxes		\$ 24,966
Contributions to pooled investments	\$ 7,004	
Interest and investment income	14	477
Rental income		407
Other		1,861
Transfer of net pension obligation to City of Anaheim		8,218
Total additions	<u>7,018</u>	<u>35,929</u>
DEDUCTIONS		
Distributions from pool investments	7,031	
Salaries and administration		441
Program expenses		4,477
Interest expense		11,847
Total deductions	<u>7,031</u>	<u>16,765</u>
Change in net position	(13)	19,164
Net position (deficit) held in trust at beginning of year	<u>1,486</u>	<u>(220,354)</u>
Net position (deficit) held in trust at end of year	<u>\$ 1,473</u>	<u>\$ (201,190)</u>



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Notes to Financial Statements

(Amounts in thousands)

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial reporting entity

As defined by U. S. generally accepted accounting principles (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as 1) appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; and 2) the component unit is fiscally dependent on and there is a potential for the component unit to provide specific financial benefit to or impose financial burden on the primary government regardless of whether the component unit has a) a separately elected government board, b) a governing board appointed by a higher level of government, or c) a jointly appointed board.

The accompanying financial statements present the City of Anaheim (City), the primary government, and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component units described below are each legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of and accountable to the City and blended into the government-wide and fund financial statements.

Anaheim Housing Authority (Housing Authority) is a separate entity primarily funded by the U.S. Department of Housing and Urban Development to administer funds received under the Federal Housing Assistance Payments program. City Council members, in separate session, serve as the governing board of the Housing Authority. All budgeting, accounting and administrative functions of the Housing Authority are performed by the City. The financial activity of the Housing Authority has been blended into the City's Comprehensive Annual Financial Report (CAFR) in the government-wide governmental activities and in the fund financial statements as the Housing Authority Special Revenue Fund.

Anaheim Public Financing Authority (APFA), a joint powers authority, was established as a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments and mechanisms. City Council members, in separate session, serve as the governing board of the APFA. Financial activity of the APFA has been blended into the City's CAFR into various governmental and business-type activities and funds of the City as applicable.

Anaheim Housing and Public Improvement Authority (AHPIA), a joint power authority, was created by and between the City and the Anaheim Housing Authority

as a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments and mechanisms. Members of the City Council of the City serves as the members of the Board and Directors of the AHPIA. Financial activity of the AHPIA has been blended into the City's CAFR into various business-type activities and funds of the City as applicable.

The City is a participant in four joint ventures and jointly-owned properties (see note 12), which are not considered part of the financial reporting entity, as the City does not have significant equity interests in the joint ventures and jointly-owned properties.

The City is a participant in the California Municipal Finance Authority (CMFA), a non-profit Joint Power Authority created to strengthen local communities by assisting with the financing of economic development and charitable activities throughout the State of California. The CMFA acts as conduit issuer by assisting local governments, non-profits and businesses with the issuance of taxable and tax-exempt financing aimed at improving the quality of life in California. The City has no financial, budgeting and operational obligations and responsibilities of the CMFA. The CMFA is a jointly governed organization. The City has recorded assets and liabilities from the City's debt issuances through the CMFA in the business-type activities and funds of the City as applicable (see note 8).

Basic financial statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements, except for interfund services provided and used. Net interfund activity and balances between governmental activities and business-type activities are shown as internal balances, net, in the government-wide financial statements. The "doubling up" effect of internal service fund activity has been eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

Further, certain eliminations are also made to transfers of resources between funds in the fund financial statements so that only the net amount of the transfers are shown in the governmental activities and business-type activities columns.

The government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position, with the assets and liabilities shown in order of their relative liquidity. Net positions are required to be displayed in three components: 1) net investment in capital assets 2) restricted, and 3) unrestricted. Investment in capital assets represents capital assets net of accumulated depreciation which is reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is those with constraints placed on their use by either: 1) creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. All net positions not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses for administrative overhead are allocated among the functions and programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Authority Special Revenue Fund accounts for the providing of housing assistance to low and moderate-income families in the Anaheim area. Financing is provided primarily from Federal Section 8, U.S. Department of Housing and Urban Development (HUD) receipts.

The City reports the following major enterprise funds:

The Electric Utility Fund accounts for the operation of the City's electric utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Anaheim.

The Water Utility Fund accounts for the operation of the City's water utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Anaheim.

The Sanitation Utility Fund accounts for the operation of the City's solid waste and sanitation program, a self-supporting activity, which provides for the collection and disposal of solid waste, street sweeping, and sanitary sewer cleaning on a user charge basis to residents and businesses located in Anaheim.

The Golf Courses Fund accounts for the operation of the Anaheim Municipal ("Dad Miller") Golf Course and the Anaheim Hills Golf Course, a self-supporting activity that renders services on a user charge basis.

The Convention, Sports & Entertainment Venues Fund accounts for the operations of the Anaheim Convention Center, Angel Stadium of Anaheim, and The City National Grove of Anaheim. See note 13 for further discussions of the Angel Stadium of Anaheim and The City National Grove of Anaheim.

Anaheim Regional Transportation Intermodal Center (ARTIC) Management Fund accounts for the operation and maintenance of the ARTIC that serves as a rail station for Amtrak intercity rail, Metrolink commuter rail and bus station. The ARTIC renders services on a user charge basis.

The internal service funds, which provide services to the other funds of the City, are presented in a single column in the proprietary funds financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service fund services are spread to the

appropriate function or program on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling effect of these revenues and expenses. The City operates four internal service funds:

The General Benefits and Insurance Fund is used to account for employee compensated absences, retirement and health benefits, and self-insurance programs.

The Motorized Equipment Fund is used to account for motorized equipment used by City departments.

The Information and Communication Services Fund is used to account for data processing and telecommunication services provided to City departments.

The Municipal Facilities Maintenance Fund is used to account for office maintenance services and equipment used by City departments.

Fiduciary Funds account for assets held by the City in a trustee or agency capacity on behalf of others and, therefore, are not available to support City programs. The Fiduciary Funds are not included in the government-wide financial statements as they are not an asset of the City. The City reports the following fiduciary funds:

The Investment Trust Fund is used to account for the external portion of the City's investment pool, which commingles resources of legally separate entities administered by the City in an investment portfolio for the benefit of all participants. The entities include three Joint Powers Authorities (JPA) governed by local boards. The City separately maintains these entities' money in three individual funds; these funds represent the assets, primarily cash and investment, and the related net position held in trust by the City to disburse these monies on demand.

The Private Purpose Trust Fund is used to account for resources legally held in trust for use by the Successor Agency to the Former Anaheim Redevelopment Agency (Successor Agency). The Former Anaheim Redevelopment Agency, a former component unit of the City, dissolved on February 1, 2012 under the State of California Assembly Bill 1X26.

The Agency Fund is used to account for the monies collected and paid on behalf of the Mello-Roos Districts located in the City.

Measurement focus and basis of accounting

The governmental funds financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as other financing source.

With this measurement focus, operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net costs of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and fees. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal

revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

The Electric and Water Utility funds follow the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (Electric Utility) and the California Public Utilities Commission (Water Utility). The utilities are not subject to the regulations of these commissions.

The reporting focus for the investment trust fund and the private-purpose trust fund is upon net position and changes in net position and employs accounting principles similar to proprietary funds. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Cash and investments

The City pools available cash from all funds for the purpose of increasing income through investment activities. Investments in U.S. Treasury obligations and agency securities and medium term corporate notes are carried at fair value based on quoted market prices. Nonparticipating guaranteed investment contracts, flexible repurchase agreements are carried at cost-based measure. Money market mutual funds and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost (which approximates fair value). The City's investment in the State of California Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. LAIF is authorized by California Government Code (Government Code) Section 16429 under the oversight of the Treasurer of the State of California. Commercial paper, participating guaranteed investment contracts and negotiable certificates of deposit are carried at amortized cost (which approximates fair value). Interest income, which includes changes in fair value, on investments is allocated to all funds on the basis of daily cash and investment balances. See note 3 for further discussion.

For purposes of the basic financial statements, the City considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Cash and cash equivalents are included in the City's cash and investments pool and in accounts held by fiscal agents.

Notes receivable

In the government-wide financial statements, notes receivable of \$78,290 includes accrued interest receivable of \$20,483, ranging from 3% to 10% interest per annum, and is net of allowances of \$23,258 for uncollectible accounts at June 30, 2017. Allowances for uncollectible accounts were estimated based on certain assumptions; therefore, actual results could differ from the estimates.

In the governmental funds financial statements, disbursements for providing notes and loan receivables are recorded as expenditures while the collections of these receivables are recorded as revenues. Due to the extended period of time over which notes receivable are to be collected and the contingent nature of certain sources of repayment, the City has recorded deferred inflows of resources equal to the outstanding principal and accrued interest balance, net of allowances of the notes receivable.

Inventories

Inventories are stated at average cost which consist of expendable supplies, electrical parts, and vehicle repair parts. The cost of such Inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid and other assets

Certain payments to vendors such as insurance premiums, prepaid power, prepaid rents, prepaid software maintenance and deposits for real property acquisitions reflect costs applicable to future periods and are recorded as prepaid and other assets in both government-wide and fund financial statements. The costs of these prepaid items are recorded as expenditures/expenses in the period when consumed or when the City receives title to the real property rather than when purchased.

Land held for resale

The Housing Authority has recorded parcels of land held for resale in their financial records. The properties held for resale are for the primary purpose of developing low and moderate income housing and are recorded at the lower of cost or estimated net realizable value. At June 30, 2017, land held for resale with an original cost of \$12,809 was recorded net of the allowance for decline in value of \$6,125 and totaled \$6,684, with this amount offset by a restriction of fund balance for low and moderate income housing in the Housing Authority major governmental fund financial statement.

The Long Range Property Management Plan nonmajor Special Revenue Fund records parcels of land held for resale transferred from the Successor Agency to the former Anaheim Redevelopment Agency on January 1, 2016 under the authorization of the approved Long Range Property Management Plan of the State of California Health and Safety Code Section 34191.5. The parcels are approved for future developments. The City has recorded the land held for resale equal to the net realizable value of these assets as recorded in the Successor Agency's financial

records in the amount of \$22,178 with a corresponding restriction in fund balance for future economic development.

Restricted assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Statement of Net Position or Balance Sheet, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Additionally, resources set aside by the Electric Utility for the future decommissioning of its former ownership share of the San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS) and the San Juan Generating Station, Unit 4, are classified as restricted on both the government-wide Statement of Net Position and proprietary funds Statement of Net Position.

Capital assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City), are defined as assets with an initial, individual cost of more than \$5 (\$50 for infrastructure) and an estimated useful life of greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2017, business-type activities capitalized net interest costs of \$13,692 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was \$45,570. Capitalized interest in the Convention, Sports & Entertainment Venues Fund in the amount of \$8,640 was calculated by netting the actual interest expense on the bonds (\$9,568) with the actual investment earnings on the unspent proceeds of the bonds (\$928) as the 2014-A Lease Revenue Tax-Exempt Bonds was issued to finance the specific Convention Center Expansion.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 85 years
Utility plant	5 to 75 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

The net book value of capital assets retired or disposed of, related salvage value proceeds and the costs of removal are recorded in accumulated depreciation in the Electric Utility and Water Utility Funds. In all other cases, these amounts are recorded as gains or losses on disposal of capital assets.

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Debt issuance costs

Debt issuance costs, with the exception of prepaid insurance costs, are recognized as outflow of resources (expense/expenditure) in the period when the debt is issued. Prepaid insurance costs are capitalized and amortized over the lives of the related debt issues on a basis that approximates the effective-interest method.

Bond refunding costs

Bond refunding costs are deferred and amortized over the life of the new bond or over the life of the old bond, whichever is shorter, on a basis that approximates the effective-interest method. These costs are shown as a deferred outflow of resources on the Statement of Net Position.

Accretion

Accretion is an adjustment of the difference between the price of a bond or certificate of participation (COP) issued at an original discount and the par value of the bond or COP. The accreted value is recognized as it accrues by fiscal year.

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In the government-wide statement of net position, the City reported two items in this category:

1. Deferred charges on refunding bonds - A deferred charge on refunding bonds results from the difference in the carrying value of debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City reported \$1,653 in governmental activities and \$16,797 in business-type activities in this category.
2. Deferred outflows of resources related to pension - these balances represent current fiscal year contribution to the pension plans that will be applied as a reduction in net pension liability in the next fiscal year; or other items arising from changes in actuarial assumptions, difference between actual and projected experience, difference between actual and projected investment gains/losses or changes in a fund's proportionate share of the net pension liability; the amount will be amortized and reported as a component in pension expense in future fiscal years (refer to discussion of Pension Plans). The City reported \$126,317 in governmental activities and \$38,247 in business-type activities in this category.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisitions of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reported the following in these categories:

1. Unavailable resources - (which include revenues, notes and long term receivables) measured under the modified accrual basis of accounting reported in governmental funds. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

	General Fund	Housing Authority	Nonmajor Governmental Funds	Total
Governmental Funds:				
Taxes	\$ 948			\$ 948
Grants		\$ 54	\$ 13,937	13,991
Other revenues	210		59	269
Long-term notes receivable		51,402	26,888	78,290
Due from successor agency	884		10,726	11,610
Total	<u>\$ 2,042</u>	<u>\$ 51,456</u>	<u>\$ 51,610</u>	<u>\$ 105,108</u>

2. Regulatory credits - accumulated from collections of the Electric and Water Utility customers reported in business-type activities. These amounts provide recovery in current period for costs to be incurred in future periods. (Refer to the discussion of Regulatory Credits).

	Business-type activities
Enterprise Funds:	
Electric Utility	\$ 98,218
Water Utility	1,836
Total	<u>\$ 100,054</u>

3. Deferred inflows of resources related to pension are certain changes in total pension liability and fiduciary net position that are to be recognized as an increase in pension expenses in future fiscal years. These are the balances arise from changes in actuarial assumptions; difference between actual and projected experience; difference between actual and projected investment gains/losses or changes in the Fund's proportionate share of the Plan's net pension liability. Refer to discussion of Pension Plans in note 10 of the notes to the financial statements on pages 76-80 of this report. The City reported \$45,201 in governmental activities and \$15,104 in business-type activities in this category.

Regulatory credits

The Electric Utility's Rates, Rules, and Regulations provide for the Rate Stabilization Account (RSA), which contains two components: the Power Cost Adjustment (PCA) that was adopted by City Council on April 1, 2001, and the Environmental Mitigation Adjustment (EMA) that was adopted by the City Council on January 13, 2009. The PCA has mitigated variations in the power supply or fuel costs. The EMA allows the recovery of environmental mitigation costs, such as greenhouse gas emissions costs, the marginal cost differential between renewable power and traditional fossil-fuel-based power. The RSA provides the City with operational and billing flexibility to mitigate material fluctuations in the cost of energy, loss of revenues, or unplanned costs including unexpected long-term loss of a generating facility, unplanned limits on the ability to transmit energy to the City, or major disasters. The RSA funded by PCA and EMA collections is billed to customers through standard rates.

The Electric Utility restructured its rates effective September 1, 2016 in order to more effectively align the recovery of the Electric Utility's costs with the nature of the costs incurred. This was accomplished by reducing the Power Cost Adjustment (PCA) and the Environmental Mitigation Adjustment (EMA) with corresponding increases to base rates. The restructuring was designed to be revenue neutral to the customer. As of June 30, 2017, the Electric Utility recorded deferred inflows of resources for regulatory credits related to PCA totaled \$22,468.

As of September 8, 2017, the EMA rate was \$0.0005 per kWh for all customers regardless of the amount of energy used. At June 30, 2017, the deferred inflows of resources recorded for regulatory credits related to EMA totaled \$75,750. During fiscal year 2017, There was no RSA revenues recognized.

The Water Utility's rates, rules and regulations provide for a water regulatory credit account to reflect variations in the cost of water to the Water Utility and provide more stable retail water rates to the customers of the City's Water Utility. This rate stabilization account (RSA) provides increased flexibility by allowing the Water Utility to maintain financial performance indicators and goals specified in bond covenants. The account is funded through expense reimbursements such as water supply cost refunds received from the Metropolitan Water District and Orange County Water District and other miscellaneous credits and revenue. At June 30, 2017 the deferred inflows of resources recorded for regulatory credits totaled \$1,836 for the Water Utility. During fiscal year 2017, the Water Utility recognized \$1,375 of PCA revenues.

Compensated absences

Compensated absences, vacation and sick pay, for all City employees are generally paid by the General Benefits and Insurance Fund, an internal service fund. The General Benefits and Insurance Fund is reimbursed through payroll charges to all other funds based on estimates of benefits to be earned and used during the fiscal year. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates. Accumulated sick pay in excess of 175 hours per employee is paid to employees at their then current rate of pay in January each year or upon termination from the City. Employees are paid for all accumulated sick pay when they retire from the City. Vested vacation and sick pay benefits are accrued when incurred in the General Benefits and Insurance Fund and at June 30, 2017, totaled \$20,371 and is included in long-term liabilities in the Statement of Net Position. Also included in long-term liabilities in the Statement of Net Position at June 30, 2017, is compensatory time liability of \$570.

Changes in the City's compensated absences liability in fiscal year 2017 were as follows:

Compensated absences liability at beginning of year	\$ 20,538
Estimated compensated absence benefits earned	24,945
Compensated absences used	(24,542)
Compensated absences liability end of year	<u>\$ 20,941</u>

Provision for decommissioning costs

Federal regulations require the Electric Utility to provide for the future decommissioning costs of its former ownership share of San Onofre Nuclear Generating Station (SONGS). The Electric Utility has established a provision for decommissioning costs of SONGS and restoration of the beachfront at San Onofre, California where it is located. A separate irrevocable trust account has been established for amounts funded and these amounts are classified as restricted assets in the accompanying statement of net position. At June 30, 2017, the Electric

Utility has recorded a provision for decommissioning costs for SONG totaled \$110,757.

On June 7, 2013, the Southern California Edison (SCE) announced the permanent retirement of the SONGS plant. The estimated completion of the decommissioning is expected to take approximately 30 to 40 years. The Electric Utility continues to fund the reserve until the end of the trust fund. On September 23, 2014, the SCE submitted a decommissioning cost analysis study to Nuclear Regulatory Commission (NRC). According to this new study for the decommissioning costs of SONGS, the Electric Utility's share of decommissioning costs is \$110,756 at June 30, 2017. The Electric Utility currently has \$110,384 in an irrevocable trust for the decommissioning costs.

During fiscal year 2017, the Electric Utility has drawn \$4,270 from the trust for the disbursements of decommissioning related obligations.

The Electric Utility has a 10.04% ownership interest of the San Juan Generating Station, Unit 4 (SJ). The Electric Utility is providing for the future demolition and reclamation costs of its ownership share of SJ. As of June 30, 2017, the Electric Utility has recorded a provision for decommissioning costs for SJ of \$5,720 of which \$3,848 was in irrevocable trust and \$1,872 in the City's restricted cash account. For the year ended June 30, 2017, the Electric Utility has recorded decommissioning costs incurred for SJ of \$440 in fuel and generation of power of the operating expenses.

Pension plan

Full-time City employees are members of the State of California Public Employees' Retirement System (CalPERS). The City's policy is to fund all required actuarially determined contribution; such costs to be funded are determined annually as of July 1 by the CalPERS's actuary. The City maintains three Pension Plans with CalPERS - Miscellaneous Plan, Police Safety Plan and Fire Safety Plan. See note 10 for further discussion.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

Net position restricted by enabling legislation

The government-wide Statement of Net Position reports \$274,830 of governmental activities restricted net position, of which 58,088 is restricted by enabling legislation.

Fund balances

In the fund financial statements, governmental funds report the following classifications:

- Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid or long term loans and notes receivable.
- Restricted fund balance includes amounts when constraints placed on the use of the resources are either imposed by external resource providers, constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of the decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action by the City Council to remove or revise the limitation.
- Assigned fund balance includes amounts that the City intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council has by Resolution authorized the City Manager or his designee to establish, modify or rescind an assigned fund balance.
- Unassigned fund balance accounts for the residual balance of the City's general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification reports a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Generally, the City would first apply restricted resources when expenditures incurred for which both restricted and unrestricted resources are available. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first, followed by assigned fund balance. Unassigned fund balance is applied last.

In all governmental funds, encumbered amounts have been restricted or assigned for specific purposes for which resources have already been allocated. At June 30, 2017, encumbrances totaled \$2,056, \$0, and \$19,442 in the General Fund, Housing Authority Special Revenue Fund, and other nonmajor governmental funds, respectively.

The accumulated deficit fund balances at June 30, 2017 of \$73 in the Workforce Development Nonmajor Special Revenue Fund, \$359 in the Grants Nonmajor Special Revenue Fund, \$9,709 in the Street Construction nonmajor Capital Project Fund, and \$2,061 in the Transportation Improvement Projects nonmajor Capital Project Fund, will be eliminated in future years by the receipt of reimbursements for grant expenditures.

Budgetary principles

The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. The General, special revenue, debt service, and capital projects governmental fund types and proprietary fund types have legally adopted budgets approved by City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. From the effective date of the budget, the amounts stated herein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations in operating expenditures must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget. The City Manager has the authority to change individual budget line items within a department as long as the total department's appropriation amount is not changed.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. All appropriations lapse at the end of the fiscal year, except for capital projects which are carried forward until such time as the project is completed or terminated and for encumbered balances that are re-appropriated in the next fiscal year.

GASB Statement No. 34 allows that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements rather than as Required Supplementary Information. These statements must display original budget, amended budget and actual results.

Budgeted revenue amounts represent the original budget modified by City Council authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are generally prepared in conformity with GAAP using the modified accrual basis of accounting, with the exception of capital leases, or other similar instruments, and land held for resale, which are budgeted on a cash basis.

Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments due on November 1 and February 1 and become delinquent after December 10 and April 10. The County of Orange, California (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized

when levied in the governmental funds to the extent that they result in current receivables collectible within 60 days after year-end. See note 8 for discussion of pledged property tax revenues.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year from the full market value at the time of purchase. The City receives a share of this basic levy proportionate to what it received in the 1976 and 1978 periods.

Entitlements, shared revenues and grants

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized in the fund financial statements as revenue when the qualifying expenditures have been incurred, all eligibility requirements have been met, and reimbursement is received within the availability period.

Revenue recognition for Electric Utility, Water Utility, and Sanitation Utility Funds

Revenue is recorded in the period in which services are provided. Most residential and smaller commercial customers are billed bimonthly and all other customers monthly. At June 30, 2017 unbilled but earned service charges recorded in accounts receivable for the Electric Utility, Water Utility, and Sanitation Utility Funds amounted to \$25,730, \$1,646, and \$3,686, respectively. See note 8 for discussion of pledged revenues.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS

On July 1, 2016, the city adopted the following new accounting pronouncements issued by the GASB:

- Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for fiscal year beginning after December 15, 2015.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The requirements of this Statement are effective for fiscal year beginning after December 15, 2016.
- Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The requirements of this Statement are effective for fiscal year beginning after June 15, 2015.
- Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, 68, and 73*. The requirements of this Statement are effective for fiscal year beginning after June 15, 2016, except for the provision of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Implementation of these Statements had no material effect on amounts reported in the City's financial statements for fiscal year ended June 30, 2017.

The City is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements:

- Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pension Plans*. The requirements of this statement are effective for fiscal years beginning after June 15, 2017.
- Statement No. 81, *Irrevocable Split-Interest Agreement*. The requirements of this Statement are effective for fiscal year beginning after December 15, 2016.
- Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for fiscal year beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for fiscal year beginning after December 15, 2018.
- Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- Statement No. 87, *Leases*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 3 – DEPOSITS AND INVESTMENTS:

The City maintains a cash and investment pool, which includes the cash balances of all funds, and is invested by the City Treasurer to enhance interest earnings. The pooled interest earned, net of administrative fees, is reallocated to each fund based on their respective average daily cash balances.

The City's pooled investment fund has been reviewed by Standard and Poor's Corporation (S&P) and received a credit rating of AAf/S1 in September 2014.

The City's investment policy further limits the permitted investments in Government Code Sections 53600 et al, 16429.1 and 53684 to the following: obligations of the United States government, federal agencies, and government sponsored enterprises; medium-term corporate notes; certificates of deposit; bankers' acceptances; commercial paper; LAIF; repurchase agreements; reverse repurchase agreements; and money market mutual funds.

Deposits and investments are comprised of the following at June 30, 2017:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Governmental activities:					
General Fund	\$ 9,420	\$ 30,772			\$ 40,192
Housing Authority	17,570	61,081	\$ 835		79,486
Nonmajor governmental funds	22,240	77,315	75,563	\$ 106,106	281,224
Internal service funds	19,494	67,768	2,013		89,275
Total governmental activities	68,724	236,936	78,411	106,106	490,177
Business-type activities:					
Electric Utility	16,908	58,780	216,095	117,921	409,704
Water Utility	5,860	20,368	65,419	5,868	97,515
Sanitation Utility	11,108	34,880	8,629	5,422	60,039
Golf Courses	6	20			26
Convention, Sports & Entertainment Venues	8,004	33,982	87	50,688	92,761
ARTIC Management	106				106
Total business-type activities	41,992	148,030	290,230	179,899	660,151
Government-wide totals	110,716	384,966	368,641	286,005	1,150,328
Fiduciary funds			40,813	1,168	41,981
Total cash and investments	\$ 110,716	\$ 384,966	\$ 409,454	\$ 287,173	\$ 1,192,309

Deposits and investments are comprised of the following at June 30, 2017:

Deposits	\$ 63,674
Investments	1,128,635
Total deposits and investments	\$ 1,192,309

At June 30, 2017, deposits of \$63,674 with a corresponding bank balance of \$71,650 were maintained in various federally regulated financial institutions. The difference of \$7,976 represents deposits in transit, outstanding checks, and other reconciling items. Deposits with bank balances of \$1,916 are insured by the Federal Depository Insurance Corporation. For deposits with bank balances totaling \$69,734 California state statutes require federally regulated financial institutions to secure a city's deposits by pledging collateral consisting of either government securities with a value of 110% of a city's total deposits or by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The collateral is required by regulation to be held by the counterparty's agent in the name of the City.

Investments

The City Treasurer prepares an investment policy statement annually, which is presented to the Budget, Investment and Technology Commission for review and the City Council for approval. The approved investment policy Statement is

submitted to the California Debt and Investment Advisory Committee in accordance with Government Code.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal and to meet daily cash flow needs while providing a return. All investments are made in accordance with the Government Code and, in general, the City Treasurer's policy is more restrictive than Government Code.

Investments authorized by the Government Code and the City's investment policy

The following table identifies the investment types that are authorized for the City by its investment policy which is more restrictive than Government Code. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer	(S&P/Moody's /Fitch)
U.S. Treasury obligations	5 Years	100%	100%	None
U.S. agency securities	5 Years	100%	40%	None
Banker's acceptances	180 days	40%	5%	None
Commercial paper	270 days	25%	5%	A-1;P-1;F-1
Negotiable certificates of deposit	360 days	25%	5%	None
Repurchase agreements	1 Year	30%	None	None
Reverse repurchase agreements	90 days	20%	None	None
Medium-term corporate notes	5 Years	30%	5%	A
Money market mutual funds	N/A	20%	10%	AAA
LAIF	N/A	\$50 million per account	\$50 million per account	None
Time Certificate of Deposit (TCD)	1 year	20%	5%	None

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

The City's pooled investments comply with the requirements of the investment policy. GAAP requires disclosure of certain investments in any one issuer that exceeds five percent concentration of the total investments. At June 30, 2017, the following investments represent five percent or more of the City's total pooled investments:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
U.S. Treasury obligations	Treasury securities	\$ 89,520	17%
LAIF	LAIF	79,986	15%
Federal National Mortgage Association	U.S. agency securities	72,286	14%
Federal Home Loan Mortgage Corporation	U.S. agency securities	63,008	12%
Federal Farm Credit Bank	U.S. agency securities	33,324	6%

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

At June 30, 2017, the following investments represent five percent or more of the City's total investments controlled by bond trustees:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
U.S. Bank	Money market mutual fund	\$ 248,477	41%
Morgan Stanley	Flexible repurchase agreement	90,294	15%
Deutsche Bank	Guaranteed investment agreement	61,037	10%
Federated government obligation	Money market	59,427	10%
Federal National Mortgage Association	U.S. agency securities	30,511	5%
Dreyfus Treasury	Money market mutual fund	27,963	5%

All guaranteed investment contracts have downgrade language that requires collateral should credit ratings drop below certain levels.

Custodial credit risk

Custodial credit risk for investments is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the City with the exception of LAIF and money market mutual funds are deposited in trust for safekeeping with a custodial bank different from the City's primary bank. Securities are not held in broker accounts. Funds held by LAIF and money market mutual funds are held in the City's name.

Custodial credit risk for investments held by bond trustees is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities held by bond trustees are in the name of the bond issue in trust for safekeeping with the bond trustee, which is different from the City's primary bank.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City Treasurer mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The City Treasurer uses the segmented time distribution method to identify and manage interest rate risk. In accordance with the City investment policy, the City Treasurer monitors the segmented time distribution of its investment portfolio and analysis of cash flow demand.

Investments held by bond trustees are typically long-term securities which are not adversely affected by interest rate changes. Guaranteed investment contracts for construction funds are usually limited to three years or less. Information about the sensitivity of the fair values of the City'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's investments by maturity at June 30, 2017:

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Investments	Credit Rating (S&P/Moody's)	Fair Value 6/30/2017	12 months or less	13 to 24 Months	25 to 36 Months	37 to 60 Months	More than 60 Months
Investments controlled by City Treasurer:							
U.S. agency securities	AA+/Aaa	\$ 188,706	\$ 75,089	\$ 45,117	\$ 38,880	\$ 29,620	
U.S. Treasuries	AA+/Aaa	89,520		29,865		59,655	
Medium term notes	A1-,A+	10,030		5,011	5,019		
Medium term notes	A,A2	19,934	4,998		9,903	5,033	
Medium term notes	A,A3	3,997	3,997				
Medium term notes	A+,A1	20,162	3,003		5,023	12,136	
Medium term notes	A+,A2	6,041				6,041	
Medium term notes	A+,Aa3	4,972			4,972		
Medium term notes	AA-,A1	20,103			10,142	9,961	
Medium term notes	AA-,Aa2	13,018	13,018				
Medium term notes	AA-,Aa3	9,990	4,991		4,999		
Medium term notes	AA+,Aa1	6,996			6,996		
Medium term notes	AAA,Aaa	29,132	10,138	4,992	4,941	9,061	
Commerical paper	A-1,P-1	4,996	4,996				
Commerical paper	A-1+,P-1	5,993	5,993				
Negotiable certificate of deposit	A-1,P-1	5,001	5,001				
Money market mutual funds	AAA	806	806				
LAIF	Unrated	78,986	78,986				
Total investments controlled by City Treasurer		518,383	211,016	84,985	90,875	131,507	
Investment controlled by bond trustees:							
U.S. agency securities	AA+/Aaa	51,701	26,276	25,178	247		
U.S. Treasuries	AA+/Aaa	2,973	250	744	743	1,236	
Guaranteed investment contracts	Unrated	74,586	57,754		15,658		\$ 1,174
Flexible repurchase agreements	Unrated	103,940					103,940
Money market mutual funds	AAA/Aaa	358,337	358,337				
LAIF	Unrated	18,715	18,715				
Total investments controlled by bond trustees		610,252	461,332	25,922	16,648	1,236	105,114
Total Investments		\$ 1,128,635	\$ 672,348	\$ 110,907	\$ 107,523	\$ 132,743	\$ 105,114

Fair Value Measurement:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the City's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The City groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The City has the following recurring measurements as of June 30, 2017:

Investment by fair value level	6/30/2017	Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Not Required to be leveled	
Debt securities:					
U.S. Agency Securities	\$ 240,407		\$ 240,407		
U.S. Treasury Obligations	92,493	\$ 92,493			
Commercial Paper	10,989		10,989		
Negotiable Certificate of Deposit	5,001		5,001		
Medium Term Cocorporate Notes	144,375		144,375		
LAIF	97,701			\$ 97,701	
Total investment measured at fair value	590,966	\$ 92,493	\$ 400,772	\$ 97,701	

Investments measured at cost-based:	
Guaranteed investment contracts	74,586
Flexible repurchase agreements	103,940
Money Market Mutual Funds	359,143
Total investment measured at cost-based	537,669

Total pooled and bond trustee investments \$1,128,635

NOTE 4 – ACCOUNTS RECEIVABLE, DUE FROM OTHER GOVERNMENTS, DUE FROM THE SUCCESSOR AGENCY, INTERFUND RECEIVABLE AND PAYABLE BALANCES, AND CERTAIN INTERFUND TRANSACTIONS:

Accounts receivable

Accounts receivable for the City's governmental and business-type activities, including the applicable allowance for uncollectible accounts at June 30, 2017, are as follows:

	Accounts Receivable	Less Allowance for Uncollectibles	Total
Governmental activities:			
General Fund	\$ 20,783	\$ (4,289)	\$ 16,494
Housing Authority	127	(105)	22
Nonmajor governmental funds	5,140		5,140
Internal service funds	5,885		5,885
Total governmental activities	31,935	(4,394)	27,541
Business-type activities:			
Electric Utility	49,312	(853)	48,459
Water Utility	6,081	(27)	6,054
Sanitation Utility	7,945	(129)	7,816
Golf Courses	143		143
Convention, Sports & Entertainment Venues	2,667	(56)	2,611
ARTIC Management	218		218
Total business-type activities	66,366	(1,065)	65,301
Total accounts receivable	\$ 98,301	\$ (5,459)	\$ 92,842

Due from other governments

Due from other governments for the City's governmental activities at June 30, 2017, are as follows:

	Taxes	Grants	Other	Total
Governmental activities:				
General Fund	\$ 14,751	\$ 48	\$ 221	\$ 15,020
Housing Authority		114		114
Nonmajor governmental funds		21,160	21	21,181
Total due from other governments	\$ 14,751	\$ 21,322	\$ 242	\$ 36,315

Revenues are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues of the current period are as follows:

General fund	\$ 1,163
Electric Utility	723
Water Utility	217
Sanitation	171
Convention, Sports & Entertainment Venues	9
Total	<u>\$ 2,283</u>

Due from the Successor Agency

The amount due from the Successor Agency at June 30, 2017 is \$11,610. Due to the extended period of time over which the receivables are to be collected, for the amount due to the Governmental Funds, the City has recorded expenditures at the time the loans were provided and deferred inflows of resources equal to the amount due.

General Fund	\$ 884
Nonmajor governmental funds	10,726
Total	<u>\$ 11,610</u>

- On April 1, 2003 the City and the former Anaheim Redevelopment Agency entered into a Cooperation Agreement whereby the City assisted the Redevelopment Agency with the development of Westgate utilizing \$10,000 of funds from the HUD Section 108 loan program. The amount is due to the City by annual installment through June 2024. At June 30, 2017, the amount due is \$5,702.
- On June 1, 2010, the City and the former Anaheim Redevelopment Agency entered into a Cooperation Agreement whereby the City assisted the Redevelopment Agency with the rehabilitation of the historic Packing House site utilizing \$7,000 of funds from the HUD Section 108 \$15,000 loan proceeds. The amount is due to the City by annual installment through June 2031. At June 30, 2017, the amount due is \$5,024.
- On February 5, 2013, the City and the Successor Agency entered into a Cooperation Agreement whereby the City assisted the Successor Agency with loaning the proceeds of one-time allocation of the \$1,563 from the low- and moderate income housing fund for various Successor Agency projects. At June 30, 2017, the amount due to the City is \$884.

Interfund receivable and payable balances

Net internal balances between governmental activities and business-type activities of \$16,102 are included in the government-wide financial statements at June 30, 2017.

Interfund receivables and payables that are included in the fund financial statements at June 30, 2017, are as follows:

Interfund Receivable:				
General Fund	Nonmajor governmental funds	Internal service funds	Electric Utility	Total
Interfund Payable:				
Governmental Funds:				
General Fund		\$ 35		\$ 35
Nonmajor governmental funds	\$ 210	\$ 12,948		13,158
Enterprise Funds:				
Water Utility			\$ 2,752	2,752
Golf Courses	1,251			1,251
Internal Service Funds		825		825
Total	<u>\$ 1,461</u>	<u>\$ 12,948</u>	<u>\$ 860</u>	<u>\$18,021</u>

All interfund balances at June 30, 2017 are generally short-term loans to relieve temporary cash deficits in various funds, except the following interfund balances that are expected to be repaid in more than one year:

General Fund

On September 24, 2002, the City Council approved a loan up to \$6,400 from the General Fund to the Golf Courses Fund for construction of the Anaheim Hills Golf Clubhouse. The loan is payable in annual amounts of not less than \$548 beginning in July 2005 until July 2023 and bears interest at the City's investment yield as of June 30th of each year. The remaining loan balance will be repaid in full during fiscal year 2018.

Electric Utility

In 2015, the Public Utility Customer Service Information System Project was completed and placed in service. The Electric Utility paid for the total cost of the project. The Water Utility portion of the total cost is \$3,484, payable in annual amounts of not less than \$345 beginning July 2016 until July 2024. The outstanding balance at June 30, 2017 is \$2,752.

Certain interfund transactions

The following interfund transfers are reflected in the fund financial statements at June 30, 2017:

	Transfer In:								
	Enterprise Funds								
	General Fund	Housing Authority	Nonmajor governmental funds	Internal Service Funds	Electric Utility	Water Utility	Convention, Sports & Entertainment Venues	ARTIC Management	Total
Transfer Out:									
General Fund			\$ 67,343	\$ 5,040		\$ 600	\$ 16,807	\$ 2,167	\$ 91,957
Housing Authority	\$ 1,500								1,500
Nonmajor governmental funds	179	\$ 1,029	3,781					3,000	7,989
Electric Utility	24,726								24,726
Water Utility	894				\$ 53				947
Sanitation Utility	2,528								2,528
Convention, Sports & Entertainment Venues	1,817								1,817
Total	\$ 31,644	\$ 1,029	\$ 71,124	\$ 5,040	\$ 53	\$ 600	\$ 16,807	\$ 5,167	\$ 131,464

The net transfers between governmental funds and proprietary funds is \$2,351 which are primarily comprised of operational subsidies from enterprise funds to the General Fund and are offset by debt service subsidies to the ARTIC Management and Convention, Sports & Entertainment Venues Funds.

The City made the following major transfers during fiscal year ended June 30, 2017:

- Transfer of \$57,174 represents Lease Payment Measurement Revenues (LPMR) from the General Fund to the Anaheim Resort Improvements nonmajor Debt Service Funds which is held by the Trustee, see discussion on note 8 of the notes to the financial statements on page 65 of this report.
- Transfer of \$16,807 from the General Fund to the Convention, Sports & Entertainment Venues Enterprise Fund for debt service subsidy.
- Transfer of \$2,167 from the General Fund to ARTIC Management Enterprise Fund for operational subsidies.
- Transfer of \$4,739 from the General Fund to the Other Capital Improvements nonmajor Capital Project Fund for the Public Safety 800 Megahertz (mHz) communication equipment (\$3,888); the Community Services library software (\$500); and various neighborhood capital improvement projects (\$351).
- Transfer of \$1,792 from the General Fund to the Other Capital Improvements Fund, per Council Resolution, to set aside 25% of annual surplus funds of the General Fund for community and neighborhood improvements.
- Transfer of \$2,500 from the General Fund and \$2,363 from the Gas Tax nonmajor Special Revenue Fund totaled \$4,863 to the Transportation Improvement Projects nonmajor Capital Project Fund for the close out of the ARTIC construction project.
- Transfer of \$5,040 from the General Fund to the Internal Service Funds to cover deficits for various technology capital improvements and facility improvements.
- Transfer of \$600 from the General Fund to the Water Utility Enterprise Fund per the result of Measure N in the November 2014 election.
- Transfer of \$1,500 from the Housing Authority major Special Revenue Fund to the General Fund to eliminate an interfund balance provided for Homebuyer loans at the Colony Park per the cooperative agreement between City and the Housing Authority.
- Transfer of \$3,000 from the Gas Tax nonmajor Special Revenue Fund (\$2,000) and Anaheim Tourism Improvement District nonmajor Special Revenue Fund (\$1,000) to the ARTIC Management Enterprise Fund for debt services on the ARTIC land acquisition loan as discussed on note 8 of the notes to the financial statements on page 70 of this report.
- Transfers of \$19,032 from the Electric Utility Enterprise Fund and \$2,528 from the Sanitation Utility Enterprise Fund to the General Fund. As defined by City Charter, the transfer is equal to the maximum of 4% of total operating revenues of the current fiscal year.
- Transfer of \$5,694 from the Electric Utility Enterprise Fund and \$894 from the Water Utility Enterprise Fund to the General Fund. The amount represents the City Council approved transfer of 1.5% retail electric revenue and net water revenue of the prior fiscal year.

Except for the transfers detailed above, there were no other significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the Fund making the transfer.

NOTE 5: ECONOMIC ASSISTANCE AGREEMENTS - TAX ABATEMENTS
(as defined by GASB Statement No. 77)

As of June 30, 2017, the City Council approved two Economic Assistance Agreements (Agreements) to developers. These Agreements related to constructions of a Hotel and retail spaces (Projects) within the City of Anaheim. There has been analysis of the feasibility gap between the costs of developing and operating the Projects and the costs that the Projects can finance and viably support. The feasibility gap for the Projects is the economic assistance that the City has committed to partially provide.

- In July 2002, the City entered into a Development and Economic Assistance Agreement (Agreement) with a developer to provide certain economic assistance to the developer in connection with the development of a seven story all-suites hotel (DoubleTree Hotel) on certain real property owned by developer and located in the City. The feasibility gap of the economic assistance is capped at \$12,908 in total for a period over 15 years expiring in fiscal year 2021 payable semi-annually calculated from the Transient Occupancy Tax (TOT), ranging from 5% to 40% in accordance to the Adjustment table of the Agreement. During fiscal year 2017, the developer received \$728 in economic assistance.
- In April 2006, the City entered into a Disposition and Development Agreement with a developer to construct and operate retail space (Garden-Walk) in Anaheim. Upon completion of the construction, the developer receives economic assistance equal to a portion of the sales tax that Garden-Walk generated for a period of 25 years expiring at the earlier of 1) December 2038 or 2) maximum amount of \$15,600 in total which increases 8% annually starting on July 1, 2013. During fiscal year 2017, the developer received \$201 in economic assistance.

In addition, the City entered into several economic assistance agreements to provide assistance to partially fill the feasibility gap of the four-diamond hotel developments within the City. Provision of economic assistance is contingent upon completion of construction of the hotels, the commencement of and continued operations as a four-diamond quality hotel, and the generation of and payment to the City of TOT. The contemplated hotels have yet to be built, and therefore cannot operate, generate nor pay TOT, and as such no economic assistance is required by the City at this time. Once the hotels are constructed and operated at the required quality level, the City will use an amount equal to 70% of the TOT generated and paid to the City to fund the corresponding economic assistance of the following projects:

- In May 2013, the City entered into two economic assistance agreements for up to 866 hotel rooms, of a four-diamond quality, in two phases at the Garden-Walk. These agreements provide for City assistance in an amount equal to 70% of the TOT for the development of a Convention Hotel (of not less than 466 rooms) and a Resort Hotel (of not less than 350 rooms). The City's economic assistance obligation ends on the earlier of twenty years from completion of construction or, provision of assistance up to a not to exceed amount of approximately \$158 million.
- Further, in June 2015, the City established the Hotel Incentive Program to bring other four-diamond quality hotels to Anaheim. In accordance with the Hotel Incentive Program, the City entered into three additional economic assistance agreements in July 2016 with similar terms for 580 rooms at 1700 South Harbor with an estimated economic assistance from the City in an amount of \$145 million, 634 rooms at 1030 West Katella Avenue with an estimated economic assistance from the City in an amount of \$148 million, and approximately 700 rooms to the north of the Disneyland Hotel with an estimated economic assistance from the City in an amount of \$267 million; thereby, creating the desired number of luxury rooms within the City. As such the program was rescinded for terminated for future developments in December 2016.

The following is a summary of economic assistance agreements:

Project	Expiration Date	Years Remaining	Tax Base for Calculation of Economic Assistance	% of Tax for Calculation of Economic Assistance	Maximum Economic Assistance Amount	Total Economic Assistance Paid in Fiscal Year 2017	Total Economic Assistance Paid to Date	Total Maximum Economic Assistance Remaining
DoubleTree Hotel	6/30/2021	4	TOT	5%-40%	\$ 12,908	\$ 728	\$ 9,467	\$ 3,441
GardenWalk Retail	12/31/2038	21	Sales	40%-50%	15,600	201	915	14,685
GardenWalk Convention Hotel - 466+ Rooms	20 Years from Completion	20	TOT	70%	81,100			81,100
GardenWalk Resort Hotel - 350+ Rooms	20 Years from Completion	20	TOT	70%	76,900			76,900
1700 South Harbor - 580 Rooms	20 Years from Completion	20	TOT	70%	145,000			145,000
1030 West Katella Avenue - 634 Rooms	20 Years from Completion	20	TOT	70%	148,000			148,000
North of Disneyland Hotel - 700 Rooms	20 Years from Completion	20	TOT	70%	267,000			267,000

NOTE 6 – CAPITAL ASSETS:

Capital asset activities for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Transfer In (Out)	Deletions	Ending Balance
Governmental activities:					
Nondepreciable assets:					
Land	\$ 647,289	\$ 2,773	\$ 1,639	\$ (5,342)	\$ 646,359
Construction in progress	50,033	40,462	(19,653)	(11,744)	59,098
Total	<u>697,322</u>	<u>43,235</u>	<u>(18,014)</u>	<u>(17,086)</u>	<u>705,457</u>
Depreciable assets:					
Buildings, structures and improvements	339,393	4,238	8,913	(6,758)	345,786
Machinery and equipment	125,611	8,582	1,641	(3,203)	132,631
Infrastructure	853,545	55	7,770	(23)	861,347
Total	<u>1,318,549</u>	<u>12,875</u>	<u>18,324</u>	<u>(9,984)</u>	<u>1,339,764</u>
Total assets	<u>2,015,871</u>	<u>56,110</u>	<u>310</u>	<u>(27,070)</u>	<u>2,045,221</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(143,066)	(11,580)		1,116	(153,530)
Machinery and equipment	(88,593)	(8,076)		3,053	(93,616)
Infrastructure	(404,325)	(18,741)		21	(423,045)
Total accumulated depreciation	<u>(635,984)</u>	<u>(38,397)</u>		<u>4,190</u>	<u>(670,191)</u>
Total governmental activities capital assets, net	<u>\$ 1,379,887</u>	<u>\$ 17,713</u>	<u>\$ 310</u>	<u>\$ (22,880)</u>	<u>\$ 1,375,030</u>
Business-type activities:					
Nondepreciable assets:					
Land	89,505				89,505
Construction in progress	207,644	174,334	(77,488)	(4,662)	299,828
Total	<u>297,149</u>	<u>174,334</u>	<u>(77,488)</u>	<u>(4,662)</u>	<u>389,333</u>
Depreciable assets:					
Buildings, structures and improvements	796,571	1,658	6,295	(58)	804,466
Utility plant	1,761,443	3,729	70,874	(9,042)	1,827,004
Machinery and equipment	38,890	2,384	9	(1,134)	40,149
Total	<u>2,596,904</u>	<u>7,771</u>	<u>77,178</u>	<u>(10,234)</u>	<u>2,671,619</u>
Total assets	<u>2,894,053</u>	<u>182,105</u>	<u>(310)</u>	<u>(14,896)</u>	<u>3,060,952</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(262,625)	(16,633)		55	(279,203)
Utility plant	(698,348)	(67,430)		9,042	(756,736)
Machinery and equipment	(26,425)	(2,013)		1,027	(27,411)
Total accumulated depreciation	<u>(987,398)</u>	<u>(86,076)</u>		<u>10,124</u>	<u>(1,063,350)</u>
Total business-type activities capital assets, net	<u>\$ 1,906,655</u>	<u>\$ 96,029</u>	<u>\$ (310)</u>	<u>\$ (4,772)</u>	<u>\$ 1,997,602</u>

Depreciation expense was charged to functions/programs of the City during fiscal year 2017 as follows:

Governmental activities:

General government	\$ 99
Police	1,578
Fire & Rescue	1,498
Community & Economic Development	1,850
Planning & Building	23
Public Works	19,566
Community Services	3,271
Convention, Sports & Entertainment	5,191
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	5,321
Total depreciation expense - governmental activities	<u>\$ 38,397</u>

Business-type activities:

Electric Utility	\$ 56,796
Water Utility	10,634
Sanitation Utility	2,779
Golf Courses	511
Convention, Sports & Entertainment Venues	13,054
ARTIC Management	2,302
Total depreciation expense - business-type activities	<u>\$ 86,076</u>

Capital leases

Included in the capital assets amounts listed above are the following capitalized leased assets:

	Governmental
	Activities
Machinery and equipment	\$ 4,788
Less accumulated amortization	(2,644)
Capitalized leased assets, net	<u>\$ 2,144</u>

Operating leases

Housing Authority

At June 30, 2017, the Housing Authority earned revenues as the lessor of land, carried at cost of \$67,202 in the government-wide financial statements, under ten operating ground leases. These leases to developers are noncancelable. Terms of

the leases range from 55 years to 65 years with lease expiration dates from 2054 to 2080. The total base rent to be collected over the terms of the leases are \$70,570 with simple interest accruing on unpaid portions at a rate ranging from 1% to 6%. Minimum lease payments are calculated annually, based on residual receipts, as defined in the lease agreements. At June 30, 2017, the Housing Authority has recorded lease receivables due from developers related to these transactions of \$7,794, net of allowances of \$8,186 for uncollected accounts in the government-wide financial statements. In the governmental fund financial statements, this amount is included in the \$51,402 notes receivable balance of the Housing Authority.

ARTIC Management

The ARTIC has entered into numerous long-term operating leases with tenants granting them certain uses of the ARTIC premises described in the respective lease agreements. Terms of the leases range from 5 years to 10 years with lease expiration dates from 2020 to 2027. Extension options range from 5 years to 15 years. Certain leases are subject to percentage rent in an amount equal to a percentage of the amount by which tenant's gross sales exceed certain thresholds.

Future minimum lease payments are as follows:

Fiscal Year Ending 6/30

2018	\$ 579
2019	590
2020	549
2021	448
2022	437
2023-2027	1,563
Total	<u>\$ 4,166</u>

ARTIC also entered into agreements to grant bus companies non-exclusive rights to use certain spaces in ARTIC. These agreements range from 5 years to perpetuity. Some of the agreements can be terminated by either parties with a 60 days termination notice; some of them have extension options, while others will automatically continue on a month-to-month basis upon expiration.

NOTE 7 – SELF INSURANCE

The Insurance Fund (a function of the General Benefits and Insurance Fund), an internal service fund, is used to account for self-funded workers' compensation related benefits, self-funded general liability claims, commercial insurance purchases, and alternative risk financing vehicles. Revenues of the Insurance Fund are derived from cost-allocation charges to City departments using estimates of anticipated risk-transfer costs, new losses, payments on existing claims, and reserve development on known claims. In addition, the Insurance Fund receives interest income from reserves.

At June 30, 2017, the City was funded at an actuarially acceptable level for self-funded retention for workers' compensation and general liability claim exposures (with retention levels of \$1,000 per occurrence for workers' compensation claims and \$1,000 per occurrence for general liability claims). Above these retained levels, the City's potential liability is covered through various commercial insurance and intergovernmental risk pooling programs (collectively, "Insurance"). Settled claims have not exceeded total Insurance in any of the past three years, nor does management believe that there are any pending claims that will exceed total Insurance coverage.

The unpaid claims liability included in the Insurance Fund is based on the results of actuarial studies and includes amounts for claims incurred-but-not-reported, known-claim development, and allocated loss adjustment expenses. Claims liabilities are calculated using a discount rate of 1.75% and consider the effects of inflation, multi-year loss development trends, and other economic and social factors. It is the City's practice to obtain full actuarial studies annually for its retained levels for general liability and workers' compensation exposures. "Premiums" are charged by the Insurance Fund using various allocation methods that include actual costs, trends in claims experience and various exposure bases.

Changes in claims liability of the General Benefits and Insurance Fund and that relates to the governmental funds and reported in the governmental activities in the government-wide Statement of Net Position in fiscal years 2017 and 2016 were as follows:

	2017	2016
Claims liability at beginning of year	\$ 50,616	\$ 46,035
Current year claims and changes in estimates	12,302	14,642
Claims payments	(11,053)	(10,061)
Claims liability at end of year	<u>\$ 51,865</u>	<u>\$ 50,616</u>

Above the retained limit of \$1,000 per occurrence for workers' compensation losses, the City purchases excess coverage, utilizing both commercial insurance and an intergovernmental risk pooling program (CSAC-EIA), to statutory limits.

Above the retained limit of \$1,000 per occurrence for liability losses, the City maintains excess coverage for all City operations to \$150,000 per occurrence, excluding helicopter operations for which the City purchases \$50,000, per occurrence, of commercial aviation liability insurance (on a first-dollar basis). The first layer of excess liability loss coverage is procured through the Authority for California Cities Excess Liability (ACCEL), a joint powers insurance authority, formed in 1986, pooling catastrophic general, automobile, personal injury, and public

officials errors and omissions liability losses among twelve California cities, through both risk-sharing and commercial insurance joint-purchase arrangements. The City, therefore, continues to maintain some limited excess liability risk sharing exposure, above \$1,000 per occurrence, directly with ACCEL. This pooled coverage has exposure (i) from the run-out periods from prior years in which commercial excess insurance was not obtained, and (ii) from an ACCEL retained layer for fiscal year 2017 of \$4,000 in excess of \$1,000. Each ACCEL member's share of pooled losses is based on a retrospectively-rated risk-sharing formula which includes, but is not limited to, exposure and loss experience factors.

In order to provide funds to pay claims, ACCEL collects an annual deposit from each member. The deposits are credited with investment income at the rate earned on ACCEL's investments. At June 30, 2017, ACCEL's cash and investments totaled \$50,633, of which \$6,286 consists of deposits and interest on deposits provided by the City. The City has no specific equity interest in ACCEL. Deposits provided to ACCEL by the City are expensed when paid by the General Benefits and Insurance Fund.

ACCEL is responsible for deciding the risks it will underwrite, the monitoring, and handling of large claims, and arranging excess risk-financing programs. ACCEL does not have any debt outstanding. For a copy of ACCEL's separate financial statements, contact the Finance Director of the City.

NOTE 8 – LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2017:

	Beginning Balance	Additions/ Proceeds	Refunded	Reductions/ Payments	Ending Balance	Within One Year
Governmental activities:						
General obligation	\$ 700			\$ (700)		
City lease revenue	417,855			(23,363)	\$ 394,492	\$ 12,168
Accretion	213,980	\$ 19,285			233,265	13,673
Unamortized bond discount/premium, net	(214)			46	(168)	
Total	632,321	19,285		(24,017)	627,589	25,841
Capitalized lease obligations:						
Internal Service Funds	2,088	969		(1,319)	1,738	1,095
Total	2,088	969		(1,319)	1,738	1,095
Notes and loans payable:						
City	20,820	6,125		(2,060)	24,885	2,450
Internal Service Funds		6,023		(1,331)	4,692	1,239
Total	20,820	12,148		(3,391)	29,577	3,689
Claims liabilities (note 7)	50,616	12,302		(11,053)	51,865	10,717
Compensated absences (note 1)	20,538	24,945		(24,542)	20,941	12,639
Net pension liabilities (note 10):						
Governmental Funds	407,133	132,751		(43,811)	496,073	
Internal Service Funds	19,289	5,063		(1,931)	22,421	
Total	426,422	137,814		(45,742)	518,494	
Governmental activities total	1,152,805	207,463		(110,064)	1,250,204	53,981
Business-type activities:						
Bonds payable:						
Electric Utility	640,090	289,065	\$ (204,980)	(18,950)	705,225	20,845
Water Utility	130,425	35,225		(3,380)	162,270	3,370
Sanitation	41,535			(1,045)	40,490	1,095
Convention, Sports & Entertainment Venues	244,262			(15,402)	228,860	4,844
Unamortized bond discount/premium, net	67,847	40,413		(9,705)	98,555	
Total	1,124,159	364,703	(204,980)	(48,482)	1,235,400	30,154
Notes and loans payable:						
Electric Utility	13,200	315		(13,214)	301	29
Sanitation Utility		205		(9)	196	19
Convention, Sports & Entertainment Venues		27		(1)	26	2
ARTIC Management	23,000			(3,000)	20,000	3,500
Total	36,200	547		(16,224)	20,523	3,550
Interest payable						
ARTIC Management	2,207	428			2,635	
Total	2,207	428			2,635	
Decommissioning provision (note 1)	119,994	753		(4,270)	116,477	
Net pension liabilities (note 10):						
Electric Utility	71,235	13,333		(6,707)	77,861	
Water Utility	24,808	3,282		(2,228)	25,862	
Sanitation Utility	11,510	3,734		(1,209)	14,035	
Golf Courses	932	192		(89)	1,035	
Convention, Sports & Entertainment Venues	25,684	7,472		(2,630)	30,526	
Total	134,169	28,013		(12,863)	149,319	
Business-type activities total	1,416,729	394,444	(204,980)	(81,839)	1,524,354	33,704
Government-wide total	\$ 2,569,534	\$ 601,907	\$ (204,980)	\$ (191,903)	\$ 2,774,558	\$ 87,685

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Bond ratings for the City's revenue bonds are as follows:

	Standard & Poor's	Fitch Ratings	Moody's
General Fund Lease Revenue Bonds	AA-	AA	Aa3
2007 Senior Lease Revenue Bonds	A	A+	A1
Electric Revenue Bonds	AA-	AA-	Aa3
Water Revenue Bonds	AA+	AAA	Unrated
Sewer Revenue Bonds	AA+	AA+	A3

GOVERNMENTAL ACTIVITIES:

BONDS PAYABLE

At June 30, 2017, bonds payable consisted of the followings:

City	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Out-standing 6/30/2017
1997 Anaheim Lease Revenue Bonds	2/1/1997	3/1/2037	4.5%-6.0%	\$ 510,427	\$ 140,183
Accretion					233,265
2007 Anaheim Lease Revenue Refunding Bonds	6/13/2007	3/1/2037	3.25% - 5.5%	256,320	230,980
2008 Anaheim Lease Revenue Refunding Bonds	12/10/2008	8/1/2019	3.0%-5.0%	5,084	1,575
2014 Anaheim Lease Revenue Bonds	11/14/2014	5/1/2046	0.4%-5.0%	27,954	21,754
Total					627,757
Unamortized bond premium/discounts, net					(168)
Total governmental activities bonds				\$ 799,785	\$ 627,589

Bonds Payable - City

Lease payment measurement revenues

In February 1997, the Anaheim Public Financing Authority sold \$510,427 of lease revenue bonds to construct public improvements in The Anaheim Resort. In June 2007, the Authority sold \$256,320 of lease revenue bonds to defease \$248,335 of the 1997 lease revenue bonds. The bonds are special obligations of the Authority payable solely from lease payments to be made by the City to the Authority for the use and occupancy of the leased premises. Debt service requirements to maturity for these lease revenue bonds are paid from lease payment measurement revenues (LPMR) defined as amounts equal to: 1) 3% of the 15% transient occupancy taxes (TOT) (i.e. 20% of the total transient occupancy taxes) for all hotel properties in the City, excluding Disney properties, and 2) 100% of the incremental TOT, sales, and property tax revenues from all Disney properties over the 1995 base, adjusted each year by the CPI change, with a minimum 2% increase annually. The City is not

required to pay any additional sums should the LPMR fall short of the amount required to pay debt service on the bonds. The Walt Disney Company provided a guarantee to the bond insurer to enable the issuer to obtain municipal bond insurance.

LPMR began on January 1, 2001, with the first payment made to the trustee on July 7, 2001, for the LPMR generated during the period January through June 2001. Subsequent to that date, LPMR is collected and remitted to the trustee monthly. During the fiscal year ended June 30, 2017, \$56,860 was remitted to the trustee.

Debt service requirements to maturity for the 1997 Anaheim Lease Revenue Bonds and the 2007 Anaheim Lease Revenue Refunding Bonds to be paid by the Anaheim Resort Improvements Debt Service Fund from future LPMR are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2018	\$ 11,667	\$ 26,332	\$ 37,999
2019	12,030	27,086	39,116
2020	12,616	27,781	40,397
2021	13,279	28,464	41,743
2022	13,782	29,197	42,979
2023-2027	77,762	156,618	234,380
2028-2032	92,953	177,583	270,536
2033-2037	137,074	214,282	351,356
Total	371,163	687,343	1,058,506
Unamortized bond discount	(1,753)		(1,753)
Total bonds	\$ 369,410	\$ 687,343	\$ 1,056,753

Included in interest is \$233,265 related to accretion on capital appreciation bonds.

Lease revenue bonds – City

Debt service requirements to maturity for the City's lease revenue bonds to be paid from unrestricted revenues of the Municipal Facilities Debt Service Fund are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 501	\$ 1,154	\$ 1,655
2019	519	1,129	1,648
2020	555	1,102	1,657
2021		1,088	1,088
2022	40	1,088	1,128
2023-2027	2,103	5,172	7,275
2028-2032	3,277	4,427	7,704
2033-2037	4,182	3,476	7,658
2038-2042	5,338	2,263	7,601
2043-2046	6,814	714	7,528
Total	23,329	21,613	44,942
Unamortized bond premium	1,585		1,585
Total Bonds	<u>\$ 24,914</u>	<u>\$ 21,613</u>	<u>\$ 46,527</u>

CAPITAL LEASE OBLIGATIONS

The City has a long-term noncancelable agreement with HP Financial Services to finance the acquisition of the City's server, desktop, and portable computer equipment. The agreement qualifies as a capital lease for accounting purposes as defined under the Financial Accounting Standards Board (FASB) Statement No. 13, Accounting for Leases, and therefore has been recorded at the present value of future minimum lease payments at the date of inception of the lease. Future minimum lease payments to be made from unrestricted revenues of the Information Services Internal Service Fund under the capital lease are as follows:

<u>Fiscal Year Ending 6/30</u>	
2018	\$ 1,158
2019	496
2020	152
2021	27
Total	1,833
Less amount representing interest, variable	(95)
Present value of future minimum lease payments	<u>\$ 1,738</u>

NOTES AND LOANS PAYABLE

At June 30, 2017, notes and loans payable are as follows:

Notes and Loans Payable – CityHUD Section 108 guaranteed loans payable

In May 2003, the City entered into an agreement with HUD, making available \$10,000 to provide financial assistance related to the development of Westgate on a former landfill site located at the northeast corner of Beach Boulevard and Lincoln Avenue. The loan is payable from the receipts of the Successor Agency receivable. The outstanding balance at June 30, 2017 was \$5,653. The loan bears interest ranging from 1.74% to 5.97% and is payable over 20 years beginning on February 1, 2005, until August 1, 2023. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 685	\$ 305	\$ 990
2019	730	266	996
2020	785	223	1,008
2021	841	177	1,018
2022	907	127	1,034
2023 - 2027	1,705	94	1,799
Total notes and loans	<u>\$ 5,653</u>	<u>\$ 1,192</u>	<u>\$ 6,845</u>

In March 2010, the City entered into an agreement with HUD, making available \$15,000 to fund the acquisitions of the Orange County Family Justice Center and Miraloma Park site, construction of the Thornton Brady storm drain and the rehabilitation of the historic Packing House site. The loan is payable from the Community Development Block Grant yearly entitlement and from the receipts of the Successor Agency receivable. The outstanding balance of the loan at June 30, 2017, was \$10,910. The loan bears interest ranging from 1.74% to 3.97% and is payable over 20 years beginning on February 1, 2011 through August 1, 2030. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 670	\$ 415	\$ 1,085
2019	690	394	1,084
2020	710	372	1,082
2021	730	348	1,078
2022	755	321	1,076
2023 - 2027	4,185	1,133	5,318
2028 - 2031	3,170	235	3,405
Total notes and loans	<u>\$ 10,910</u>	<u>\$ 3,218</u>	<u>\$ 14,128</u>

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Helicopter loan payable

In January 2009, the City entered into an agreement with Government Capital Corporation to finance the acquisition of a police helicopter. The amount of the loan totaled \$1,799 and bears interest at 5.391% per annum for a term of 12 years. On January 29, 2009, Government Capital Corporation assigned this agreement to Bank of America which subsequently assigned it to Western Alliance Equipment Finance on March 21, 2012. Principal and interest payments of \$206 are due annually beginning on December 16, 2009, until December 16, 2020. The outstanding balance at June 30, 2017 was \$724. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 167	\$ 39	\$ 206
2019	176	30	206
2020	186	20	206
2021	195	11	206
Total notes and loans	<u>\$ 724</u>	<u>\$ 100</u>	<u>\$ 824</u>

Lincoln Avenue Construction loan payable

In March 2013, the City entered into a cooperative agreement with the County of Orange (County) for the funding and construction of Lincoln Avenue. The project includes widening of Lincoln Avenue from Rio Vista Street to Riverbend Parkway, and construction of the Lincoln Avenue Bridge over the Santa Ana River. Construction costs of the Lincoln Avenue within the City boundary is estimated to be \$2,250 which will be payable to the County in seven installments starting on July 1, 2013 and on July 1 of each subsequent year at no interest cost. The outstanding balance at June 30, 2017 was \$750.

800 Megahertz Communication Equipment

On November 30, 2015, the City entered into a Master Equipment Lease/Purchase Agreement (Agreement) with Banc of America Public Capital Corp., to finance the acquisitions and replacement of the City portion of the 800 Megahertz (MHz) Countywide Coordinated Communications System (CCCS). The CCCS project includes a plan for replacement of three main components: Backbone Equipment, Subscriber Equipment, and Dispatch Consoles.

On November 30, 2015, the Agreement provided \$1,100 financing for acquisition of a portion of the mobile radio equipment payable over 10 years and bears interest of 1.98% per annum. Principal and interest payments of \$61 are due semi-annually beginning on May 30, 2016, until November 30, 2025. The outstanding balance at June 30, 2017 was \$946.

On November 30, 2016, the Agreement provided \$6,840 financing for acquisition of the remaining radio equipment payable over 10 years and bears interest of 1.87% per annum. Principal and interest of \$377 are due semi-annually beginning on May 30, 2017, until November 30, 2026. Amount of this financing allocated to the

governmental activities totaled \$6,235. The outstanding balance at June 30, 2017 was \$6,006.

Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 687	\$ 128	\$ 815
2019	700	115	815
2020	714	102	816
2021	727	88	815
2022	741	74	815
2023-2027	3,383	157	3,540
Total notes and loans	<u>\$ 6,952</u>	<u>\$ 664</u>	<u>\$ 7,616</u>

ACCELA Enterprise permit tracking and land management software system loan payable

On September 13, 2016, the City entered into a Technology Lease-Purchase Agreement with Government Capital Corporation to provide \$5,190 financing for the procurement of the Accela, Inc. software, programming, maintenance, support, licenses and project implementation services for the replacement of the Citywide enterprise permit tracking and land management system. The loan bears interest at 2.48% per annum for a term of 5 years. Principal and interest payments of \$1,090 are due annually beginning on September 22, 2016, until September 22, 2020. The outstanding balance at June 30, 2017 was \$4,101. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 989	\$ 100	\$ 1,089
2019	1,012	77	1,089
2020	1,037	52	1,089
2021	1,063	26	1,089
Total notes and loans	<u>\$ 4,101</u>	<u>\$ 255</u>	<u>\$ 4,356</u>

Network Core Equipment loan payable

On January 10, 2017, the City entered into a lease purchase agreement with DeLage Landan Public Finance, LLC to provide \$723 financing for the replacement of the Citywide Network Core system. The loan is payable over 3 years with an annual payment of \$251. At June 30, 2017, the total debt service to maturity of the the loan was \$502.

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 241	\$ 10	\$ 251
2019	246	5	251
Total notes and loans	<u>\$ 487</u>	<u>\$ 15</u>	<u>\$ 502</u>

BUSINESS-TYPE ACTIVITIES:**BONDS PAYABLE**

	Date Issued	Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Outstanding 6/30/2017
Electric Utility					
2009 Revenue Bonds	3/10/2009	10/1/2039	3.0%-5.25%	\$ 70,000	\$ 3,020
2011 Revenue Bonds	5/11/2011	10/1/2036	3.0%-5.375%	90,390	88,565
2012 Revenue Bonds	9/19/2012	10/1/2031	3.125%-5%	92,130	92,130
2014 Revenue Bonds	10/8/2014	10/1/2035	2.0%-5.0%	109,350	94,745
2015A Revenue Bonds	4/21/2015	10/1/2045	Variable ^a	50,000	50,000
2015B Revenue Bonds	7/21/2015	10/1/2035	3.0%-5.0%	92,865	89,020
2016A Revenue Bonds	10/19/2016	10/1/2041	3.0%-5.0%	219,285	219,285
2016B Revenue Bonds	10/19/2016	10/1/2028	0.80%-2.71%	69,780	68,460
Total					705,225
Unamortized bond premiums/discounts, net					65,314
Total Electric Utility					770,539
Water Utility					
2008 Revenue Bonds	7/9/2008	10/1/2038	4.0%-5.0%	48,580	795
2010 Revenue Bonds	10/28/2010	10/1/2040	2.0%-4.75%	34,525	33,475
2015 Revenue Bonds	4/21/2015	10/1/2045	2.0%-5.0%	95,885	93,535
2016-A Revenue Bonds	10/19/2016	10/1/2046	2.0%-5.0%	35,225	34,465
Total					162,270
Unamortized bond premiums/discounts, net					16,530
Total Water Utility					178,800
Sanitation Utility					
2007 Revenue Bonds	5/23/2007	2/1/2039	3.9%-5.0%	47,710	40,490
Unamortized bond premium					815
Total Sanitation					41,305
Convention, Sports & Entertainment Venues					
2008 Lease Revenue					
Refunding Bonds	12/10/2008	8/1/2019	3.0%-5.0%	45,847	15,234
2014 Lease Revenue					
Bonds	11/14/2014	5/1/2046	0.4%-5.0%	230,971	213,626
Total					228,860
Unamortized bond premiums/discounts, net					15,896
Total Convention, Sports & Entertainment Venues					244,756
Total business-type activities bonds				\$1,332,543	\$1,235,400

^a S IFMA (Municipal Swap Index) rate up to the period ending April 2, 2018. During this period, The interest is calculated weekly based on SIFMA index rate and a base SIFMA spread of 0.50%. On April 2, 2018, these bonds are subject to mandatory tender for purchase or conversion to a fixed rate. IFMA (Municipal Swap Index) rate up to the period ending April 2, 2018. During this period, The interest is calculated weekly based on SIFMA index rate and a base SIFMA spread of 0.50%. On April 2, 2018, these bonds are subject to mandatory tender for purchase or conversion to a fixed rate.

Bonds Payable - Electric Utility

The City's Electric Utility has pledged future electric revenues, net of certain costs, to repay a total of \$1,090,518 outstanding long-term obligations, principal and interest. Proceeds from bonds provided financing for various capital improvements, primarily distribution assets. The Electric Utility's bonds are payable solely from electric customer net revenues and are payable through 2047. At June 30, 2017, the annual principal and interest payments on the bonds, excluding early bond retirements, were 46.7% of net revenues. Principal and interest paid for the current fiscal year and total net revenues were \$47,898 and \$102,611 respectively.

Bond debt service requirements to maturity for the Electric Utility to be paid from revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2018	\$ 20,845	\$ 31,441	\$ 52,286
2019	21,660	30,616	52,276
2020	25,585	29,601	55,186
2021	26,755	28,466	55,221
2022	29,445	27,227	56,672
2023-2027	162,235	114,719	276,954
2028-2032	180,740	77,236	257,976
2033-2037	163,685	35,477	199,162
2038-2042	52,145	9,056	61,201
2043-2047	22,130	1,454	23,584
Total	705,225	385,293	1,090,518
Unamortized bond premiums/discounts, net	65,314		65,314
Total bonds	\$ 770,539	\$ 385,293	\$ 1,155,832

Bonds Payable - Water Utility

The City's Water Utility has pledged future revenues from the sale of water, net of certain costs, to repay a total of \$286,252 for outstanding long-term obligations, principal and interest. Proceeds from bonds provided financing for various capital improvements, primarily distribution assets. The bonds are payable solely from water net revenues and are payable through 2047. At June 30, 2017, the annual principal and interest payments on the bonds were 62.9% of net revenues. Principal and interest paid for current fiscal year and total net revenues were \$10,195 and \$16,197 respectively.

Bond debt service requirements to maturity for the Water Utility to be paid from revenues are as follows:

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<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,370	\$ 7,638	\$ 11,008
2019	3,490	7,519	11,009
2020	3,640	7,369	11,009
2021	3,810	7,199	11,009
2022	3,985	7,025	11,010
2023-2027	22,790	32,084	54,874
2028-2032	28,815	25,660	54,475
2033-2037	35,785	18,180	53,965
2038-2042	38,145	9,143	47,288
2043-2047	18,440	2,165	20,605
Total	162,270	123,982	286,252
Unamortized bond premiums/discount,	16,530		16,530
Total bonds	<u>\$ 178,800</u>	<u>\$ 123,982</u>	<u>\$ 302,782</u>

Bonds Payable – Sanitation Utility

The City's Sanitation Utility has pledged future sanitation system net revenues to pay a total of \$65,935 for revenue bonds issued in May 2007. Proceeds from the bonds provided financing for capital improvements to the sanitation sewer collection system. The bonds are payable solely from system net revenues and are payable through February 2039. At June 30, 2017, total principal and interest payments on the bonds were less than 38.7% of net revenues. Total principal and interest paid and total system net revenues for the current fiscal year were \$2,999 and \$7,742 respectively.

Bond debt service requirements to maturity for the Sanitation Utility to be paid from revenues are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,095	\$ 1,902	\$ 2,997
2019	1,145	1,853	2,998
2020	1,190	1,805	2,995
2021	1,245	1,750	2,995
2022	1,310	1,688	2,998
2023-2027	7,560	7,424	14,984
2028-2032	9,445	5,544	14,989
2033-2037	11,910	3,078	14,988
2038-2039	5,590	401	5,991
Total	40,490	25,445	65,935
Unamortized bond premium	815		815
Total bonds	<u>\$ 41,305</u>	<u>\$ 25,445</u>	<u>\$ 66,750</u>

Bonds Payable – Convention, Sports & Entertainment Venues

Bond debt service requirements to maturity for the Convention, Sports & Entertainment Venues to be paid from revenues are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,844	\$ 11,317	\$ 16,161
2019	5,095	11,074	16,169
2020	6,355	10,814	17,169
2021	2,400	10,628	13,028
2022	3,890	10,508	14,398
2023-2027	25,614	49,132	74,746
2028-2032	32,689	42,056	74,745
2033-2037	41,718	33,025	74,743
2038-2042	53,245	21,499	74,744
2043-2046	53,010	6,788	59,798
Total	228,860	206,841	435,701
Unamortized bond premium/discounts, net	15,896		15,896
Total bonds	<u>\$ 244,756</u>	<u>\$ 206,841</u>	<u>\$ 451,597</u>

NOTES AND LOANS PAYABLE

Note Payable – Electric Utility

On March 1, 2013, the Public Utility Department entered into a Revolving Credit Agreement (Agreement) with Wells Fargo Bank, National Association for a note amount not to exceed \$100,000, of which \$86,000 is made available for the Electric Utility and \$14,000 for the Water Utility. The note has a three year term at variable interest rate based on the LIBOR Daily Index Rate and a spread. The annual commitment fee is 0.175% of the total note amount of \$100,000.

On January 1, 2016, upon expiration of the Agreement, the Public Utility Department and Wells Fargo Bank National Association entered into a new revolving credit Agreement for the same term with a maturity date of January 28, 2021.

On July 13, 2013, the Electric Utility used \$44,000 from the proceeds of the Revolving Credit Agreement (Agreement) with Wells Fargo Bank, National Association to retire the outstanding principal balance of \$60,205 of the 2002-B Electric Revenue Bonds.

During fiscal year 2017, the Electric Utility repaid the entire remaining outstanding principal balance of \$13,200 of the tax-exempt note.

Note Payable – ARTIC Management**Anaheim Regional Transportation Intermodal Center (ARTIC) Land Acquisition Loan payable**

In July 2012, the City entered into an agreement with the Orange County Transportation Authority (OCTA) for the Purchase and Sale of a 13.58 acres real property located at 1750 South Douglass Road in Anaheim. The purchase price for the site is \$32,500. The City paid \$1,000 at the close of escrow and the remaining \$31,500 will be payable to OCTA over 13 years and bears 2% simple interest per annum. Annual principal payments are due on or before July 10th each year commencing 2012. The payment of accrued interest is deferred until equal payments of \$1,883 are due and payable on or before July 10, 2024 and July 10, 2025. The loan is payable with the Anaheim Tourism Improvement Special District (ATID) special assessments and Measure M2 Local Fair Share funds. OCTA will retain payments from Anaheim's "Local Fair Share" funds allocated by OCTA under Measure M2 each year until the final payment is made on July 10, 2025. At June 30, 2017, accrued interest payable for the ARTIC loan was \$2,635. The City may elect to provide alternative funding from other City funds for transportation related purposes, such as gas tax funds. At June 30, 2017, the outstanding balance of the ARTIC loan was \$20,000. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,500		\$ 3,500
2019	3,500		3,500
2020	3,500		3,500
2021	3,500		3,500
2022	4,000		4,000
2023-2026	2,000	\$ 3,765	5,765
Total notes and loans	\$ 20,000	\$ 3,765	\$ 23,765

800 Megahertz Communication Equipment loan payable

Portion of the 800 Megahertz Communication Equipment financing were allocated to The Electric Utility, the Sanitation Utility and the Convention, Sports & Entertainment Venues. Loan debt service requirements to maturity are as follows:

<u>Electric Utility</u>			
<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 29	\$ 6	\$ 35
2019	30	5	35
2020	30	4	34
2021	31	4	35
2022	32	3	35
2023-2027	149	7	156
Total notes and loans	\$ 301	\$ 29	\$ 330

Sanitation Utility**Fiscal Year Ending 6/30**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 19	\$ 4	\$ 23
2019	19	3	22
2020	20	3	23
2021	20	2	22
2022	21	2	23
2023-2027	97	5	102
Total notes and loans	\$ 196	\$ 19	\$ 215

Convention, Sports & Entertainment Venues**Fiscal Year Ending 6/30**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2		\$ 2
2019	2		2
2020	3		3
2021	3	\$ 1	4
2022	3	1	4
2023-2027	13	1	14
Total notes and loans	\$ 26	\$ 3	\$ 29

ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt, and requires the City to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of the City's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. The City has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At June 30, 2017, the arbitrage rebate liability for governmental and business-type activities was zero and \$134, respectively.

COMPLIANCE WITH DEBT COVENANTS

There are various limitations and restrictions contained in the City's bonds and certificates of participation indentures. The City believes they are in compliance with all significant limitations and restrictions.

DEBT ISSUANCES**City - Debt Issuance**

On September 13, 2016, the City issued a loan payable of \$5,190 at an interest rate of 2.48% with Government Capital Corporation to provide financing for the acquisition and implementation of the citywide enterprise permit tracking and land management system to replace the existing Tidemark system. Loan debt service to

maturity through fiscal year 2020 will be \$5,448. The City has recorded the loan proceed in the Information and Communication Services Internal Service Fund. The loan will be repaid from unrestricted revenue sources of the Information and Communication Services Internal Service Fund.

On November 30, 2016, the City issued a loan payable of \$6,840 at an interest rate of 1.87% under the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp., The loan provides financing for the acquisition of the 800 Megahertz mobile radio equipment. Total debt service to maturity through fiscal year 2026 will be \$7,531. The City has recorded the loan proceed in the Other Capital Project nonmajor capital project fund (\$6,125), the Internal Service Fund (\$110), the Electric Utility (\$315), the Sanitation Utility (\$205) and the Convention, Sports & Entertainment Enterprise Funds (\$27). The Metro Cities Fire Authority (Joint Venture) was allocated \$58. The loan will be repaid from unrestricted revenue sources from the respective Funds.

On January 10, 2017, the City issued a loan payable of \$723 with DeLage Landen Public Finance LLC, payable over three years, to provide financing for the replacement of the Citywide Network Core system. The City has recorded the loan proceed in the Information and Communication Services Internal Service Fund. The loan will be repaid from unrestricted revenue sources of the Information and Communication Services Internal Service Fund.

Electric Utility - Debt Issuances

On October 19, 2016, the Electric Utility issued Anaheim Housing and Public Improvement Bonds Series 2016-A and 2016-B in the principal amount of 289,065 at a premium of \$35,183. The Bonds are being issued to provide \$100,000 financing for the capital improvements related to the Electric Utility distribution system, to refund the outstanding principal balances of the 2007 Electric Revenue Bonds (\$146,720), partially refunded the 2009 Electric Revenue Bonds (\$58,260), and to fund debt service reserve funds and cost of issuance. The true interest costs are 3.71% and 2.38% for the 2016-A and 2016-B respectively. The Electric Utility reduced its total debt service payments over the life of the refunded bonds by \$39,948 and obtained an economic gain of \$29,647. Total debt service to maturity through fiscal year 2047 will be \$484,113.

The bond proceeds, net of premium and along with \$15,288 of the previous debt service reserve and bond funds totaled \$339,536 were deposited as follows:

	2016-A	2016-B	Total
Project Fund	\$ 100,000		\$ 100,000
Debt Service	18,399	\$ 5,855	24,254
Cost of issuance fund	843	263	1,106
Deposited in escrow for the refundings of:			
2007 Electric Revenue Bonds	78,868	70,891	149,759
2009 Electric Revenue Refunding Bonds	64,417		64,417
Total	<u>\$ 262,527</u>	<u>\$ 77,009</u>	<u>\$ 339,536</u>

Water Utility - Debt Issuances

On October 19, 2016, the Water Utility issued Anaheim Housing and Public Improvements Authority Revenue Bonds Series 2016-A in the principal amount of \$35,225 at a premium of \$5,230. The true interest cost is 3.82%. The proceeds of \$40,000 will be used for capital improvements related to the transmission, distribution and storage system of the Water Utility and \$450 to pay for cost of issuance. Total debt service to maturity through fiscal year 2047 will be \$65,458.

DEBT RETIREMENTS

City

On September 28, 2016, the City repaid the total outstanding principal and accrued interest of the General Obligation bond from the collection of ad valorem taxes. Total principal and interest paid was \$714.

Electric Utility

On October 28, 2016, the Electric Utility repaid the total outstanding principal balance of the Wells Fargo revolving Line of Credit. Total principal and interest paid during the fiscal year was \$13,448.

Debt Defeased

The City defeased the following bonds prior to June 30, 2017:

	Outstanding 6/30/2017
Electric Utility	
2009A Electric Revenue Bonds	\$ 58,260
Water Utility	
Series 2008 Water System Revenue Bonds	\$ 46,595

In the refunding, the proceeds of the refunding issue were placed in irrevocable escrow accounts and invested in government securities that, together with interest earnings thereon, will provide amounts sufficient for future payments of interest and principal on the issues refunded. Refunded debt is not included in the City's accompanying basic financial statements as the City has satisfied its obligation through the in-substance defeasance of these issues.

CONDUIT FINANCINGS

City

The City has entered into two conduit financings on behalf of a community care provider facility and one to facilitate the management agreement for the Honda Center (formerly the Arrowhead Pond) of Anaheim. In accordance with applicable agreements, the City has no obligation for debt service payments and therefore, the debt is not reflected in the accompanying basic financial statements. Bonds payable and certificates of participation related to conduit financings outstanding at June 30, 2016, were as follows:

	Date Issued	Final Maturity	Amount Issued	Outstanding 6/30/2017
1993 Anaheim Memorial Hospital Association	10/15/1993	5/15/2020	\$ 46,690	\$ 8,995
2003 Anaheim Arena Financing Project	12/11/2003	6/1/2023	42,600	22,500
Total			<u>\$ 89,290</u>	<u>\$ 31,495</u>

Anaheim Housing Authority

The Anaheim Housing Authority has entered into conduit debt financings on behalf of various developers to assist with the acquisition, construction, equipping, rehabilitation and refinancing of multifamily residential rental projects within the City of Anaheim. In accordance with the bond documents, neither the City nor the Housing Authority has an obligation for debt service payments and therefore, the debt is not reflected in the accompanying basic financial statements. Housing Authority revenue bonds related to conduit financings outstanding at June 30, 2017, were as follows:

	Date Issued	Final Maturity	Amount Issued	Outstanding 6/30/2017
Heritage Village Apartments	11/12/1992	7/15/2033	\$ 8,485	\$ 5,485
Sage Park Project	11/11/1998	11/1/2028	5,500	5,500
Park Vista Apartments	7/24/2000	7/1/1933	27,180	27,180
Solara Court Apartments	11/1/2004	12/1/1934	8,200	4,983
Bel Age Manor Apartments	2/1/2008	2/1/1944	22,350	19,781
Pradera Apartments (Lincoln Anaheim) Phase B	5/15/2009	4/15/1939	23,217	7,740
Anton Monaco Apartments	12/14/2012	1/1/2046	35,460	34,532
Crossings at Cherry Orchard Apartments Tranche A	8/23/2012	12/1/2044	9,365	1,078
Crossings at Cherry Orchard Apartments Tranche B	8/23/2012	12/1/2029	2,985	2,624
Paseo Village Apartments	2/28/2013	9/1/2045	19,750	12,615
Village Center Apartments	8/7/2014	3/1/2047	15,000	15,000
Pebble Cove Apartments Series A	8/19/2015	9/1/2031	13,000	12,844
Pebble Cove Apartments Taxable Subordinate Series 2015A	8/1/2015	8/1/2055	3,550	3,550
Hermosa Village Apartments Phase 1 Series A-1	12/28/2016	7/1/2049	34,169	34,169
Hermosa Village Apartments Phase 1 Series A-2	12/28/2016	7/1/2049	6,859	6,859
Miracle Terrace Apartments Series B-1	1/10/2017	2/1/2050	26,555	26,555
Miracle Terrace Apartments Series B-2	1/10/2017	2/1/2020	11,445	11,445
Cobblestone Apartments Series A-1	3/14/2017	10/1/2054	6,185	6,185
Cobblestone Apartments Series A-2	3/14/2017	10/1/2019	2,435	2,435
Sea Wind Apartments Series B-1	3/14/2017	10/1/2054	11,015	11,015
Sea Wind Apartments Series B-2	3/14/2017	10/1/2019	4,340	4,340
Total			<u>\$ 297,045</u>	<u>\$ 255,915</u>

FIDUCIARY FUNDS

Successor Agency

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Within One Year
Bonds payable	\$ 199,765		\$ (5,805)	\$ 193,960	\$ 8,205
premium/(discount), net	2,275		(243)	2,032	
Notes and loans payable	6,189		(357)	5,832	396
Due to City of Anaheim	16,020		(4,410)	11,610	1,023
Pollution remediation liability	18,462		(574)	17,888	359
Net pension liability	7,845		(7,845)		
	<u>\$ 250,556</u>	<u>\$</u>	<u>\$ (19,234)</u>	<u>\$ 231,322</u>	<u>\$ 9,983</u>

Bonds Payable

2007 Tax Allocation Refunding Bonds

The Successor Agency will repay a total of \$278,507, principal and interest, for the outstanding 2007 tax allocation bonds issued in December 2007 from the semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations. Proceeds from the bonds provided financing for public improvements related to the merged project areas, for the supply of low-and moderate-income housing within the City, to repay certain Redevelopment Agency loan obligations and to advance refund the 1992, 1997 and 2000 bonds. The bonds bear interest at rates ranging from 4.25% to 6.50% and are payable through February 2031. During the fiscal year ended June 30, 2017, total principal and interest paid was \$15,915.

Debt service requirements to maturity for 2007 Tax Allocation bonds are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2018	\$ 7,955	\$ 10,053	\$ 18,008
2019	8,340	9,662	18,002
2020	8,800	9,204	18,004
2021	9,290	8,720	18,010
2022	9,800	8,208	18,008
2023-2027	63,195	32,671	95,866
2028-2031	81,390	11,219	92,609
Total	<u>188,770</u>	<u>89,737</u>	<u>278,507</u>
Unamortized bond premium/discounts, net	2,032		2,032
Total bonds	<u>\$ 190,802</u>	<u>\$ 89,737</u>	<u>\$ 280,539</u>

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2010 Recovery Zone Economic Development Bonds

The Successor Agency will repay a total of \$8,090, principal and interest, outstanding Recovery Zone Economics Development Bonds issued in October 2010 from the semi-annual RPTTF revenue allocations. Proceeds from the bonds provided financing for public improvements related to the merged project areas. The bonds bear interest at rates ranging from 1.44% to 6.22% and are payable through February 2031. During the fiscal year ended June 30, 2017, total principal and interest paid was \$577.

Debt service requirements to maturity for 2010 Recovery Zone Development bonds are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 250	\$ 326	\$ 576
2019	265	314	579
2020	280	301	581
2021	290	286	576
2022	310	270	580
2023-2027	1,840	1,049	2,889
2028-2031	1,955	354	2,309
Total bonds	<u>\$ 5,190</u>	<u>\$ 2,900</u>	<u>\$ 8,090</u>

Notes and Loans Payable

Savi Ranch Associates note payable

In July 1989, the former Redevelopment Agency executed a note with Savi Ranch Associates, a California general partnership. The amount of the note totaled \$2,707 and bears interest at 9.5% per annum. The note is payable from net property tax increment as defined in the Redevelopment Agency note. If there is insufficient RPTTF revenue to pay for principal and interest at the termination of the River Valley project area plan in November 2031, the note ceases to be an obligation of the Successor Agency. For the fiscal year ended June 30, 2017, total interest paid was \$396.

Contractual obligations

As part of the Redevelopment Agency's economic development program to attract and retain businesses in the City, the former Redevelopment Agency has entered into various contractual obligations to reimburse tenant improvement costs to be paid from property tax increment revenues (thereafter RPTTF). At June 30, 2017, the outstanding balance of these obligations totaled \$60.

In December 1992, the former Redevelopment Agency has entered into an agreement with California State Teachers Retirement System (CALSTRS), to share in the development costs of the Plaza Redevelopment Project. In March 2004,

CALSTRS assigned the agreement to the new owners, Pan Pacific Retail Properties, Inc. (PPRP). In October 2006, Kimco Realty Corporation (KRC) acquired PPRP including the assumption of the assigned plaza project agreement. The KRC participation note bears 7% simple interest rate, and has a maximum term of 25 years. The Successor Agency's obligation to repay the note is entirely contingent on the revenues generated by the project. The note will be forgiven at the end of the term whether or not the entire amount has been repaid. At June 30, 2017, the outstanding balance of the participation note was \$3,065.

Debt service requirements to maturity for the Successor Agency notes payable and contractual commitments to be paid from future RPTTF revenues are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 396	\$ 614	\$ 1,010
2019	438	600	1,038
2020	483	583	1,066
2021	1,809	456	2,265
2022		459	459
2023-2027	640	1,868	2,508
2028-2032	2,066	579	2,645
Total notes and loans	<u>\$ 5,832</u>	<u>\$ 5,159</u>	<u>\$ 10,991</u>

Due to the City of Anaheim

The Successor Agency will repay a total of \$6,845 outstanding long-term obligations, principal and interest, from the semi-annual RPTTF revenue allocations for the \$10,000 Cooperation Agreement dated April 1, 2003, between the former Redevelopment Agency and the City, whereby the City assisted the former Agency with the development of the Anaheim Westgate Center (Westgate project) utilizing \$10,000 of funds from the HUD Section 108 loan. This Cooperation Agreement obligation (HUD Section 108 loan) bears interest ranging from 1.74% to 5.97% and is payable semi-annually through August 2023. At June 30, 2017, outstanding principal due to the City for the Westgate project obligation was \$5,702. Principal and interest paid for the current fiscal year were \$1,012.

The Successor Agency will repay a total of \$6,490 outstanding long-term obligations, principal and interest, from the semi-annual RPTTF revenue allocations for the \$7,000 Cooperation Agreement dated June 2010 between the former Redevelopment Agency and the City, whereby the City assisted the former Redevelopment Agency with the rehabilitation of the historic Packing House site utilizing proceeds from the HUD Section 108 loan. This Cooperation Agreement obligation (HUD 108 Section loan) bears interest ranging from 1.68% to 3.98% and is payable over 20 years beginning on February 1, 2011 through August 1, 2030. As of June 2017, the outstanding principal due to the City for the Packing House site project obligation was \$5,024. Principal and interest paid for the current fiscal year were \$553.

In 2013, the Successor Agency entered into a Cooperative Agreements with the City whereby the City assisted the Successor Agency by providing a loan of \$1,563 to finance various Successor Agency projects. The Successor Agency will repay the City from future RPTTF revenue allocation. At June 30, 2017, the outstanding balance of these loan are \$884.

Westgate Pollution Remediation Obligation

In June 2003, the former Redevelopment Agency acquired property located at 2951 West Lincoln Avenue as part of a redevelopment project named the Westgate project. Approximately 11 acres of the property were formerly known as the Sparks and Rains Landfills. The County of Orange was the operator of these landfills until 1960. In November 2008, the County paid the Redevelopment Agency \$5,176 in settlement of claims related to the pollution remediation for the Westgate project site prior to the development of a shopping center. The total costs of the pollution remediation work amounted to \$12,420 based on actual contract received for the project. During the year ended June 30, 2015, management identified potential additional pollution remediation costs including ongoing maintenance responsibilities required for the Westgate project amounting to \$18,576. At June 30, 2017, the pollution remediation liability is estimated to be \$17,888.

Unfunded net pension liability

In May 2017, the California Department of Finance (DOF) has denied the Successor Agency's request to make any payment towards its unfunded pension liability. The DOF has taken this position across successor agencies statewide. As a result, the Successor Agency can not pay any of its unfunded pension obligation and this liability was assumed by the City. The Successor Agency has petitioned a lawsuit against the DOF in its decision of denying the unfunded pension obligation and this case is currently under judicial review.

Mello-Roos Community Facilities Districts

The City issued special tax bonds to finance construction in various Community Facilities Districts. These bonds were authorized pursuant to the Mello-Roos Community Facilities Act of 1982. The bonds are payable from a special assessment tax and are non-recourse bonds secured by the properties. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision of either of the foregoing is pledged to the payment of the bonds. The bonds are not general or special obligations of the City, nor do they contain any credit enhancements that secondarily pledge existing or future resources of the City, accordingly they are not reflected in the accompanying basic financial statements. The City is acting as agent only for the property owners in collecting the special assessments and forwarding the collections to the fiscal agent. This activity is recorded in an agency fund in the basic financial statements.

At June 30, 2017, the City has the following outstanding Mello-Roos special tax bonds:

	Outstanding 6/30/2017
CFD 06-02	\$ 7,540
CFD 08-01	60,000
Total	<u>\$ 67,540</u>

In February 2007, the City issued \$9,060 in special tax bonds to finance a portion of the cost of acquisition and construction of facilities in the Platinum Triangle of Anaheim, Community Facility District 06-2. Stadium Loft. On August 10, 2016, the outstanding balance of \$7,680 of the 2007 special tax bonds were refunded by Special Tax Refunding Bonds, Series 2016, CFD 06-02, in the principal amount of \$7,540 and at a premium of \$91. The City reduced the CFD 06-2 total debt service payments over the life of the refunded bonds by \$1,989 with a present value savings of \$1,352. The true interest cost is 2.89% payable semi-annually commencing from March 1, 2017 through September 1, 2037. Total debt service is \$10,181 to maturity.

In August 2010, the City issued \$28,630 in special tax bonds, Series 2010 to finance a portion of the cost of acquisition and construction of facilities in the Platinum Triangle of Anaheim, Community Facility District 08-1 and to fund a reserve fund for the Series 2010 Bonds. On August 10, 2016 the City issued Special Tax Bonds, Series 2016, CFD 08-1 in the principal amount of \$60,000 and at a premium of \$5,923. The bonds are being used to provide financing for acquisition and construction of certain public facilities necessary for the continued development of the District, and to refund \$22,730 outstanding principal of the CFD 08-1, Special Tax Bonds, Series 2010. The City reduced the CFD 08-1 total debt service payments over the life of the refunded bonds by \$13,325 with a present value savings of \$8,649. The true interest cost is 3.38% payable semiannually commencing from March 1, 2017 through September 1, 2037. Total debt service is \$110,392 to maturity.

NOTE 9 – SEGMENT INFORMATION:

The Sanitation Utility Fund issued revenue bonds to finance sewer system expansion and improvements. The Sanitation Utility Fund accounts for three activities: solid waste collection, wastewater, and street cleaning. However, investors in the revenue bonds rely solely on revenue generated through wastewater activities for repayment. Summary financial information for wastewater activities is presented below:

Condensed Statement of Net Position

Assets	
Cash and cash equivalents	\$ 7,368
Investments	21,879
Other current assets	1,781
Restricted cash and cash equivalents	8,629
Restricted investments	5,422
Capital assets, net	104,324
Total assets	<u>149,403</u>
Deferred outflows of resources - deferred pension	<u>1,855</u>
Liabilities	
Current liabilities	1,289
Current liabilities payable from restricted assets	1,650
Noncurrent liabilities	46,603
Total liabilities	<u>49,542</u>
Deferred inflows of resources - deferred pension	<u>675</u>
Net Position	
Net investment in capital assets	62,824
Restricted for debt services	460
Restricted for capital projects	12,357
Unrestricted	25,400
Total net position	<u>\$ 101,041</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Waste water fees (pledged against bonds)	\$ 12,889
Other revenues	882
Depreciation and amortization	(2,216)
Other operating expenses	(6,252)
Total operating Income	<u>5,303</u>
Nonoperating income(expenses)	
Interest income	223
Interest expense	(1,427)
Loss on disposal of capital assets	(15)
Transfer out	(501)
Total nonoperating expense	<u>(1,720)</u>
Change in net position	3,583
Net position at beginning of year	97,458
Net position at end of year	<u>\$ 101,041</u>

Condensed Statement of Cash Flows

Net cash provided by (used for):	
Operating activities	\$ 7,465
Noncapital financing activities	(501)
Capital and related financing activities	(7,304)
Investing activities	(1,598)
Net decrease	<u>(1,938)</u>
Beginning cash and cash equivalents	17,935
Ending cash and cash equivalents	<u>15,997</u>

Reconciliation of cash and cash equivalents

Cash and cash equivalent	7,368
Restricted cash and cash equivalent	8,629
Total cash and cash equivalent	<u>\$ 15,997</u>

NOTE 10 - PENSIONS:General information about the Pension PlansPlan Description

The City provides pension benefits to eligible full-time employees in three separate pension plans: Miscellaneous Plan, Police Safety Plan and Fire Safety Plan. These plans are agent multiple-employer public employee defined benefit plans and are administered through the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. 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 @www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-65
Monthly benefits, as a % of eligible compensation	2.70%	2.00%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	28.415%	28.415%

	Police Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.70%
Required employee contribution rates	9.00%	12.00%
Required employer contribution rates	39.784%	39.784%

	Fire Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0%-2.7%
Required employee contribution rates	9.00%	10.75%
Required employer contribution rates	41.876%	41.876%

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellan- eous	Police Safety	Fire Safety
Inactive employees or beneficiaries currently receiving benefits	1,972	539	297
Inactive employees entitled to but not yet receiving benefits	1,493	65	49
Active employees	1,670	400	199
Total	5,135	1,004	545

Contributions

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

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The City pays a certain percentage of the Participant contribution. The following table summarizes the required contribution rates by employee and employer effective for fiscal year 2017. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Employee Group	CalPERS ¹ Membership	Retirement Formula	Employee Rate		Employer Rate		Total Rate
			Employee	City	Employee ²	City	
Miscellaneous Employees							
Management	Classic	2.7% @ 55	8.000%	0.000%	4.000%	24.415%	36.415%
	New	2.0% @ 62	6.750%	0.000%	0.000%	28.415%	35.165%
AMEA General	Classic	2.7% @ 55	8.000%	0.000%	4.000%	24.415%	36.415%
AMEA Clerical	New	2.0% @ 62	6.750%	0.000%	0.000%	28.415%	35.165%
I.B.E.W.	Classic	2.7% @ 55	8.000%	0.000%	4.000%	24.415%	36.415%
Confidential	New	2.0% @ 62	6.750%	0.000%	0.000%	28.415%	35.165%
APA Trainees	Classic	2.7% @ 55	8.000%	0.000%	4.000%	24.415%	36.415%
	New	2.0% @ 62	6.750%	0.000%	0.000%	28.415%	35.165%
Safety Employees							
Fire & Rescue Management	Classic	3% @ 50	9.000%	0.000%	3.000%	38.876%	50.876%
AFA	Classic	2% @ 50	9.000%	0.000%	3.000%	38.876%	50.876%
	New	2.7% @ 57	10.750%	0.000%	0.000%	41.876%	52.626%
Police Management	Classic	3% @ 50	9.000%	0.000%	3.000%	36.784%	48.784%
APMA, APA	New	2.7% @ 57	12.000%	0.000%	0.000%	39.784%	51.784%

¹ Definition of a 'New' PERS member

A new hire who is brought in CalPERS membership for the first time on or after January 1, 2013, and who has no prior membership in any California public retirement system.

A new hire who is brought into CalPERS membership for the first time on or after January 1, 2013, and who is not eligible for reciprocity with another California public retirement system.

A member who first established CalPERS membership prior to January 1, 2013, and who is rehired by a different CALPERS employer after a break in service of greater than six months.

² PERS Cost Share Caps at 4% for Miscellaneous Classic Employees.

The pension plans (pensions) are recognized in the government-wide financial statements and proprietary funds financial statements on an accrual basis of accounting, while the contributions to the pension plan are recognized as expenditures on modified accrual basis of accounting on the governmental fund statements.

The net pension liability in the Statement of Net Position represents the City's excess of the total pension liability over the fiduciary net position reflected on the Valuation Reports provided by CalPERS. The net pension liabilities is measured as of the City's prior fiscal year. Changes in net pension liability are recorded as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which the difference incurred.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2016. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2015 and were rolled forward to determine the June 30, 2016 total pension liability. Fiduciary net position is based on fair value of investments as of June 30, 2016.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions:

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016
Reporting Date (RD)	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses, includes 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 Actuary.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10

years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by CalPERS effective July 1, 2015.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 ¹</u>	<u>Real Return Years 11+ ²</u>
Global Equity	47.00%	5.25 %	5.71 %
Global Fixed Income	19.00%	0.99 %	2.43 %
Inflation Sensitive	6.00%	0.45 %	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)%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.65% to 7.15% (including administrative expenses) effective July 1, 2017 over three year period. As shown on page 80, a similar reduction to the discount rate in accordance with GASB Statement No 68 will increase the net pension liability. This increase will be amortized over the expected remaining service lives of all employees provided by benefits through the pension plans.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Difference between projected and actual earnings on investments 5 year straight-line amortization

All other amounts

Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

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Change in the Net Pension Liability

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position.

The following table shows the changes in net pension liability for each Plan recognized over the measurement period:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Miscellaneous Plan:			
Balance at June 30, 2015 (VD)	\$ 1,224,619	\$ 898,392	\$ 326,227
Changes recognized for the Measurement Period:			
Service Cost	19,841		19,841
Interest on the Total Pension Liability	89,941		89,941
Changes of Assumptions			
Difference between Expected and Actual Experience	(28,822)		(28,822)
Plan to Plan Resource Movement		(34)	34
Contribution from the Employer		31,595	(31,595)
Contributions from Employees		9,812	(9,812)
Net Investment Income		4,556	(4,556)
Benefit Payments, including Refunds of Employee Contributions	(60,039)	(60,039)	
Administrative Expenses		(548)	548
Net Changes during 2015-2016	20,921	(14,658)	35,579
Balance at 6/30/2016 (MD)	\$ 1,245,540	\$ 883,734	\$ 361,806
Police Safety Plan:			
Balance at June 30, 2015 (VD)	\$ 647,408	\$ 499,012	\$ 148,396
Changes recognized for the Measurement Period:			
Service Cost	13,551		13,551
Interest on the Total Pension Liability	49,349		49,349
Changes of Assumptions			
Difference between Expected and Actual Experience	6,919		6,919
Plan to Plan Resource Movement			
Contribution from the Employer		17,527	(17,527)
Contributions from Employees		4,726	(4,726)
Net Investment Income		2,607	(2,607)
Benefit Payments, including Refunds of Employee Contributions	(32,039)	(32,039)	
Administrative Expenses		(304)	304
Net Changes during 2015-2016	37,780	(7,483)	45,263
Balance at 6/30/2016 (MD)	\$ 685,188	\$ 491,529	\$ 193,659

Fire Safety Plan:

Balance at June 30, 2015 (VD)

Changes recognized for the Measurement Period:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at June 30, 2015 (VD)	\$ 383,379	\$ 289,566	\$ 93,813
Changes recognized for the Measurement Period:			
Service Cost	5,572		5,572
Interest on the Total Pension Liability	28,550		28,550
Changes of Assumptions			
Difference between Expected and Actual Experience	(2,504)		(2,504)
Plan to Plan Resource Movement			
Contribution from the Employer		9,483	(9,483)
Contributions from Employees		2,328	(2,328)
Net Investment Income		1,449	(1,449)
Benefit Payments, including Refunds of Employee Contributions	(20,907)	(20,907)	
Administrative Expenses		(177)	177
Net Changes during 2015-2016	10,711	(7,824)	18,535
Balance at 6/30/2016 (MD)	\$ 394,090	\$ 281,742	\$ 112,348

Combined Total:

Balance at June 30, 2015 (VD)

Changes recognized for the Measurement Period:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at June 30, 2015 (VD)	\$ 2,255,406	\$ 1,686,970	\$ 568,436
Changes recognized for the Measurement Period:			
Service Cost	38,964		38,964
Interest on the Total Pension Liability	167,840		167,840
Changes of Assumptions			
Difference between Expected and Actual Experience	(24,407)		(24,407)
Plan to Plan Resource Movement		(34)	34
Contribution from the Employer		58,605	(58,605)
Contributions from Employees		16,866	(16,866)
Net Investment Income		8,612	(8,612)
Benefit Payments, including Refunds of Employee Contributions	(112,985)	(112,985)	
Administrative Expenses		(1,029)	1,029
Net Changes during 2015-2016	69,412	(29,965)	99,377
Balance at 6/30/2016 (MD)	\$ 2,324,818	\$ 1,657,005	\$ 667,813

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

The following presents the net pension liability of the City's three Plans of the measurement date, calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plans' Net Pension Liability			
Miscellaneous	\$ 522,604	\$ 361,806	\$ 228,641
Police Safety	285,989	193,659	117,694
Fire Safety	162,529	112,348	70,818
Combine total	<u>\$ 971,122</u>	<u>\$ 667,813</u>	<u>\$ 417,153</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. For the fiscal year ended June 30, 2017, the City recognized pension expense of \$44,920. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 63,272	
Changes of Assumptions		\$ 16,227
Difference between Expected and Actual Experiences	5,231	38,583
Net difference between projected and actual earnings on plan investments	90,566	
Change in proportions	5,495	5,495
Total	<u>\$ 164,564</u>	<u>\$ 60,305</u>

\$63,272 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 measurement year ended June 30, 2017. Amount reported in Deferred inflows of resources related to pensions will be recognized as a component in pension expense as follows:

Measurement Date
Ended June 30

2017	\$ (18,891)
2018	(6,376)
2019	42,545
2020	23,709
Total	<u>\$ 40,987</u>

Payable to the Pension Plans

At June 30, 2017, the City reported a payable of \$2,254 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2017.

NOTE 11 - Other Post-employment Benefits

In addition to the pension benefits described above, the City provides other post employment benefits (OPEB) as a single-employer defined benefit healthcare plan. The OPEB provides medical, dental and life insurance benefits to eligible retirees (hired prior to January 1, 1996, Anaheim Police Association employees hired prior to July 6, 2001, and Anaheim Fire Association employees hired prior to November 9, 2001) in accordance with City Personnel Resolutions and various Memoranda of Understanding. Eligible employees hired after the dates above have access to the City's medical and dental plans but do not receive a defined benefit. There are no separately issued financial statements for the OPEB.

Funding Policy

The contribution requirements of plan members and the City are established in accordance with City Personnel Resolutions and various Memoranda of Understanding. The retired plan members receiving benefits make varying contributions toward the cost of these benefits depending on the retiree's Medicare eligibility, year of hire, age and employee group. Retiree contributions for the fiscal year ended June 30, 2017 were 2.90% of total payroll.

In June 2008, the City joined the California Employer's Retiree Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by PERS. A copy of the aggregated CERBT annual financial report may be obtained @www.calpers.ca.gov.

The City contributes an amount not less than the annual required contribution (ARC) of the employer. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC rate for the fiscal year ended June 30, 2017, was 8.8% of covered payroll.

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost, amount actually contributed to the plan, and changes in the City's net OPEB asset for the fiscal year ended June 30, 2017, are as follows:

ARC	\$	15,937
Interest on net OPEB asset		(819)
Adjustment to ARC		838
Annual OPEB cost	\$	15,956
Contributions made	\$	16,016
Annual OPEB cost		(15,956)
Change in OPEB asset		60
Net OPEB asset - beginning of year		11,244
Net OPEB asset - end of year	\$	11,304

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year ended June 30, 2017 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	OPEB Asset
6/30/2015	\$ 13,192	100.40%	\$ 11,209
6/30/2016	13,686	100.26%	11,244
6/30/2017	15,956	100.38%	11,304

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information in subsequent years, that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

Actuarial Valuation Date	(A) Actuarial Value of Assets (AVA)	(B) Accrued Liability	(C) Unfunded Liability (UL) (B) - (A)	(D) Funded Ratio AVA (A) / (B)	(E) Annual Covered Payroll	(F) UL as a % of Payroll (C) / (E)
7/1/2015	\$ 79,787	\$ 271,243	\$ 191,456	29.4%	\$ 166,522	115.0%

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumption included a 7.28% investment rate of return, an annual healthcare cost trend rate ranging from 7.50% initially and declining to 5.00% by 2022, payroll growth rate of 3.00% per year, and an inflation factor of 2.75%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30-year period. The remaining amortization period as of July 1, 2017, is 21 years.

NOTE 12 – JOINT VENTURES AND JOINTLY-OWNED PROPERTIES**Authority for Orange County - City Hazardous Materials Emergency Response**

The City participates in joint powers authority (JPA), the Authority for Orange County-City Hazardous Materials Emergency Response (Hazmat), for the purposes of responding to, assessing the nature of, and stabilizing any emergency created by the release or threatened release of hazardous materials.

The following entities are members of Hazmat: City of Anaheim and City of Huntington Beach (provider agencies). Members of the Board of Directors (Hazmat Board) consist of one voting Board member and an alternate appointed by the governing body from the provider agencies. Under the Fifth Amendment to the JPA agreement, three representatives from the subscribing agencies are also voting Board Members. The following cities were subscribing agencies: Brea, Costa Mesa, Fountain Valley, Fullerton, Garden Grove, Newport Beach and Orange.

Public entities in Orange County may receive hazardous materials response services from the Hazmat by executing an agreement and paying a fair share contribution. Audited financial information for the joint powers authority as of and for the year ended June 30, 2017, was as follows:

Total assets	\$	250
Total liability		15
Members' equity		235
Total revenues		85
Total expenses		56
Change in net position		29

Hazmat does not have any debt outstanding at June 30, 2017.

The City has no significant equity interest in Hazmat, and accordingly neither assets nor liabilities of Hazmat have been recorded in the City's basic financial statements. For a copy of Hazmat's separate financial statements, contact the Finance Director of the City.

Metro Cities Fire Authority

The City participates in a joint powers authority, Metro Cities Fire Authority (Fire Authority), for the purpose of providing a central communication network and record keeping system to support fire suppression, emergency medical assistance, rescue service, and related services provided by the members of the Fire Authority.

The following entities are members of the Fire Authority: City of Anaheim, City of Brea, City of Fountain Valley, City of Fullerton, City of Garden Grove, City of Huntington Beach, City of Newport Beach, and the City of Orange. Members of the Board of Directors (the "Board") consist of one voting Board member and an alternate appointed by their governing body.

Public entities in Orange County may receive services from the Fire Authority by executing an agreement and paying a fair share contribution. Audited financial information for the Fire Authority as of and for the year ended June 30, 2017, was as follows:

Total assets	\$ 1,749
Total liabilities	233
Members' equity	1,516
Total revenues	6,090
Total expenses	6,111
Change in net position	(21)

The City has no significant equity interest in the Fire Authority, and accordingly neither assets nor liabilities of the Fire Authority have been recorded in the City's basic financial statements. For a copy of the Fire Authority's separate financial statements, contact the Finance Director of the City.

North Net Joint Training Authority

The City participates in a joint powers authority, North Net Training Authority (Authority), for the purpose of providing a joint use of a consolidated Training Center and record keeping system for fire training services.

The following entities are members of the North Net Training Authority: City of Anaheim, City of Garden Grove and City of Orange. Members of the Board of Directors (the "Board") consist of one voting Board member and an alternate appointed by their governing body.

Public entities in Orange County may receive training services from the Authority by executing a "subscription agreement" and by paying the annual fee and other costs.

Audited financial information for the Authority as of and for the year ended June 30, 2016, was as follows:

Total assets	\$ 1,546
Total liabilities	56
Members' equity	1,490
Total revenues	781
Total expenses	896
Change in net position	(115)

Jointly-owned utility plants

The City's Electric Utility owns a 10.04% ownership interest in the coal-fire San Juan Generating Station, Unit 4 (SJ), located near Waterflow, New Mexico. The other participants in SJ and their respective ownership include: Public Service of New Mexico, 45.48%; City of Farmington, New Mexico, 8.48%; County of Los Alamos, New Mexico, 7.20%; and M-S-R Public Power Agency, 28.80%. There are no separate financial statements for this venture, as each participant's interest in the utility plant is included in their respective financial statements. The City's cumulative share of construction costs included in the utility plant at June 30, 2017, amounted to \$84,616.

On July 31, 2015, the Electric Utility and the other Parties involved with the San Juan Generating Plants agreed to a plan for the closure of 2 of the 4 units in New Mexico. As co-owner of one of the units that is not being closed, the Electric Utility are transferring the ownership rights to the parties that will continue in the Plant on December 31, 2017. The Electric Utility has been in discussions with the parties involved in the San Juan Generating Plant for the past several years related to the requirements and costs associated to bringing the plant up to environmental standards being required by the Environmental Protection Agency (EPA) and the State of New Mexico that would have required a significant capital investment in the plant would make the ensuing power uneconomical. Further, the State of California has limited investment in carbon producing generating facilities that extend the useful life more than five years. In addition, with California renewable requirements being mandated to 50% this plant would further hamper the Electric Utility portfolio flexibility. With this information, the Electric Utility decided it would be in the customers' best interest to divest the Electric Utility's interest in the unit and apply these resources to the renewable needs. Based on the remaining projected useful life of the Electric Utility participation in the plant, the Electric Utility are accelerating depreciation of the remaining book value of the plant over the period from July 1, 2015 to December 31, 2017 to reflect a fully amortization of the SJ plant for a period of 30 months.

The City sold its 3.16% ownership interest of SONGS to SCE on December 29, 2006. Accordingly, the Electric Utility ceased recording all related operating expenses, except marine mitigation costs and spent fuel storage charges, as of December 29, 2006. Based on the SONGS settlement agreement, the Electric Utility is responsible for the City's share of marine mitigation costs up to \$2,300, and SCE is responsible for costs between \$2,300 and \$7,300. The Electric Utility is

responsible for spent fuel storage charges until the federal government takes possession. The Decommissioning Trust Fund will pay for spent fuel storage charges after June 7, 2013.

As a former participant in SONGS, the Electric Utility is subject to assessment of retrospective insurance premiums in the event of a nuclear incident at SONGS or any other licensed reactor in the U.S.

NOTE 13 – COMMITMENTS AND CONTINGENCIES:

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with the Intermountain Power Agency (IPA) for delivery of electric power. The share of IPA power is equal to 13.225% of the generation output of IPA's two recently uprated coal-fueled generating units located in Delta, Utah (Unit 1 and 2 net output is 900 megawatts each). The City is obligated for the following percentage of electrical facilities at IPA:

	Entitlement	Expiration
Generation:		
Intermountain Power Project	13.225%	2027

The contract constitutes an obligation of the Electric Utility to make payments from revenues and requires payment of certain minimum charges. These minimum charges include debt service requirements on the financial obligations used to construct the plant. These requirements are considered a cost of purchased power.

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, it is obligated for its proportional share of the cost of the project. The City is obligated for the following percentage of electrical facilities owned by SCPPA:

	Entitlement	Expiration
Transmission:		
Souther Transmission System (STS)	17.6%	2027
Mead-Adelanto Project (MAP)	13.5	2030
Mead-Phoenix Project (MPP)	24.2	2030
Generation:		
Hoover Dam Upgrading (Hoover)	42.6%	2018
Magnolia Generating Station (Magnolia)	38	2037
Canyon Power Project (Canyon)	100	2040
Natural Gas Reserve Projects (Natural Gas)		
SCPAA Natural Gas Project-Pinedale, Wyoming	35.7%	2033
SCPPA Natural Gas Project-Barnett, Texas	45.5	2033

Take or pay commitments

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from the operating revenues received during the year that the payment is due. A long-term obligation has not been recorded on the accompanying basic financial statements as these commitments do not represent an obligation of the Electric Utility until the year the power is available to be delivered to the Electric Utility. The following schedule details the amount of take-or-pay commitments that are due and payable by the Electric Utility for each project and the final maturity date.

Fiscal Year Ending 6/30	IPA	STS	MAP	MPP	Hoover	Magnolia	Natural Gas	Canyon	Total
2018	\$ 21,125	\$ 13,746	\$ 2,909	\$ 1,562	\$ 932	\$ 6,595	\$ 5,984	\$ 17,109	\$ 69,962
2019	28,011	13,704	2,881	1,555		6,593	5,360	17,521	75,625
2020	30,798	12,003	2,859	1,538		6,593	4,895	17,491	76,177
2021	31,725	13,761	2,136	1,142		6,589	4,514	19,527	79,394
2022	12,788	16,403				6,591	4,169	19,531	59,482
2023-2027	10,038	41,980				35,641	16,601	96,924	201,184
2028-2032		5,650				38,087	11,345	96,458	151,540
2033-2037						57,293	1,781	96,500	155,574
2038-2042								76,933	76,933
Total	\$134,485	\$117,247	\$10,785	\$ 5,797	\$ 932	\$163,982	\$ 54,649	\$ 457,994	\$ 945,871

In addition to take-or-pay commitments referenced above, the City's entitlement requires the payment for fuel costs, operations and maintenance (O&M), administration and general (A&G) and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service; however, prior experience indicates that annual costs are generally consistent from year to year. The fiscal year 2016 expenses for fuel, O&M, A&G and other costs at these projects were as follows:

Fiscal Year	IPA	STS	MAP	MPP	Hoover	Magnolia	Natural Gas	Canyon	Total
2017	\$41,090	\$4,968	\$680	\$349	\$1,034	\$22,931	\$637	\$8,823	\$80,512

Cap-and-Trade Program

California Assembly Bill (AB) 32 requires that Utilities in California reduce their greenhouse gas (GHG) emissions to 1990 levels by the year 2020. It directed the California Air Resources Board (CARB) to develop regulations of GHG that became effective January 2012. Emission compliance obligations under the Cap-and-Trade regulation began in January 2013.

The Cap-and-Trade program (Program) was implemented beginning January 1, 2013. This Program requires Electric Utilities to have GHG allowances on an annual

basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowance to each electric utility to mitigate retail rate impacts. This free allocation of GHG allowance is expected to be sufficient to meet Electric Utility's GHG compliance obligations for retail sales. During this fiscal year, an unused portion of retail allowance was sold for \$16,208 to reduce future renewable energy costs for retail customers. The compliance obligation for the wholesale sales requires allowance to be obtained through the auction or in the secondary market quarterly. At June 30, 2017, the value of prepaid Cap and Trade allowance is \$18,903, and the value of the Cap and Trade obligation is \$13,324.

Operating Leases

In January 2005, the City entered into a long-term noncancelable ground lease with City of Fullerton, for an approximately 1.56 acre site at the Fullerton Municipal Airport for the operation of the Anaheim Police Department Heliport. The term of the lease is 40 years with two 10-year extensions commencing from January 2005 and ending December 2044. The base rent is adjusted every five years by ten percent (10%). The City constructed a building of approximately 30,000 square feet that includes offices, aircraft maintenance and storage facilities and other infrastructure supporting such facilities on the leased premise. Future minimum lease payments to be made from unrestricted revenues of the General Fund are as follows:

Fiscal Year Ending June 30

2018	\$ 59
2019	59
2020	62
2021	65
2022	65
2023-2027	342
2028-2032	376
2033-2037	414
2038-2042	455
2043-2045	239
Total minimum future rentals	<u>\$ 2,136</u>

The Honda Center

On January 26, 1999, the City entered into a series of lease transactions for the Honda Center. Under these transactions, the City leased the Honda Center to a third party trustee acting for the benefit of an equity investor for a term of approximately 39.2 years. The trustee sublet the facility back to the City for 20 years, which was shorter than the then remaining term of the management agreement between the third-party manager at that time (Manager) and the City in consideration of an advance rental payment for the entire lease term. At the end of the sublease, the City has a purchase option to purchase the trustee's rights under the lease for a fixed amount. The advance rent payments to the City were deposited into a trust fund and invested. The cash scheduled to be available from this trust fund is

sufficient to pay the City's rent payments for the term of the sublease and to exercise the City's purchase option at the end of the sublease. The excess of the amount of the advance rent payment made by the trustee to the City over the deposit to the trust funds, after the payment of transaction expenses and payment to the Manager for agreeing to pledge its interest as Manager under the management agreement then in effect and agreeing to undertake certain additional obligations to the transaction, was approximately \$4,000. This amount was recognized by the City as unearned revenue and is being amortized over the sublease term. The City has secured its obligations to the other parties to these lease transactions by a pledge of its respective interest in revenues from the facility, subordinate (with certain exceptions) to any interests of the debt holders of the facility. The City's obligations under these lease transactions are considered to be defeased in substance, and therefore the related liabilities as well as the trust assets have been excluded from the City's financial statements. The City's and AAM's respective rights under the FMA are subject in certain respects to the effect of the 1999 lease transaction.

Effective December 16, 2003, the City and Anaheim Arena Management LLC (AAM) entered into a Facility Management Agreement (FMA) whereby AAM has the exclusive right and license to manage, maintain and operate all aspects of the Honda Center in accordance with the FMA through June 30, 2023, with an option to extend the term for an additional period not to exceed 10 years. Annual distributions to the City, AAM and the County of Orange are required for their respective share of adjusted net revenues, as defined in the FMA. In the event that cash on hand is insufficient to pay operating expenses, debt service, distributions to the City, the County of Orange, or other amounts payable, AAM shall make or cause an affiliate or third-party lending institution to make loans for such purposes, as defined in the FMA. Such funds will be repaid from gross revenues or adjusted net revenues, if any, as defined in and in accordance with disbursement priorities established in the FMA. At June 30, 2017, the outstanding conduit debt on the Honda Center totaled \$22,500. The debt is non-recourse, payable from revenues generated by the facility. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the debt. The debt is not a general or special obligation of the City, nor does it contain any credit enhancements that secondarily pledge existing or future resources of the City (other than revenues generated by the facility), and accordingly it is not reflected in the accompanying basic financial statements.

Angel Stadium of Anaheim

On May 14, 1996, the City and the California Angels, LP (Team), which was then managed by Disney Sports Enterprises, Inc. (subsequently known as Anaheim Sports, Inc.), entered into an agreement to provide for the operation and refurbishment of the Stadium. Pursuant to the agreement, the Team assumed responsibility for the operation of the Stadium on October 1, 1996. The agreement runs for 33 years (subject to a limited Team option to cancel at 20 years and the Team's right to extend the term). In September 2013, the agreement was modified extending the Team's right to terminate the agreement by three years to October 16, 2019.

Under the terms of the agreement, the Team assumed full responsibility for all Stadium operations and maintenance, including capital maintenance. The Team

books all Stadium and parking lot events (except for ten annual City events), pays all expenses, and retains all revenue (subject to the City's rights to share in certain net revenues) except that the City credits the Team up to \$500 per year adjusted annually for CPI as a capital reserve contribution, calculated on the basis of property taxes. The City's participation in net revenues includes amounts received by the Team above certain thresholds including paid admissions (\$2.00 per paid admission in excess of 2.6 million admissions per year), net income from nongame events (in excess of \$2,000 per year adjusted annually for CPI), and parking lot net income (25% in excess of \$4,000 per year adjusted annually for CPI). Additionally, as indicated above, the City retained the right to book and retain all revenue from ten parking lot events per year. Major League Baseball consented to the transfer of the Team in fiscal year 2003 to interests controlled by Arte Moreno. No changes in the terms of the agreement with the Team were made in connection with that transfer.

The Agreement also provided that the City had the right to develop approximately 42 acres of the parking lot development site. In 1998 a land sale of \$1,000 for a 1.25 acre site was approved for the construction of a 1,100-seat theatre called "Tinseltown Studios" (now known as "City National Grove of Anaheim"). In November 2002, the City purchased the facility and the land for \$6,700 from its then owner, SMG. Concurrent with the purchase, the City granted to Nederlander-Grove LLC (Nederlander) a license to operate the facility for three years with the right to extend another five years. In May 2009, the management agreement was amended extending the term to December 31, 2015 with the right to extend another five year period. In June 2015, the option to extend was exercised, which extends the term to December 31, 2020. Additionally, under the amended management agreement, effective January 1, 2009, Nederlander no longer receives a management fee of \$150 and the City's share in the annual net profits and losses from operations increased from 50% to 60%. Nederlander is responsible for 100% of losses in excess of \$400, thereby limiting the City's share of net losses to a maximum of \$240 in any given year. The City may elect to terminate the agreement prior to expiration of the term under certain conditions, and pay the unamortized balance of capital assets purchased during the term to Nederlander. Concurrent with the amendment to the management agreement, the parking license fee agreement was amended, wherein the parking license fees from Nederlander were reduced to \$176 and is subject to adjustment annually based on CPI increases. Nederlander paid the City \$198 for the year ended June 30, 2017, for parking and common area maintenance.

Muzeo

In October 2007, the City and the former Redevelopment Agency entered into a property operating agreement (Agreement) with the Muzeo Foundation to operate and provide programming for the Muzeo, the downtown museum. The Agreement is for a term of 30 years and provides for a line of credit for the first 3 years from the City to the Muzeo Foundation in an amount not to exceed \$1,000 or 95% of pledges at an annual interest rate of 5%. The Agreement was amended on August 1, 2010, to extend the maturity date to June 30, 2015. It also amended the aggregate amount of the line of credit to \$500 during fiscal year 2011 and \$200 during each fiscal year thereafter with amounts being converted to grants upon achieving fund raising thresholds. On June 30, 2014, the agreement was amended to extend the

maturity date to the June 30, 2019 and increased the line of credit amount from \$200 to \$250 annually. At June 30, 2017, there was no amount due to the City.

Participation Agreement – Construction of Regional Animal Care Shelter

On April 12, 2016 the City Council approved a Participation Agreement between the County of Orange and City of Anaheim for the construction of a new regional animal shelter at the former Tustin Air Base. Participants of this Participation Agreement is among the County of Orange and fourteen Orange County Cities. The Shelter will be a County public works project with a maximum construction amount of \$35 million of which the County will fund \$7.2 million and contribute the land at no cost. The remaining \$27.3 million of the maximum construction amount will be divided proportionately among the contract cities based on the percentage of actual shelter usage over the last five years. The City's proportionate share is 28.28% or \$7.7 million for an estimate annual payment of \$798 payable quarterly over 10 years starting with fiscal year 2017.

During fiscal year 2017, the City has paid \$798 with an estimated unpaid balance of \$6,949.

Litigation

A number of claims and suits are pending against the City for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a city such as Anaheim. Although the aggregate amount asserted for such lawsuits and claims is significant, in the opinion of City management, the City has strong defenses against such claims, and thus the ultimate loss, if any, relating to these claims and suits not covered by insurance or reflected in the financial statements, will not materially affect the financial position of the City.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction and other significant commitments

At June 30, 2017, the City had the following commitments with respect to unfinished capital projects, disposition and development agreements, reimbursement agreements and cooperation agreements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Completion Date</u>
Alderdale Avenue Water Transmission Main Replacement	\$ 1,917	2018
Anaheim Hills Road Water Main Replacement Project	678	2017
Anaheim Resort Electric Line Extension	5,321	2018
Brookhurst Street Improvement	3,893	2017
Cable	1,528	2017
Citywide Sanitary Sewer Improvement - Cerritos Avenue	2,121	2017
Citywide Sanitary Sewer Improvement - Crescent Avenue	1,914	2017
Convention Center Expansion Betterment VII	6,124	2017
Direct Buried Cable Replacement Phase XII	2,967	2018
Equipping of Well No. 59	1,950	2018
Fire Station No. 5 Design Build Project	4,737	2018
Harbor 69 12Kv Substation Design/Build	25,189	2019
Katella Substation to Central Anaheim 12kv Line Extension	2,130	2017
Katella Water Main Replacement Project-Disneyland Drive	6,149	2018
La Palma Complex Reservoir and Pump Station	7,276	2018
Parks play equipment, restroom facility and LED lighting	1,092	2017
Permit Tracking and Land Management Software System	2,013	2018
Ponderosa Park Family Resource Center & Park Upgrade	6,863	2018
Switch Gear	1,309	2017
Transformer	1,007	2017
Underground District #62 Phase 2, Miraloma Avenue	2,514	2017
Underground District #63 - Lincoln and Rio Vista	7,393	2018
Underground District #64 Orangewood	9,428	2018
Vehicle acquisitions	2,204	2017
Yorba Substation 12Kv Upgrade	3,194	2018
Total	<u>\$ 110,911</u>	

NOTE 14 – SUBSEQUENT EVENTS:

On December 6, 2017, Standard and Poor's (S&P) raised the City's Treasurer Investment Pool Fund credit quality rating to 'AA+' from 'AAf' and reaffirmed its 'S1' fund volatility rating.

On December 18, 2017, the Electric Utility remarketed the variable rate 2015-A California Municipal Finance Authority Revenue Bonds in the principal amount of \$50,000. The remarketing provides a three year extension of the call protection date as well as a reduction in the interest rate of 15 basis point or 0.15%.

On December 12, 2017, the Electric Utility entered into a bond purchase Agreement with Underwriters for the negotiated sale of Anaheim Housing and Public Improvements Authority Revenue (AHPIA) Refunding Bonds Series 2017 A & B (Electric Utility Distribution System Refunding), \$42,995 and \$194,790 principal, respectively, to refund a portion of certain outstanding Qualified Obligations of the Electric System. The proceeds of these issues will be used, together with certain other available moneys, to refund a portion of the outstanding AHPIA Revenue Refunding Bonds Series 2016 A & B (Electric Utility Distribution System Refunding and Improvements), Anaheim Public Financing Authority (APFA) Series 2011-A (City of Anaheim Electric System Distribution Facilities) bonds, APFA Series 2012-A (Electric Distribution System Refunding) bonds and are scheduled to close on December 21, 2017.

Required Supplementary Information



Required
Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios Last Ten Fiscal Years¹ (In thousands)

Measurement Period	Miscellaneous 2015-2016	Police Safety 2015-2016	Fire Safety 2015-2016	Total 2015-2016	Miscellaneous 2014-2015	Police Safety 2014-2015	Fire Safety 2014-2015	Total 2014-2015
TOTAL PENSION LIABILITY								
Service cost	\$ 19,841	\$ 13,551	\$ 5,572	\$ 38,964	\$ 20,334	\$ 12,193	\$ 5,419	\$ 37,946
Interest on the Total Pension Liability	89,941	49,349	28,550	167,840	88,334	46,658	27,760	162,752
Changes of Assumptions					(21,249)	(11,546)	(6,582)	(39,377)
Difference Between Expected and Actual Experience	(28,822)	6,919	(2,504)	(24,407)	(16,296)	(19,370)	(4,549)	(40,215)
Benefit Payments, including Refunds of Employee Contributions	(60,039)	(32,039)	(20,907)	(112,985)	(57,158)	(30,517)	(19,944)	(107,619)
Net Change in Total Pension Liability	20,921	37,780	10,711	69,412	13,965	(2,582)	2,104	13,487
Total Pension Liability - Beginning	1,224,619	647,408	383,379	2,255,406	1,210,654	649,990	381,275	2,241,919
Total Pension Liability - Ending (a)	1,245,540	685,188	394,090	2,324,818	1,224,619	647,408	383,379	2,255,406
PLAN FIDUCIARY NET POSITION								
Contributions - Employer	31,595	17,527	9,483	58,605	25,375	14,663	7,622	47,660
Contributions - Employees	9,812	4,726	2,328	16,866	8,877	4,192	2,075	15,144
Net Investment Income ²	4,556	2,607	1,449	8,612	20,081	10,967	6,515	37,563
Benefit Payments, including Refunds of Employee Contributions	(60,039)	(32,039)	(20,907)	(112,985)	(57,158)	(30,517)	(19,944)	(107,619)
Plan to Plan Resource Movement	(34)			(34)	(5)	5		
Administrative Expense	(548)	(304)	(177)	(1,029)	(1,011)	(562)	(326)	(1,899)
Net Change in Fiduciary Net Position	(14,658)	(7,483)	(7,824)	(29,965)	(3,841)	(1,252)	(4,058)	(9,151)
Plan Fiduciary Net Position - Beginning	898,393	499,011	289,566	1,686,970	902,234	500,263	293,624	1,696,121
Plan Fiduciary Net Position - Ending (b)	883,735	491,528	281,742	1,657,005	898,393	499,011	289,566	1,686,970
Plan Net Pension Liability (Asset) - Ending (a) - (b)	\$ 361,805	\$ 193,660	\$ 112,348	\$ 667,813	\$ 326,226	\$ 148,397	\$ 93,813	\$ 568,436
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.95%	71.74%	71.49%	71.27%	73.36%	77.08%	75.53%	74.80%
Covered Payroll	\$ 111,398	\$ 46,479	\$ 21,600	\$ 179,477	\$ 112,039	\$ 41,800	\$ 20,935	\$ 174,774
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	324.79%	416.66%	520.13%	372.09%	291.17%	355.02%	448.12%	325.24%

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years¹ (In thousands)

(continued)

Measurement Period	Miscellaneous	Police Safety	Fire Safety	Total
	2013-2014	2013-2014	2013-2014	2013-2014
TOTAL PENSION LIABILITY				
Service cost	\$ 21,254	\$ 13,088	\$,961	\$ 40,303
Interest on the Total Pension Liability	85,591	45,898	27,044	158,533
Changes of Assumptions				
Difference Between Expected and Actual Experience				
Benefit Payments, including Refunds of Employee Contributions	(53,552)	(28,845)	(18,657)	(101,054)
Net Change in Total Pension Liability	53,293	30,141	14,348	97,782
Total Pension Liability - Beginning	1,157,361	619,849	366,927	2,144,137
Total Pension Liability - Ending (a)	<u>\$ 1,210,654</u>	<u>\$ 649,990</u>	<u>\$ 381,275</u>	<u>\$2,241,919</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$23,841	\$13,505	\$7,723	\$45,069
Contributions - Employees	8,893	4,064	2,337	15,294
Net Investment Income ²	135,468	75,115	44,305	254,888
Benefit Payments, including Refunds of Employee Contributions	(53,552)	(28,845)	(18,657)	(101,054)
Plan to Plan Resource Movement				
Administrative Expense				
Net Change in Fiduciary Net Position	114,650	63,839	35,708	214,197
Plan Fiduciary Net Position - Beginning	787,584	436,424	257,916	1,481,924
Plan Fiduciary Net Position - Ending (b)	902,234	500,263	293,624	1,696,121
Plan Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 308,420</u>	<u>\$ 149,727</u>	<u>\$ 87,651</u>	<u>\$ 545,798</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	74.52%	76.96%	77.01%	75.65%
Covered Payroll	\$ 110,815	\$ 43,204	\$ 22,107	\$ 176,126
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	278.32%	346.56%	396.49%	309.89%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable, Additional years will be presented as they become available

² Net of administrative expenses

Notes:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date/ This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Cred (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, the discount rate was changed from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Schedule of Pension Plan Contributions

Last Ten Fiscal Years ¹ (In thousands)

	Miscellaneous 2016-2017	Police Safety 2016-2017	Fire Safety 2016-2017	Total 2016-2017	Miscellaneous 2015-2016	Police Safety 2015-2016	Fire Safety 2015-2016	Total 2015-2016
Actuarially Determined Contribution	\$ 33,277	\$ 19,595	\$ 10,356	\$ 63,228	\$ 31,141	\$ 17,527	\$ 9,483	\$ 58,151
Contributions in Relation to the Actuarially Determined Contribution	(33,277)	(19,595)	(10,356)	(63,228)	(31,595)	(17,527)	(9,483)	(58,605)
Contribution Deficiency (Excess)					(454)			(454)
Covered Payroll	\$ 117,111	\$ 49,255	\$ 24,732	\$ 191,098	\$ 111,398	\$ 46,479	\$ 21,600	\$ 179,477
Contributions as a Percentage of Covered Payroll	28.41%	39.78%	41.87%	33.09%	28.36%	37.71%	43.90%	32.65%
	Miscellaneous 2014-2015	Police Safety 2014-2015	Fire Safety 2014-2015	Total 2014-2015	Miscellaneous 2013-2014	Police Safety 2013-2014	Fire Safety 2013-2014	Total 2013-2014
Actuarially Determined Contribution	\$ 25,375	\$ 14,663	\$ 7,622	\$ 47,660	\$ 23,841	\$ 13,505	\$ 7,723	\$ 45,069
Contributions in Relation to the Actuarially Determined Contribution	(25,375)	(14,663)	(7,622)	(47,660)	(23,841)	(13,505)	(7,723)	(45,069)
Contribution Deficiency (Excess)								
Covered Payroll	\$ 112,039	\$ 41,800	\$ 20,935	\$ 174,774	\$ 110,815	\$ 43,204	\$ 22,107	\$ 176,126
Contributions as a Percentage of Covered Payroll	22.65%	35.08%	36.41%	27.27%	21.51%	31.26%	34.93%	25.59%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be presented as they become available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-2014, 2014-2015, and 2015-16 were from the June 30, 2011, June 30, 2012, and June 30, 2013 funding valuation reports respectively. valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return, for Measurement Date June 30, 2014, and June 30, 2016	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Investment Rate of Return, for Measurement Date June 30, 2015	7.65% Net of Pension Plan Investment Expenses; includes Inflation
Retirement Age	

Mortality

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

See accompanied Independent auditors' report

Schedule of Funding Progress for Other Post - Employment Benefits

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability AVA	Funded Ratios AVA	Annual Covered Payroll	UL as a % of Payroll
July 1, 2015	\$ 79,787	\$ 271,243	\$ 191,456	29.4%	\$ 166,522	115.0%
July 1, 2013	74,013	237,202	163,189	31.2%	155,317	105.1%
July 1, 2011	67,747	201,108	133,361	33.7%	169,331	78.8%
July 1, 2010	63,920	211,914	147,994	30.2%	177,229	83.5%

Nonmajor Governmental Funds



Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS are used to account for revenues derived from specific taxes or other earmarked revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

GAS TAX FUND - Established to account for the construction and maintenance of the road network system of the City. Financing is provided primarily by the City's share of Federal, State, and local gasoline taxes. Federal, State, and local regulations require that these gasoline taxes be used to improve and maintain streets, and includes programs intended to improve the air quality of the region.

WORKFORCE DEVELOPMENT FUND - Established to account for the City's involvement in Federal, State, and local programs to create jobs and provide the unemployed citizens in the Anaheim area with job training opportunities.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Established to account for financing of the development of viable urban communities through the provision of decent housing, suitable living environments and economic opportunity, principally for persons of low and moderate income. Financing is provided by the Federal Housing and Urban Development (HUD) grants.

GRANTS FUND - Established to account for various grants requiring segregated fund accounting. Financing is provided by Federal, State, and local agencies.

ANAHEIM RESORT MAINTENANCE DISTRICT FUND - Established to account for the levy and collection of special assessments to pay the cost of annual maintenance and improvements within the district against those parcels that specifically benefit from the enhanced maintenance and improvement.

ANAHEIM TOURISM IMPROVEMENT DISTRICT FUND - Established to account for the collection of a special assessment supporting marketing, promotion and transit project costs in support of the City's tourism and convention industry.

NARCOTIC ASSET FORFEITURE FUND - Established to account for funds received from Federal and State agencies that are derived from monies and property seized by the Police Department in drug related incidents. These funds are used to supplement existing resources of the City's law enforcement activities.

LONG RANGE PROPERTY MANAGEMENT PLAN FUND - Established to account for future development and property management activities of the assets that were transferred from the Successor Agency to the Former Anaheim Redevelopment Agency's approved Long Range Property Management Plan.

DEBT SERVICE FUNDS are used to account for the accumulation of resources and the payment of principal and interest on general debt of the City and related entities.

GENERAL OBLIGATION BONDS FUND - Established to accumulate resources for the payment of principal and interest on general obligation bonds of the City. Debt service is financed by property tax revenues.

MUNICIPAL FACILITIES FUND - Established to accumulate resources for payment of the principal and interest on the lease revenue bonds for the Fire Facilities and other various acquisitions and capital improvements.

ANAHEIM RESORT IMPROVEMENTS FUND - Established to accumulate resources for payment of the principal and interest on the lease revenue bonds for the Anaheim Resort improvements.

CAPITAL PROJECTS FUNDS are used to account for resources used for the acquisition and construction of capital assets by the City, except for those financed by proprietary funds

STREET CONSTRUCTION FUND: Established to account for transportation improvement construction in the City's right-of-way. Financing is provided primarily by Federal, State and local grants, and Measure M2 allocations by the County of Orange.

TRANSPORTATION IMPROVEMENT PROJECT FUND - Established to account for transportation improvement projects in the City, primarily in support of the Anaheim Regional Transportation Intermodal Center (ARTIC), which is a transportation gateway and mixed-use activity center funded by grants from OCTA. Financing is provided by Federal, State and local agencies.

DEVELOPMENT IMPACT PROJECTS FUND - Established to account for infrastructure improvements, primarily in the Platinum Triangle area, which provide development opportunities for high density, mixed use, office, restaurant, and residential projects. Financing is provided primarily by development impact fees.

COMMUNITY SERVICES FACILITIES FUND - Established to account for the development of new park sites, playgrounds and library facilities. Federal and State grant programs, in conjunction with fees charged to residential and commercial developers, provide financing. Much of this revenue is used to support the capital construction of parks and other recreational facilities throughout the City.

STORM DRAIN CONSTRUCTION FUND - Established to account for the City's storm drain construction. Financing is provided by drainage assessment fees charged to residential and commercial developers.

OTHER CAPITAL IMPROVEMENTS FUND - Established to account for various capital projects as determined by the City Council. Currently, financing for these projects is provided by bond proceeds and subsidies from the General Fund.

MELLO-ROOS PROJECTS FUND - Established to account for road, sewer and water improvements in the community facility districts. Financing is provided by the sale of special tax bonds that are secured by and payable from the proceeds of an annual special assessment on the properties within the district.

Combining Balance Sheet

Nonmajor Governmental Funds by Fund Type

June 30, 2017 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,298	\$ 331	\$ 11,611	\$ 22,240
Investments	35,796	1,152	40,367	77,315
Accounts receivable, net	1,712		3,428	5,140
Accrued interest receivable	136	14	138	288
Due from other funds			12,948	12,948
Due from other governments	6,513		14,668	21,181
Land held for resale	22,178			22,178
Prepaid and other assets	34		8,713	8,747
Restricted cash and cash equivalents	2,297	27,797	45,469	75,563
Restricted investments		98,291	7,815	106,106
Notes receivable, net	26,888			26,888
Due from Successor Agency	5,024		5,702	10,726
Total assets	\$ 110,876	\$ 127,585	\$ 150,859	\$ 389,320
LIABILITIES				
Accounts payable	\$ 5,999	\$ 4	\$ 6,460	\$ 12,463
Wages payable	189		41	230
Deposits	6		1,194	1,200
Due to other funds	210		12,948	13,158
Due to other governments	1,500			1,500
Total liabilities	7,904	4	20,643	28,551
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,879		12,117	13,996
Unavailable resources - long-term notes receivable	26,888			26,888
Unavailable resources - due from Successor Agency	5,024		5,702	10,726
Total deferred inflows of resources	33,791		17,819	51,610
FUND BALANCES				
Nonspendable:				
Prepaid and other assets			8,713	8,713
Restricted:				
Anaheim Resort maintenance and improvement	5,900			5,900
Capital projects			13,173	13,173
Community & Economic Development projects	24,490			24,490
Debt service		126,098		126,098
Development impact projects			94,152	94,152
Grant purposes	7,059			7,059
Homebuyer assistance program	5,190			5,190
Streets, roads and transportation improvement projects	26,974			26,974
Assigned				
Debt service		1,483		1,483
Capital projects			8,129	8,129
Unassigned	(432)		(11,770)	(12,202)
Total fund balances	69,181	127,581	112,397	309,159
Total liabilities, deferred inflows of resources, and fund balances	\$ 110,876	\$ 127,585	\$ 150,859	\$ 389,320

See accompanied Independent auditors' report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds by Fund Type

Year Ended June 30, 2017 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes		\$ 36		\$ 36
Licenses, fees and permits	\$ 30		\$ 11,374	11,404
Intergovernmental revenues	27,539		15,885	43,424
Charges for services	22,470		48	22,518
Use of money and property	2,790	210	11,385	14,385
Contribution from property owners			36,864	36,864
Other	3,442		1,142	4,584
Total revenues	56,271	246	76,698	133,215
Expenditures:				
Current:				
City Attorney	120			120
Finance		22		22
Police	4,040		842	4,882
Fire & Rescue	471		336	807
Community & Economic Development	9,389		18	9,407
Planning & Building	1,421		45	1,466
Public Works	11,200		1,140	12,340
Community Services	335		1,702	2,037
Convention, Sports & Entertainment	13,315			13,315
Capital outlay	6,955		32,085	39,040
Debt service:				
Principal retirement	1,064	24,063	996	26,123
Interest charges	481	14,670	420	15,571
Total expenditures	48,791	38,755	37,584	125,130
Excess (deficiency) of revenues over (under) expenditures	7,480	(38,509)	39,114	8,085
Other financing sources (uses):				
Transfers in	310	57,797	13,017	71,124
Transfers out	(7,300)	(189)	(500)	(7,989)
Issuance of loan payable			6,125	6,125
Total other financing sources	(6,990)	57,608	18,642	69,260
Net change in fund balances	490	19,099	57,756	77,345
Fund balances at beginning of year	68,691	108,482	54,641	231,814
Fund balances at end of year	\$ 69,181	\$ 127,581	\$ 112,397	\$ 309,159

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2017 (In thousands)

	Gas Tax	Workforce Development	Community Development Block Grant	Grants	Anaheim Resort Maintenance District	Anaheim Tourism Improvement District	Narcotic Asset Forfeiture	Long Range Property Management Plan	Total
ASSETS									
Cash and cash equivalents	\$ 3,563	\$ 2	\$ 241	\$ 960	\$ 1,418	\$ 2,440	\$ 707	\$ 967	\$ 10,298
Investments	12,386	6	838	3,336	4,931	8,481	2,457	3,361	35,796
Accounts receivable, net			2		1	1,618		91	1,712
Accrued interest receivable	49			12	19	30	11	15	136
Notes receivable, net			4,798	22,090					26,888
Due from other governments	1,751	614	195	3,953					6,513
Land for resale								22,178	22,178
Prepaid and other assets				1				33	34
Restricted cash and cash equivalents							2,297		2,297
Due from Successor Agency			5,024						5,024
Total assets	<u>\$ 17,749</u>	<u>\$ 622</u>	<u>\$ 11,098</u>	<u>\$ 30,352</u>	<u>\$ 6,369</u>	<u>\$ 12,569</u>	<u>\$ 5,472</u>	<u>\$ 26,645</u>	<u>\$ 110,876</u>
LIABILITIES									
Accounts payable	\$ 1,173	\$ 384	\$ 276	\$ 944	\$ 457	\$ 2,113	\$ 64	\$ 588	\$ 5,999
Wages payable	57	20	31	36	12	1	30	2	189
Deposits								6	6
Due to other funds		210							210
Due to other governments								1,500	1,500
Total liabilities	<u>1,230</u>	<u>614</u>	<u>307</u>	<u>980</u>	<u>469</u>	<u>2,114</u>	<u>94</u>	<u>2,096</u>	<u>7,904</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues		81	2	1,737				59	1,879
Unavailable resources - long-term notes receivable			4,798	22,090					26,888
Unavailable resources - due from Successor Agency			5,024						5,024
Total deferred inflows of resources		<u>81</u>	<u>9,824</u>	<u>23,827</u>				<u>59</u>	<u>33,791</u>
FUND BALANCES									
Restricted:									
Anaheim Resort maintenance and improvement					5,900				5,900
Community & Economic Development projects								24,490	24,490
Grant purposes			967	714			5,378		7,059
Homebuyer assistance program				5,190					5,190
Streets, roads and transportation improvement projects	16,519					10,455			26,974
Unassigned		(73)		(359)					(432)
Total fund balances (deficit)	<u>16,519</u>	<u>(73)</u>	<u>967</u>	<u>5,545</u>	<u>5,900</u>	<u>10,455</u>	<u>5,378</u>	<u>24,490</u>	<u>69,181</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 17,749</u>	<u>\$ 622</u>	<u>\$ 11,098</u>	<u>\$ 30,352</u>	<u>\$ 6,369</u>	<u>\$ 12,569</u>	<u>\$ 5,472</u>	<u>\$ 26,645</u>	<u>\$ 110,876</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Nonmajor Special Revenue Funds

June 30, 2017 (In thousands)

	Gas Tax	Workforce Development	Community Development Block Grant	Grants	Anaheim Resort Maintenance District	Anaheim Tourism Improvement District	Narcotic Asset Forfeiture	Long Range Property Management Plan	Total
Revenues:									
Licenses, fees and permits				\$ 29	\$ 1				\$ 30
Intergovernmental revenues	\$ 13,210	\$ 3,192	\$ 3,998	5,403			\$ 1,736		27,539
Charges for services	173				4,335	\$ 17,962			22,470
Use of money and property	58		319	464	17	98	42	\$ 1,792	2,790
Other	11	14	879	2,472	3		36	27	3,442
Total revenues	13,452	3,206	5,196	8,368	4,356	18,060	1,814	1,819	56,271
Expenditures:									
Current:									
City Attorney			120						120
Police				2,607			1,433		4,040
Fire & Rescue				471					471
Community & Economic Development		3,271	1,377	2,319				2,422	9,389
Planning & Building			1,421						1,421
Public Works	5,785				4,828	587			11,200
Community Services			308	27					335
Convention, Sports & Entertainment						13,315			13,315
Capital outlay	4,578		19	1,206	120	167	271	594	6,955
Debt service:									
Principal retirement	250		655				159		1,064
Interest charges			433				48		481
Total expenditures	10,613	3,271	4,333	6,630	4,948	14,069	1,911	3,016	48,791
Excess (deficiency) of revenues over (under) expenditures	2,839	(65)	863	1,738	(592)	3,991	(97)	(1,197)	7,480
Other financing sources (uses):									
Transfers in	110				200				310
Transfers out	(5,091)		(638)	(391)		(1,180)			(7,300)
Total other financing sources (uses)	(4,981)		(638)	(391)	200	(1,180)			(6,990)
Net change in fund balances	(2,142)	(65)	225	1,347	(392)	2,811	(97)	(1,197)	490
Fund balances at beginning of year	18,661	(8)	742	4,198	6,292	7,644	5,475	25,687	68,691
Fund balances at end of year	\$ 16,519	\$ (73)	\$ 967	\$ 5,545	\$ 5,900	\$ 10,455	\$ 5,378	\$ 24,490	\$ 69,181

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Actual - All Nonmajor Special Revenue Funds
Year Ended June 30, 2017 (In thousands)

	Gas Tax			Workforce Development		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits						
Intergovernmental revenues	\$ 13,486	\$ 13,210	\$ (276)	\$ 3,780	\$ 3,192	\$ (588)
Charges for services	215	173	(42)			
Use of money and property		58	58			
Other	9	11	2		14	14
Total revenues	13,710	13,452	(258)	3,780	3,206	(574)
Expenditures:						
City Attorney						
Police						
Fire & Rescue						
Community & Economic Development				3,813	3,271	(542)
Planning & Building						
Public Works	23,294	10,613	(12,681)			
Community Services						
Convention, Sports & Entertainment						
Total expenditures	23,294	10,613	(12,681)	3,813	3,271	(542)
Excess (deficiency) of revenues over (under) expenditures	(9,584)	2,839	12,423	(33)	(65)	(32)
Other financing sources (uses):						
Transfers in	66	110	44			
Transfers out	(2,000)	(5,091)	(3,091)			
Total other financing sources (uses)	(1,934)	(4,981)	(3,047)			
Net change in fund balances	(11,518)	(2,142)	9,376	(33)	(65)	(32)
Fund balances at beginning of year	18,661	18,661		(8)	(8)	
Fund balance at end of year	\$ 7,143	\$ 16,519	\$ 9,376	\$ (41)	\$ (73)	\$ (32)

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Actual - All Nonmajor Special Revenue Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Community Development Block Grant			Grants		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits				\$ 30	\$ 29	\$ (1)
Intergovernmental revenues	\$ 4,559	\$ 3,998	\$ (561)	16,966	5,403	(11,563)
Charges for services						
Use of money and property	219	319	100	86	464	378
Other	474	879	405	480	2,472	1,992
Total revenues	5,252	5,196	(56)	17,562	8,368	(9,194)
Expenditures:						
City Attorney	120	120				
Police				7,018	2,607	(4,411)
Fire & Rescue	16		(16)	2,026	1,556	(470)
Community & Economic Development	7,094	2,484	(4,610)	7,597	2,319	(5,278)
Planning & Building	1,489	1,421	(68)			
Public Works				229	121	(108)
Community Services	643	308	(335)	234	27	(207)
Convention, Sports & Entertainment						
Total expenditures	9,362	4,333	(5,029)	17,104	6,630	(10,474)
Excess (deficiency) of revenues over (under) expenditures	(4,110)	863	4,973	458	1,738	1,280
Other financing sources (uses):						
Transfers in						
Transfers out		(638)	(638)		(391)	(391)
Total other financing sources (uses)		(638)	(638)		(391)	(391)
Net change in fund balances	(4,110)	225	4,335	458	1,347	889
Fund balances at beginning of year	742	742		4,198	4,198	
Fund balance at end of year	\$ (3,368)	\$ 967	\$ 4,335	\$ 4,656	\$ 5,545	\$ 889

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Actual - All Nonmajor Special Revenue Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Anaheim Resort Maintenance District			Anaheim Tourism Improvement District		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits		\$ 1	\$ 1			
Intergovernmental revenues						
Charges for services	\$ 4,472	4,335	(137)	\$ 17,848	\$ 17,962	\$ 114
Use of money and property	50	17	(33)	57	98	41
Other	4	3	(1)			
Total revenues	4,526	4,356	(170)	17,905	18,060	155
Expenditures:						
City Attorney						
Police						
Fire & Rescue						
Community & Economic Development						
Planning & Building						
Public Works	7,035	4,948	(2,087)	3,390	754	(2,636)
Community Services						
Convention, Sports & Entertainment				13,491	13,315	(176)
Total expenditures	7,035	4,948	(2,087)	16,881	14,069	(2,812)
Excess (deficiency) of revenues over (under) expenditures	(2,509)	(592)	1,917	1,024	3,991	2,967
Other financing sources (uses):						
Transfers in	200	200				
Transfers out				(1,178)	(1,180)	(2)
Total other financing sources (uses)	200	200		(1,178)	(1,180)	(2)
Net change in fund balances	(2,309)	(392)	1,917	(154)	2,811	2,965
Fund balances at beginning of year	6,292	6,292		7,644	7,644	
Fund balance at end of year	\$ 3,983	\$ 5,900	\$ 1,917	\$ 7,490	\$ 10,455	\$ 2,965

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Actual - All Nonmajor Special Revenue Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Narcotic Asset Forfeiture			Long Range Property Management Plan		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits						
Intergovernmental revenues	\$ 2,478	\$ 1,736	\$ (742)			
Charges for services						
Use of money and property	22	42	20	\$ 1,936	\$ 1,792	\$ (144)
Other		36	36	63	27	(36)
Total revenues	2,500	1,814	(686)	1,999	1,819	(180)
Expenditures:						
City Attorney						
Police	3,539	1,911	(1,628)			
Fire & Rescue						
Community & Economic Development				3,016	3,016	
Planning & Building						
Public Works						
Community Services						
Convention, Sports & Entertainment						
Total expenditures	3,539	1,911	(1,628)	3,016	3,016	
Excess (deficiency) of revenues over (under) expenditures	(1,039)	(97)	942	(1,017)	(1,197)	(180)
Other financing sources (uses):						
Transfers in						
Transfers out						
Total other financing sources (uses)						
Net change in fund balance (deficits)	(1,039)	(97)	942	(1,017)	(1,197)	(180)
Fund balances (deficits) at beginning of year	5,475	5,475		25,687	25,687	
Fund balances at end of year	\$ 4,436	\$ 5,378	\$ 942	\$ 24,670	\$ 24,490	\$ (180)

Combining Balance Sheet **Nonmajor Debt Service Funds** **June 30, 2017** (In thousands)

	General Obligation Bonds	Municipal Facilities	Anaheim Resort Improvements	Total
ASSETS				
Cash and cash equivalents	\$	\$ 331		\$ 331
Investments		1,152		1,152
Accrued interest receivable		14		14
Restricted cash and cash equivalents		9	\$ 27,788	27,797
Restricted investments		1,160	97,131	98,291
Total assets	<u>\$</u>	<u>\$ 2,666</u>	<u>\$ 124,919</u>	<u>\$ 127,585</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable			\$ 4	\$ 4
Total liabilities			<u>4</u>	<u>4</u>
Fund balances:				
Restricted for debt service	\$	\$ 1,183	\$ 124,915	126,098
Assigned for debt service		1,483		1,483
Total fund balances		<u>2,666</u>	<u>124,915</u>	<u>127,581</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 2,666</u>	<u>\$ 124,919</u>	<u>\$ 127,585</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

Year Ended June 30, 2017 (In thousands)

	General Obligation Bonds	Municipal Facilities	Anaheim Resort Improvements	Total
Revenues:				
Property taxes	\$ 36			\$ 36
Use of money and property	3	\$ 156	\$ 51	210
Total revenues	<u>39</u>	<u>156</u>	<u>51</u>	<u>246</u>
Expenditures:				
Current:				
Finance			22	22
Debt service:				
Principal retirement	700	463	22,900	24,063
Interest charges	14	1,177	13,479	14,670
Total expenditures	<u>714</u>	<u>1,640</u>	<u>36,401</u>	<u>38,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(675)</u>	<u>(1,484)</u>	<u>(36,350)</u>	<u>(38,509)</u>
Other financing sources:				
Transfers in		623	57,174	57,797
Transfers out	(189)			(189)
Total other financing sources	<u>(189)</u>	<u>623</u>	<u>57,174</u>	<u>57,608</u>
Net change in fund balances	(864)	(861)	20,824	19,099
Fund balances at beginning of year	864	3,527	104,091	108,482
Fund balances at end of year	<u>\$</u>	<u>\$ 2,666</u>	<u>\$ 124,915</u>	<u>\$ 127,581</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Debt Service Funds
Year Ended June 30, 2017 (In thousands)

	General Obligation Bonds			Municipal Facilities		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes		\$ 36	\$ 36			
Intergovernmental revenues	\$ 8		(8)			
Use of money and property	6	3	(3)		\$ 156	\$ 156
Total revenues	14	39	25		156	156
Expenditures:						
Finance				\$ 1,088	1,088	
Public Works	715	714	(1)	552	552	
Total expenditures	715	714	(1)	1,640	1,640	
Excess (deficiency) of revenues over (under) expenditures	(701)	(675)	26	(1,640)	(1,484)	156
Other financing sources:						
Transfers in				628	623	(5)
Transfers out		(189)	(189)			
Total other financing sources		(189)	(189)	628	623	(5)
Net change in fund balances	(701)	(864)	(163)	(1,012)	(861)	151
Fund balances at beginning of year	864	864		3,527	3,527	
Fund balances at end of year	\$ 163	\$	\$ (163)	\$ 2,515	\$ 2,666	\$ 151

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Debt Service Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Anaheim Resort Improvements		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes			
Intergovernmental revenues			
Use of money and property	\$ 1	\$ 51	\$ 50
Total revenues	1	51	50
Expenditures:			
Finance	36,460	36,401	(59)
Public Works			
Total expenditures	36,460	36,401	(59)
Excess (deficiency) of revenues over (under) expenditures	(36,459)	(36,350)	109
Other financing sources:			
Transfers in	60,853	57,174	(3,679)
Transfers out			
Total other financing sources	60,853	57,174	(3,679)
Net change in fund balances	24,394	20,824	(3,570)
Fund balances at beginning of year	104,091	104,091	
Fund balances at end of year	\$ 128,485	\$ 124,915	\$ (3,570)

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2017 (In thousands)

	Street Construction	Transportation Improvement Projects	Development Impact Projects	Community Services Facilities	Storm Drain Construction	Other Capital Improvements	Mello-Roos Projects	Total
ASSETS								
Cash and cash equivalents	\$ 72	\$ 18	\$ 7,417	\$ 1,263	\$ 1,069	\$ 1,203	\$ 569	\$ 11,611
Investments	250	61	25,786	4,390	3,717	4,184	1,979	40,367
Accounts receivable, net			3,390	38				3,428
Accrued interest receivable			74	16	14	21	13	138
Due from other funds			26			7,910	5,012	12,948
Due from other governments	10,666	3,407	212	381		1	1	14,668
Prepaid and other assets	7,344			1			1,368	8,713
Restricted cash and cash equivalents						228	45,241	45,469
Restricted investment						7,815		7,815
Due from the Successor Agency						5,702		5,702
Total assets	<u>\$ 18,332</u>	<u>\$ 3,486</u>	<u>\$ 36,905</u>	<u>\$ 6,089</u>	<u>\$ 4,800</u>	<u>\$ 27,064</u>	<u>\$ 54,183</u>	<u>\$ 150,859</u>
LIABILITIES								
Accounts payable	\$ 1,615	\$ 120	\$ 1,470	\$ 569	\$ 1,963	\$ 336	\$ 387	\$ 6,460
Wages payable	18		7	2	1	4	9	41
Deposits					1,194			1,194
Due to other funds	10,025	2,923						12,948
Total liabilities	<u>11,658</u>	<u>3,043</u>	<u>1,477</u>	<u>571</u>	<u>3,158</u>	<u>340</u>	<u>396</u>	<u>20,643</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	9,039	2,504	193	381				12,117
Unavailable resources - due from Successor Agency						5,702		5,702
Total deferred inflows of resources	<u>9,039</u>	<u>2,504</u>	<u>193</u>	<u>381</u>		<u>5,702</u>		<u>17,819</u>
FUND BALANCES								
Nonspendable:								
Prepaid and other assets	7,344			1			1,368	8,713
Restricted:								
Capital projects						13,173		13,173
Development impact projects			35,235	4,856	1,642		52,419	94,152
Assigned:								
Capital projects				280		7,849		8,129
Unassigned	(9,709)	(2,061)						(11,770)
Total fund balances (deficits)	<u>(2,365)</u>	<u>(2,061)</u>	<u>35,235</u>	<u>5,137</u>	<u>1,642</u>	<u>21,022</u>	<u>53,787</u>	<u>112,397</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 18,332</u>	<u>\$ 3,486</u>	<u>\$ 36,905</u>	<u>\$ 6,089</u>	<u>\$ 4,800</u>	<u>\$ 27,064</u>	<u>\$ 54,183</u>	<u>\$ 150,859</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) Nonmajor Capital Projects Funds

June 30, 2017 (In thousands)

	Street Construction	Transportation Improvement Projects	Development Impact Projects	Community Services Facilities	Storm Drain Construction	Other Capital Improvement	Mello-Roos Projects	Total
Revenues:								
Licenses, fees and permits			\$ 8,869	\$ 2,470	\$ 35			\$ 11,374
Intergovernmental revenues	\$ 9,595	\$ 1,192		1,988		\$ 3,110		15,885
Charges for services							\$ 48	48
Use of money and property	368	(16)	10,435	71	44	362	121	11,385
Contribution from property owners							36,864	36,864
Other		5	69	398		670		1,142
Total revenues	<u>9,963</u>	<u>1,181</u>	<u>19,373</u>	<u>4,927</u>	<u>79</u>	<u>4,142</u>	<u>37,033</u>	<u>76,698</u>
Expenditures:								
Current:								
Police			67			775		842
Fire & Rescue						336		336
Community & Economic Development						18		18
Planning & Building						45		45
Public Works	701	383	11			3	42	1,140
Community Services			233	509		960		1,702
Capital outlay	7,574	64	8,831	2,737	164	11,360	1,355	32,085
Debt service:								
Principal retirement						996		996
Interest charges						420		420
Total expenditures	<u>8,275</u>	<u>447</u>	<u>9,142</u>	<u>3,246</u>	<u>164</u>	<u>14,913</u>	<u>1,397</u>	<u>37,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,688</u>	<u>734</u>	<u>10,231</u>	<u>1,681</u>	<u>(85)</u>	<u>(10,771)</u>	<u>35,636</u>	<u>39,114</u>
Other financing sources (uses):								
Transfers in	1,136	4,863	48			6,970		13,017
Transfers out	(93)		(407)					(500)
Issuance of loan payable						6,125		6,125
Total other financing sources (uses)	<u>1,043</u>	<u>4,863</u>	<u>(359)</u>			<u>13,095</u>		<u>18,642</u>
Net change in fund balances	2,731	5,597	9,872	1,681	(85)	2,324	35,636	57,756
Fund balances (deficits) at beginning of year	(5,096)	(7,658)	25,363	3,456	1,727	18,698	18,151	54,641
Fund balances (deficits) at end of year	<u>\$ (2,365)</u>	<u>\$ (2,061)</u>	<u>\$ 35,235</u>	<u>\$ 5,137</u>	<u>\$ 1,642</u>	<u>\$ 21,022</u>	<u>\$ 53,787</u>	<u>\$ 112,397</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual - All Capital Projects Funds
Year Ended June 30, 2017 (In thousands)

	Street Construction			Transportation Improvement Projects		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits						
Intergovernmental revenues	\$ 68,393	\$ 9,595	\$ (58,798)	\$ 956	\$ 1,192	\$ 236
Charges for services						
Use of money and property		368	368		(16)	(16)
Contribution from property owners						
Other					5	5
Total revenues	<u>68,393</u>	<u>9,963</u>	<u>(58,430)</u>	<u>956</u>	<u>1,181</u>	<u>225</u>
Expenditures:						
Police						
Fire & Rescue						
Community & Economic Development						
Planning & Building						
Public Works	62,142	8,275	(53,867)	447	447	
Community Services						
Total expenditures	<u>62,142</u>	<u>8,275</u>	<u>(53,867)</u>	<u>447</u>	<u>447</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>6,251</u>	<u>1,688</u>	<u>(4,563)</u>	<u>509</u>	<u>734</u>	<u>225</u>
Other financing sources (uses):						
Transfers in		1,136	1,136		4,863	4,863
Transfers out		(93)	(93)			
Total other financing sources		<u>1,043</u>	<u>1,043</u>		<u>4,863</u>	<u>4,863</u>
Net change in fund balances	6,251	2,731	(3,520)	509	5,597	5,088
Fund balances at beginning of year	(5,096)	(5,096)		(7,658)	(7,658)	
Fund balances at end of year	<u>\$ 1,155</u>	<u>\$ (2,365)</u>	<u>\$ (3,520)</u>	<u>\$ (7,149)</u>	<u>\$ (2,061)</u>	<u>\$ 5,088</u>

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual - All Capital Projects Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Development Impact Projects			Community Services Facilities		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits	\$ 1,363	\$ 8,869	\$ 7,506		\$ 2,470	\$ 2,470
Intergovernmental revenues	902		(902)	\$ 2,361	1,988	(373)
Charges for services						
Use of money and property	10,209	10,435	226	32	71	39
Contribution from property owners						
Other		69	69	283	398	115
Total revenues	<u>12,474</u>	<u>19,373</u>	<u>6,899</u>	<u>2,676</u>	<u>4,927</u>	<u>2,251</u>
Expenditures:						
Police	1,159	808	(351)			
Fire & Rescue						
Community & Economic Development						
Planning & Building						
Public Works	1,740	262	(1,478)			
Community Services	17,478	8,072	(9,406)	4,005	3,246	(759)
Total expenditures	<u>20,377</u>	<u>9,142</u>	<u>(11,235)</u>	<u>4,005</u>	<u>3,246</u>	<u>(759)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,903)</u>	<u>10,231</u>	<u>18,134</u>	<u>(1,329)</u>	<u>1,681</u>	<u>3,010</u>
Other financing sources (uses):						
Transfers in		48	48			
Transfers out		(407)	(407)			
Total other financing sources		<u>(359)</u>	<u>(359)</u>			
Net change in fund balances	(7,903)	9,872	17,775	(1,329)	1,681	3,010
Fund balances at beginning of year	25,363	25,363		3,456	3,456	
Fund balances at end of year	<u>\$ 17,460</u>	<u>\$ 35,235</u>	<u>\$ 17,775</u>	<u>\$ 2,127</u>	<u>\$ 5,137</u>	<u>\$ 3,010</u>

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual - All Capital Projects Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Storm Drain Construction			Other Capital Improvements		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits	\$ 50	\$ 35	\$ (15)			
Intergovernmental revenues				\$ 2,174	\$ 3,110	\$ 936
Charges for services						
Use of money and property		44	44	342	362	20
Contribution from property owners						
Other				670	670	
Total revenues	50	79	29	3,186	4,142	956
Expenditures:						
Police				1,314	1,094	(220)
Fire & Rescue				6,959	1,150	(5,809)
Community & Economic Development				3,912	1,455	(2,457)
Planning & Building				397	230	(167)
Public Works	164	164		10,894	3,992	(6,902)
Community Services				2,004	967	(1,037)
Total expenditures	164	164		25,480	8,888	(16,592)
Excess (deficiency) of revenues over (under) expenditures	(114)	(85)	29	(22,294)	(4,746)	17,548
Other financing sources (uses):						
Transfers in				4,235	6,970	2,735
Transfers out						
Total other financing sources				4,235	6,970	2,735
Net change in fund balances	(114)	(85)	29	(18,059)	2,224	20,283
Fund balances at beginning of year	1,727	1,727		18,698	18,698	
Fund balances at end of year	\$ 1,613	\$ 1,642	\$ 29	\$ 639	20,922	\$ 20,283
Adjustment to reconcile to GAAP:						
Equipment acquisition from loan proceeds					6,125	
Ending fund balance - GAAP basis					(6,025)	
					\$ 21,022	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual - All Capital Projects Funds
Year Ended June 30, 2017 (In thousands) (continued)

	Mello-Roos Projects		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Licenses, fees and permits			
Intergovernmental revenues			
Charges for services		\$ 48	\$ 48
Use of money and property		121	121
Contribution from property owners	\$ 36,772	36,864	92
Other			
Total revenues	<u>36,772</u>	<u>37,033</u>	<u>261</u>
Expenditures:			
Police			
Fire & Rescue			
Community & Economic Development			
Planning & Building			
Public Works	19,463	1,397	(18,066)
Community Services			
Total expenditures	<u>19,463</u>	<u>1,397</u>	<u>(18,066)</u>
Excess of revenues over expenditures	<u>17,309</u>	<u>35,636</u>	<u>18,327</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources			
Net change in fund balances	17,309	35,636	18,327
Fund balances at beginning of year	18,151	18,151	
Fund balances at end of year	<u>\$ 35,460</u>	<u>\$ 53,787</u>	<u>\$ 18,327</u>

Internal Service Funds



Internal Service Funds

INTERNAL SERVICE FUNDS are used to account for the financing of centralized services to City departments on a cost-reimbursement basis (including depreciation)
GENERAL BENEFITS AND INSURANCE FUND - Established to account for employee compensated absences, retirement and health benefits, and self-insurance programs.

MOTORIZED EQUIPMENT FUND - Established to account for motorized equipment used by City departments.

INFORMATION AND COMMUNICATION SERVICES FUND - Established to account for data processing and communication services to City departments.

MUNICIPAL FACILITIES MAINTENANCE FUND- Established to account for City building maintenance services and equipment used by City departments.

Combining Statement of Net Position

Internal Service Funds

June 30, 2017 (In thousands)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 17,436	\$ 925	\$ 617	\$ 516	\$ 19,494
Investments	60,615	3,215	2,144	1,794	67,768
Accounts receivable, net	1,868	385			2,253
Accrued interest receivable	211	9			220
Interfund receivable	8	825			833
Inventories		910			910
Prepaid and other assets	105	942	1,628		2,675
Total current assets	80,243	7,211	4,389	2,310	94,153
Noncurrent assets:					
Restricted cash and cash equivalent			2,013		2,013
Accounts receivable, less current portion	3,632				3,632
Interfund receivable, less current portion	27				27
Net other post-employment benefits (OPEB) asset	11,304				11,304
Capital assets:					
Buildings, structures and improvements		3,230		5,748	8,978
Machinery and equipment	93	42,703	26,833	3,083	72,712
Construction in progress		163	1,610		1,773
Less accumulated depreciation	(77)	(30,793)	(19,331)	(4,861)	(55,062)
Capital assets, net	16	15,303	9,112	3,970	28,401
Total noncurrent assets	14,979	15,303	11,125	3,970	45,377
Total assets	95,222	22,514	15,514	6,280	139,530
DEFERRED OUTFLOW OF RESOURCES					
Deferred pension related items	1,644	2,267	921	1,386	6,218
Total deferred outflow of resources	1,644	2,267	921	1,386	6,218
LIABILITIES					
Current liabilities:					
Accounts payable	3,217	1,170	1,292	1,663	7,342
Wages payable	4,494	56	50	54	4,654
Interest payable			94		94
Due to other Funds			103	722	825
Compensated absences	12,069				12,069
Self-insurance liability	10,717				10,717
Long-term liabilities		10	2,324		2,334
Unearned revenues	2,280				2,280
Total current liabilities	32,777	1,236	3,863	2,439	40,315
Noncurrent liabilities:					
Compensated absences, less current portion	8,302				8,302
Self-insurance liability, less current portion	41,148				41,148
Long-term liabilities, less current portion		95	4,001		4,096
Net pension liabilities	7,305	7,779	1,411	5,926	22,421
Total noncurrent liabilities	56,755	7,874	5,412	5,926	75,967
Total liabilities	89,532	9,110	9,275	8,365	116,282
DEFERRED INFLOW OF RESOURCES					
Deferred pension related items	1,038	921	339	723	3,021
Total deferred inflow of resources	1,038	921	339	723	3,021
NET POSITION					
Net investment in capital assets	16	15,198	4,800	3,970	23,984
Unrestricted	6,280	(448)	2,021	(5,392)	2,461
Total net position	\$ 6,296	\$ 14,750	\$ 6,821	\$ (1,422)	\$ 26,445

See accompanied Independent auditors' report

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

Year Ended June 30, 2017 (In thousands)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
Operating revenues:					
Charges for services	\$ 105,831	\$ 11,904	\$ 20,545	\$ 10,275	\$ 148,555
Other	30	41		9	80
Total operating revenues	105,861	11,945	20,545	10,284	148,635
Operating expenses:					
Salaries and wages	3,467	4,068	2,497	3,227	13,259
Maintenance and operations	2,676	5,069	16,612	9,534	33,891
Insurance premiums and claims	15,767				15,767
Compensated absences and other benefits	82,738				82,738
Depreciation	2	2,286	2,705	328	5,321
Total operating expenses	104,650	11,423	21,814	13,089	150,976
Operating income (loss)	1,211	522	(1,269)	(2,805)	(2,341)
Nonoperating income (expenses):					
Intergovernmental revenues		380			380
Investment income	235	16		(16)	235
Interest expense		(1)	(201)		(202)
Gain from disposal of capital assets		215			215
Total nonoperating income (loss)	235	610	(201)	(16)	628
Income (Loss) before transfer	1,446	1,132	(1,470)	(2,821)	(1,713)
Transfer in			2,740	2,300	5,040
Change in net position	1,446	1,132	1,270	(521)	3,327
Net position at beginning of year	4,850	13,618	5,551	(901)	23,118
Net position at end of year	\$ 6,296	\$ 14,750	\$ 6,821	\$ (1,422)	\$ 26,445

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2017 (In thousands)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 105,831	\$ 11,904	\$ 20,545	\$ 10,275	\$ 148,555
Payments to suppliers	(879)	(3,735)	(17,777)	(8,863)	(31,254)
Payments for salaries and wages to employees	(3,753)	(4,308)	(2,984)	(3,694)	(14,739)
Payments for interfund services used	(1,682)	(606)	(1,099)	(939)	(4,326)
Payments for insurance premiums and claims	(14,782)				(14,782)
Payments for compensated absences and other benefits	(79,547)				(79,547)
Other receipts	70	46		9	125
Net cash provided by (used for) operating activities	5,258	3,301	(1,315)	(3,212)	4,032
Cash flows from noncapital financing activities:					
Receipt of interfund balances	9		101	722	832
Payment of interfund balances	(20)	(825)			(845)
Transfer in			2,740	2,300	5,040
Net cash provided by (used for) noncapital financing activities	(11)	(825)	2,841	3,022	5,027
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets		359			359
Proceeds from issuances of loan payable		110	5,913		6,023
Capital purchases		(4,245)	(3,586)	(183)	(8,014)
Capital grant receipts					
Principal payments on long-term debt		(5)	(2,645)		(2,650)
Interest payments		(1)	(98)		(99)
Net cash used for capital and related financing activities		(3,782)	(416)	(183)	(4,381)
Cash flows from investing activities:					
Purchase of investment securities	(28,473)	(1,511)	(1,006)	(841)	(31,831)
Proceeds from sale and maturity of investment securities	25,669	2,616	1,799	1,188	31,272
Interest received	679	56		12	747
Net cash provided by (used for) investing activities	(2,125)	1,161	793	359	188
Increase (decrease) in cash and cash equivalents	3,122	(145)	1,903	(14)	4,866
Cash and cash equivalents at beginning of the year	14,314	1,070	727	530	16,641
Cash and cash equivalents at end of the year	\$ 17,436	\$ 925	\$ 2,630	\$ 516	\$ 21,507

(continued)

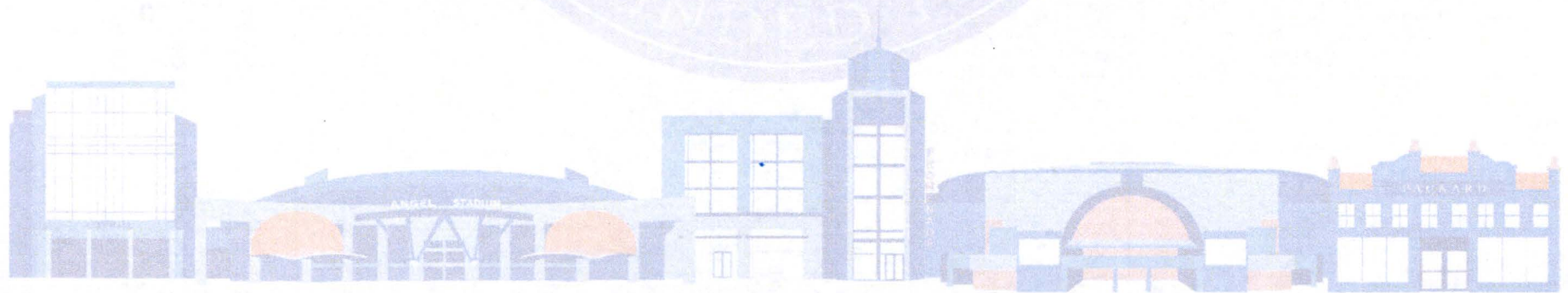
Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2017 (In thousands) (continued)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,211	\$ 522	\$ (1,269)	\$ (2,805)	\$ (2,341)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	2	2,286	2,705	328	5,321
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Accounts receivable	332	5			337
Inventories		(120)			(120)
Prepaid and other assets	1,590		(1,426)		164
Other post retirement employment benefits (OPEB) assets	(60)				(60)
Accounts payable	777	848	(838)	(268)	519
Wages and benefit payable	(239)	(240)	(487)	(467)	(1,433)
Unearned revenues	77				77
Compensated absences	319				319
Self-insurance liability	1,249				1,249
Total adjustments	4,047	2,779	(46)	(407)	6,373
Net cash provided by (used for) operating activities	\$ 5,258	\$ 3,301	\$ (1,315)	\$ (3,212)	\$ 4,032
Schedule of noncash financing and investing activities:					
Capital assets financed through capital leases			\$ 969		\$ 969
Increase (decrease) in fair value of investments	\$ (487)	\$ (36)	(25)	\$ (20)	(568)
Reconciliation of cash and cash equivalents:					
Cash and cash equivalents	\$ 17,436	\$ 925	\$ 617	\$ 516	\$ 19,494
Restricted cash and cash equivalents, noncurrent portion			2,013		2,013
Total cash and cash equivalents	\$ 17,436	\$ 925	\$ 2,630	\$ 516	\$ 21,507

Fiduciary Funds



Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund - Mello-Roos
Year Ended June 30, 2017 (In thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Restricted cash and cash equivalents	\$ 4,573	\$ 76,396	\$ (73,866)	\$ 7,103
Restricted investments	31		(2)	29
Due from other governments	94	2,739	(2,826)	7
Total assets	<u>\$ 4,698</u>	<u>\$ 79,135</u>	<u>\$ (76,694)</u>	<u>\$ 7,139</u>
LIABILITIES				
Due to bond holders	<u>\$ 4,698</u>	<u>\$ 76,307</u>	<u>\$ (73,866)</u>	<u>\$ 7,139</u>



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Statistical Section



Statistical Section

The Statistical Section is included to provide detailed data on the physical, economic, social and political characteristics of the reporting government. It is intended to provide the user with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements and supplementary information included in the Financial Section.

STATISTICAL INFORMATION

(Unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

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These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

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

Net Position by Component
Last Ten Fiscal Years (In thousands)
 (Accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net investment in capital assets	\$ 974,071	\$ 968,473	\$ 894,651	\$ 1,016,259	\$ 894,625	\$ 831,430	\$ 832,951	\$ 794,164	\$ 751,910	\$ 731,726
Restricted	274,830	211,338	210,934	205,998	196,853	190,868	182,011	150,750	154,306	87,566
Unrestricted ¹	(410,613)	(417,976)	(447,817)	(455,863)	30,341	16,760	(124,422)	(121,283)	(92,773)	(70,621)
Total Governmental Activities	838,288	\$761,835	\$657,768	\$766,394	1,121,819	1,039,058	890,540	823,631	813,443	748,671
Business-type Activities										
Net investment in capital assets	1,016,113	997,292	993,075	823,505	787,459	780,093	779,224	756,020	747,379	746,450
Restricted	83,811	76,749	83,448	77,311	71,131	61,235	54,626	49,325	45,493	47,406
Unrestricted	20,708	36,644	(1,725)	(37,696)	121,083	112,159	115,445	130,812	145,269	165,196
Total Business-type Activities	1,120,632	1,110,685	1,074,798	863,120	979,673	953,487	949,295	936,157	938,141	959,052
Total Government										
Net investment in capital assets	1,990,184	1,965,765	1,887,726	1,839,764	1,682,084	1,611,523	1,612,175	1,550,184	1,499,289	1,478,176
Restricted	358,641	288,087	294,382	283,309	267,984	252,103	236,637	200,075	199,799	134,972
Unrestricted	(389,905)	(381,332)	(449,542)	(493,559)	151,424	128,919	(8,977)	9,529	52,496	94,575
Total Government	\$ 1,958,920	\$ 1,872,520	\$ 1,732,566	\$ 1,629,514	\$ 2,101,492	\$ 1,992,545	\$ 1,839,835	\$ 1,759,788	\$ 1,751,584	\$ 1,707,723

Note: ¹ The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pension, and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, for the fiscal year ended June 30, 2015. Implementation of these Statements require the City to restate prior period net position and are reflected in the fiscal year 2014 Unrestricted net position. Information prior to the implementation of these Statements is not available.

Certain reclassifications have been made to prior year data to conform to the current presentation.

Source: Finance Department, City of Anaheim

Changes in Net Position **Last Ten Fiscal Years** (In thousands) (Accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,742	\$ 1,892	\$ 2,253	\$ 1,779	\$ 1,670	\$1,872	\$ 1,872	\$ 1,708	\$ 1,890	\$ 2,088
Police	15,441	11,775	10,001	9,927	9,859	10,122	10,435	10,127	10,089	10,235
Fire & Rescue	10,582	9,814	9,024	10,166	9,912	9,431	9,518	9,369	9,122	9,850
Community & Economic Development	19,046	10,210	14,023	17,305	9,151	7,281	8,143	7,306	5,459	6,212
Planning & Building	11,357	11,515	9,800	7,746	6,404	5,327	6,263	6,453	7,724	9,084
Public Works	16,140	15,817	13,309	13,037	14,012	11,401	9,837	7,619	7,421	8,619
Community Services	11,190	3,430	3,408	3,479	3,556	3,386	4,024	4,561	4,833	4,855
Convention, Sports & Entertainment	13,672	12,528	11,124	10,236	9,574	9,142	4,356	202	200	218
Total charges for services	99,170	76,981	72,942	73,675	64,138	57,962	54,448	47,345	46,738	51,161
Operating grants and contributions	109,989	108,131	109,968	114,584	112,507	108,620	124,358	121,731	110,200	100,393
Capital grants and contributions	65,937	85,782	67,014	110,295	71,472	44,184	70,080	31,828	66,347	30,361
Governmental activities program revenues	275,096	270,894	249,924	298,554	248,117	210,766	248,886	200,904	223,285	181,915
Business-type activities:										
Charges for services										
Electric Utility	433,561	430,485	453,697	426,051	451,958	397,931	381,496	377,387	365,526	351,160
Water Utility	70,777	60,509	63,495	65,946	60,785	57,748	55,598	56,368	50,807	49,125
Sanitation Utility	63,893	61,006	60,076	57,843	57,230	56,630	56,359	56,023	55,424	54,017
Golf Courses	4,062	4,114	4,435	4,667	4,759	4,802	4,711	5,168	5,634	5,947
Convention, Sports & Entertainment Venues	37,015	35,363	34,742	32,084	29,656	29,389	27,981	30,797	26,987	31,197
ARTIC Management	1,050	878	448							
Total charges for services	610,358	592,355	616,893	586,591	604,388	546,500	526,145	525,743	504,378	491,446
Operating grants and contributions	425	776	287	452	952	1,101	746	1,990	965	1,194
Capital grants and contributions	4,381	11,743	8,734	8,441	6,698	8,954	12,667	5,622	6,620	12,332
Business-type activities program revenues	615,164	604,874	625,914	595,484	612,038	556,555	539,558	533,355	511,963	504,972
Total government program revenues	890,260	875,768	875,838	894,038	860,155	767,321	788,444	734,259	735,248	686,887
Expenses										
Governmental activities:										
General government	11,825	10,331	12,370	15,790	13,275	11,617	10,911	10,917	12,144	12,610
Police	151,559	132,889	135,161	127,037	124,556	117,840	119,504	125,121	121,162	122,883
Fire & Rescue	70,365	62,520	61,794	59,510	58,508	58,027	56,393	58,229	57,768	56,434
Community & Economic Development	100,720	110,618	80,976	80,043	82,769	95,683	105,937	117,621	109,523	105,651
Planning & Building	21,944	19,862	18,303	17,030	16,917	15,648	15,627	16,822	17,057	17,199
Public Works	61,806	48,719	66,023	60,262	44,740	41,228	44,109	39,017	47,226	43,680
Community Services	34,799	34,212	31,587	34,130	28,925	28,282	30,958	35,372	37,704	39,033
Public Utilities	2,530	2,687	2,599	2,514	2,405	2,315	2,218	1,952	1,515	2,128
Convention, Sports & Entertainment Venues	19,238	18,503	17,026	15,586	13,935	13,584	13,633	9,931	10,069	10,781
Interest on long-term debt	34,876	35,185	35,340	35,514	35,880	42,824	47,985	47,610	47,779	45,502
Governmental Activities Expenses	509,662	475,526	461,179	447,416	421,910	427,048	447,275	462,592	461,947	455,901

(continued)

Changes in Net Position **Last Ten Fiscal Years** (In thousands) (Accrual basis of accounting) (continued)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Business-type Activities:										
Electric Utility	412,424	390,732	401,243	411,246	417,008	386,358	372,129	375,173	359,320	353,204
Water Utility	72,715	61,620	68,011	62,996	57,056	58,319	56,608	55,478	49,309	49,219
Sanitation	58,218	56,564	55,979	53,508	52,813	55,939	49,845	50,521	52,702	49,693
Golf Courses	4,465	4,405	4,418	4,399	4,473	4,114	4,256	4,436	4,495	4,810
Convention, Sports & Entertainment Venues	47,321	44,285	56,715	46,385	45,001	45,278	44,662	45,954	45,487	48,292
ARTIC Management	6,374	6,235	5,075							
Business-type activities expense	601,517	563,841	591,441	578,534	576,351	550,008	527,500	531,562	511,313	505,218
Total government expenses	1,111,179	1,039,367	1,052,620	1,025,950	998,261	977,056	974,775	994,154	973,260	961,119
Net (Expense)/Revenue										
Governmental activities	(234,566)	(204,632)	(211,255)	(148,862)	(173,793)	(216,282)	(198,389)	(261,688)	(238,662)	(273,986)
Business-type activities	13,647	41,033	34,473	16,950	35,687	6,547	12,058	1,793	650	(246)
Total government, net (expense) revenue	(220,919)	(163,599)	(176,782)	(131,912)	(138,106)	(209,735)	(186,331)	(259,895)	(238,012)	(274,232)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	72,909	70,646	68,405	66,282	64,311	58,896	59,053	59,689	60,806	59,592
Property tax increments						28,678	47,040	47,731	47,115	45,719
Sales tax and use tax	77,732	76,975	72,356	67,505	65,445	59,654	54,711	51,214	56,035	62,510
Transient occupancy taxes	149,566	137,570	119,744	110,134	102,936	90,376	82,605	77,139	80,055	87,183
Motor vehicle license fees	161	142	145		331		1,783	1,026	1,180	1,532
Other taxes	8,946	8,731	8,318	7,780	7,756	7,272	7,288	7,288	8,041	9,529
Unrestricted investment earnings	2,116	3,692	2,725	2,930	1,094	3,598	3,667	7,012	8,667	15,337
Other	106	87	55	49	1,857	873	614	1,175	394	2,670
Transfers	7,701	10,856	(169,119)	7,288	12,824	12,571	8,537	19,602	41,141	15,573
Special Item	(8,218)									
Extraordinary gain						102,882				
Governmental activities	311,019	308,699	102,629	261,968	256,554	364,800	265,298	271,876	303,434	299,645
Business-type activities:										
Unrestricted investment earnings	4,001	5,710	8,086	6,986	3,323	10,216	9,617	15,825	19,580	31,244
Transfers	(7,701)	(10,856)	169,119	(7,288)	(12,824)	(12,571)	(8,537)	(19,602)	(41,141)	(15,573)
Business-type activities	(3,700)	(5,146)	177,205	(302)	(9,501)	(2,355)	1,080	(3,777)	(21,561)	15,671
Total government	307,319	303,553	279,834	261,666	247,053	362,445	266,378	268,099	281,873	315,316
Change in Net Position										
Governmental activities	76,453	104,067	(108,626)	113,106	82,761	148,518	66,909	10,188	64,772	25,659
Business-type activities	9,947	35,887	211,678	16,648	26,186	4,192	13,138	(1,984)	(20,911)	15,425
Total government change in net position	\$ 86,400	\$ 139,954	\$ 103,052	\$ 129,754	\$ 108,947	\$ 152,710	\$ 80,047	\$ 8,204	\$ 43,861	\$ 41,084

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the current presentation.

Source: Finance Department, City of Anaheim

See accompanied Independent auditors' report

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years (In thousands)

(Accrual basis of accounting)

Fiscal Year	Amounts						Total
	Property Taxes	Property Tax Increments	Sales and Use Taxes	Transient Occupancy Taxes	Motor Vehicle License Fees ¹	Other Taxes	
2017	\$ 72,909		\$ 77,732	\$ 149,566	\$ 161	\$ 8,946	\$ 309,314
2016	70,646		76,975	137,570	142	8,731	294,064
2015	68,405		72,356	119,744	145	8,318	268,968
2014	66,282		67,505	110,134		7,780	251,701
2013	64,311		65,445	102,936	331	7,756	240,779
2012	58,896	\$ 28,678 ²	59,654	90,376	³	7,272	244,876
2011	59,053	47,040	54,711	82,605	1,783	7,288	252,480
2010	59,689	47,731	51,214	77,139	1,026	7,288	244,087
2009	60,806	47,115	56,035	80,055	1,180	8,041	253,232
2008	59,592	45,719	62,510	87,183	1,532	9,529	266,065

¹ The decrease in motor vehicle license fees starting from fiscal year 2005 is due to the shifting of revenue from motor vehicle license fees category to the property tax category. This was part of the State of California 2004 Budget Act.

² The decrease in Property tax increments from fiscal year 2012 was due to the dissolution of Redevelopment Agency on February 1, 2012.

³ Motor Vehicle License Fees allocation was eliminated per the fiscal year 2012 State Budget.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the current presentation.

Source: Finance Department, City of Anaheim

Fund Balances of Governmental Funds

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Nonspendable	\$ 819	\$ 958	\$ 1,538	\$ 2,099	\$ 2,531	\$ 3,082	\$ 3,626			
Restricted	6,238	7,730	6,124	6,449	1,766	982	582			
Committed					788					
Assigned	2,056	7,442	513	4,073	6,879	320	141			
Unassigned	42,336	39,850	39,615	30,394	26,920	22,636	22,139			
Reserved								\$ 4,092	\$ 4,530	\$ 5,001
Unreserved - undesignated								29,490	47,729	37,347
Total General fund	51,449	55,980	47,790	43,015	38,884	27,020	26,488	33,582	52,259	42,348
Housing Authority Fund										
Nonspendable		2	4	7	38		42			
Restricted	62,338	48,974	43,703	41,134	32,234	29,935	7,778			
Assigned	22,904	16,129	14,283	11,664	11,823	11,237	9,922			
Reserved								1,373	1,830	830
Unreserved - undesignated								11,603	5,669	6,474
Total Housing Authority Fund	85,242	65,105	57,990	52,805	44,095	41,172	17,742	12,976	7,499	7,304
Nonmajor Governmental Funds										
Nonspendable	8,713	6,000	6,270	3,542	4,619	1	631			
Restricted	303,036	237,930	197,360	170,950	164,870	158,933	241,674			
Assigned	9,612	5,875	3,040	3,291	8,055	7,400	7,761			
Unassigned	(12,202)	(17,991)	(20,071)	(19,005)	(11,231)	(32,448)	(34,293)			
Reserved								130,313	142,760	138,402
Unreserved - designated, reported in:										
Special revenue funds								7,349	7,211	6,809
Debt service funds								156	4,433	1,656
Capital projects funds								31,899	41,544	32,809
Unreserved - undesignated, reported in:										
Special revenue funds								14,350	5,342	4,199
Capital projects funds								(3,376)	(7,037)	(15,551)
Total nonmajor governmental funds	309,159	231,814	186,599	158,778	166,313	133,886	215,773	180,691	194,253	168,324
Total governmental funds ¹	\$ 445,850	\$ 352,899	\$ 292,379	\$ 254,598	\$ 249,292	\$ 202,078	\$ 260,003	\$ 227,249	\$ 254,011	\$ 217,976

¹ The City implemented Governmental Accounting Standards Board Statement No 54 (GASB 54) for the Fiscal Year Ended June 30, 2011.

Fund Balance Classifications prior to the implementation of GASB 54 is not available.

Source: Finance Department, City of Anaheim

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property taxes	\$ 72,909	\$ 70,646	\$ 68,405	\$ 66,282	\$ 64,311	\$ 58,896	\$ 59,053	\$ 59,689	\$ 60,806	\$ 59,592
Property tax increments						28,678	47,040	47,731	47,115	45,719
Sales and use taxes	80,500	81,844	71,977	68,581	62,793	58,589	55,034	48,210	56,493	64,296
Transient occupancy taxes	149,566	137,570	119,744	110,134	102,936	90,376	82,605	77,139	80,055	87,183
Other taxes	8,287	8,024	7,478	7,012	7,078	6,401	6,486	6,303	6,451	6,753
Licenses, fees, and permits	36,504	30,653	28,573	21,353	22,305	17,067	18,772	21,580	21,062	24,705
Intergovernmental revenues	123,797	121,055 ²	155,314	215,755	186,018	143,348	150,394	141,418	158,729	135,072
Charges for services	42,047	36,147	33,295	32,569	30,883	29,672	24,408	18,351	17,874	17,730
Fines, forfeits, and penalties	2,756	2,875	2,823	2,656	2,907	3,515	3,304	3,255	3,409	3,767
Use of money and property	31,207	55,052	13,233	16,681	8,058	7,657	10,159	10,236	9,293	16,923
Contribution from property owners	36,864 ⁴						41,007 ¹			
Other	18,425	13,520	16,573	6,555	8,926	6,617	2,638	4,009	10,137	3,755
Total revenues	602,862	557,386	517,415	547,578	496,215	450,816	500,900	437,921	471,424	465,495
Expenditures										
General government	19,447	18,679	19,052	21,070	18,270	16,502	16,055	15,822	16,953	16,325
Police	148,801	139,775	127,226	120,962	117,702	112,656	114,678	115,379	112,057	115,195
Fire & Rescue	70,164	66,399	61,483	57,529	56,127	55,886	55,802	55,713	55,966	54,685
Community & Economic Development	92,089	107,544 ³	89,446	83,658	86,282	95,352	110,138	126,590	112,406	104,991
Planning & Building	21,997	19,935	17,667	16,086	15,785	14,408	14,560	15,173	15,489	15,949
Public Works	30,886	30,388	29,814	29,737	25,387	22,861	27,087	19,957	29,321	25,810
Community Services	32,258	31,980	28,394	30,602	25,268	24,618	27,813	31,311	33,572	35,203
Public Utilities	2,496	2,727	2,622	2,510	2,398	2,313	2,220	1,939	1,507	2,120
Convention, Sports & Entertainment	14,023	13,089	11,608	10,714	10,002	9,725	9,917	6,369	6,699	7,390
Capital outlay	44,532	32,589	79,710	136,597	98,601	55,505	70,918	62,422	52,229	60,906
Debt service:										
Principal	26,123	28,448	25,289	24,220	18,948	16,294	12,219	12,777	16,085	27,472
Interest charges	15,571	16,930	18,085	18,797	19,808	26,927	33,032	33,509	34,830	28,324
Debt issuance costs			127				227		70	5,182
Total expenditures	518,387	508,483	510,523	552,482	494,578	453,047	494,666	496,961	487,184	499,552
Revenues over (under) expenditures	84,475	48,903	6,892	(4,904)	1,637	(2,231)	6,234	(59,040)	(15,760)	(34,057)
Other Financing Sources (Uses)										
Transfers in	103,797	95,920	85,818	84,813	73,470	131,093	99,571	83,498	121,987	299,410
Transfers out	(101,446)	(85,403)	(79,373)	(75,953)	(59,393)	(119,552)	(86,621)	(59,970)	(76,304)	(288,985)
Issuance of refunding bonds			6,200						5,084	201,680
Payments to refunded bond escrow agent			(6,200)						(5,683)	(171,222)
Premium on long term debt			1,790						94	4,641
Discount on long term debt										(199)
Issuance of long-term debt	6,125	1,100	22,654	1,350	31,500		13,570	8,000	2,769	175
Claims settlement proceeds								750	3,848	
Extraordinary loss						(67,235)				
Total other financing sources	8,476	11,617	30,889	10,210	45,577	(55,694)	26,520	32,278	51,795	45,500
Net change in fund balances	\$ 92,951	\$ 60,520	\$ 37,781	\$ 5,306	\$ 47,214	\$ (57,925)	\$ 32,754	\$ (26,762)	\$ 36,035	\$ 11,443
Debt service as a percentage of non-capital expenditures	8.80%	9.54%	10.07%	10.34%	9.79%	10.87%	10.68%	10.65% ⁰	11.71%	12.72%

¹ Contribution from property owners pursuant to the issuance of Community Facility District 08-1 Platinum Triangle Series 2010 Special Tax Bond.² Increase in Use of money and property is due to one-time land held for resale transferred from the Successor Agency.³ Increase in Community and Economic Development expenditures is due to a one-time loss on sale of land held for resale.⁴ Contribution from property owners pursuant to the issuance of Community Facility District 08-1 Platinum Triangle Series 2016 Special Tax Bond.

Source: Finance Department, City of Anaheim

See accompanied Independent auditors' report

General Government Tax Revenues By Source

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

Fiscal Year	Property Taxes				Amounts in Dollars Property Tax Increments			Property Taxes in-lieu of VLF ¹	Sales and Use Taxes	Transient Occupancy Taxes	Other Taxes	Total
	Secured Property Taxes	Unsecured Property Taxes	Supplemental Property Taxes	Residual	Secured Property Taxes	Unsecured Property Taxes	Supplemental Property Taxes					
2017	\$ 37,771	\$ 1,214	\$ 1,108	\$ 2,484				\$ 30,332	\$ 80,500	\$ 149,566	\$ 8,287	\$ 311,262
2016	37,000	1,256	991	2,203				29,196	81,844 ³	137,570	8,024	298,084
2015	35,624	1,358	1,001	2,262				28,160	71,977	119,744	7,478	267,604
2014	33,976	1,243	832	2,873				27,358	68,581	110,134	7,012	252,009
2013	33,114	1,194	806	2,834				26,363	62,793	102,936	7,078	237,118
2012	31,770	1,289	207		\$ 21,576 ²	\$ 6,884 ²	\$ 218 ²	25,630	58,589	90,376	6,401	242,940
2011	31,848	1,300	373		36,824	8,859	1,357	25,532	55,034	82,605	6,486	250,218
2010	32,267	1,341	385		38,809	8,221	701	25,696	48,210	77,139	6,303	239,072
2009	32,496	1,351	712		37,710	7,986	1,419	26,247	56,493	80,055	6,451	250,920
2008	31,073	1,343	1,326		34,772	9,105	1,842	25,850	64,296	87,183	6,753	263,543

¹ Collection of property taxes in-lieu of VLF starting in fiscal year 2005 is due to the shifting of revenue from motor vehicle license fees category to the property tax category. This was part of the State of California 2004 Budget Act.

² Decrease in property tax increments revenues in fiscal year 2012 was due to dissolution of the Redevelopment Agency on February 1, 2012. Property tax increments were received up to January 31, 2012.

³ Increase in sales and use taxes in fiscal year 2016 was due to the sales tax triple flip final distribution.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the current presentation.

Source: Finance Department, City of Anaheim

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years (In thousands)

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
City of Anaheim					
Secured property	\$ 34,732,460	\$ 33,338,748	\$ 32,023,757	\$ 30,548,214	\$ 29,608,967
Unsecured property	1,172,650	1,243,307	1,515,905	1,266,403	1,265,519
Total City of Anaheim	35,905,110	34,582,055	33,539,662	31,814,617	30,874,486
Dissolved Anaheim Redevelopment Agency¹					
Secured property	4,773,715	4,479,386	4,102,931	3,916,169	4,338,935
Unsecured property	684,544	753,736	759,729	654,982	683,237
Total Anaheim Redevelopment Agency	5,458,259	5,233,122	4,862,660	4,571,151	5,022,172
Total Taxable Assessed Value	\$ 41,363,369	\$ 39,815,177	\$ 38,402,322	\$ 36,385,768	\$ 35,896,658
Total Direct Tax Rate	0.10851%	0.11024%	0.11049%	0.11062%	0.11078%
	Fiscal Year				
	2012	2011	2010	2009	2008
City of Anaheim					
Secured property	\$ 28,808,849	\$ 28,600,152	\$ 28,775,989	\$ 29,329,062	\$ 28,473,221
Unsecured property	1,232,825	1,278,062	1,283,263	1,226,209	1,198,812
Total City of Anaheim	30,041,674	29,878,214	30,059,252	30,555,271	29,672,033
Dissolved Anaheim Redevelopment Agency¹					
Secured property	3,977,843	3,751,227	3,762,168	3,644,931	3,360,645
Unsecured property	656,505	743,403	762,903	789,618	818,255
Total Anaheim Redevelopment Agency	4,634,348	4,494,630	4,525,071	4,434,549	4,178,900
Total Taxable Assessed Value	\$ 34,676,022	\$ 34,372,844	\$ 34,584,323	\$ 34,989,820	\$ 33,850,933
Total Direct Tax Rate	0.11075%	0.11075%	0.11031%	0.11024%	0.11041%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property 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 increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

¹ The Anaheim Redevelopment Agency was resolved on February 1, 2012

Property Tax Rates

Direct and Overlapping Governments

Last Ten Fiscal Years (Rate per \$100 assessed value)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Direct Rate ⁽¹⁾										
City Basic Rate ⁽²⁾	0.10851	0.10851	0.10851	0.10851	0.10851	0.10851	0.10851	0.10816	0.10816	0.10816
Anaheim General Obligation Bond Fund	0.00000	0.00173	0.00198	0.00211	0.00227	0.00224	0.00224	0.00215	0.00208	0.00225
	0.10851	0.11024	0.11049	0.11062	0.11078	0.11075	0.11075	0.11031	0.11024	0.11041
Overlapping Rates:										
Anaheim Elementary General Fund	0.29873	0.29873	0.29873	0.29873	0.29873	0.29873	0.29873	0.29778	0.29778	0.29778
Anaheim High General Fund	0.19043	0.19043	0.19043	0.19043	0.19043	0.19043	0.19043	0.18982	0.18982	0.18982
Educational Revenue Augmentation Fund	0.15592	0.15592	0.15592	0.15592	0.15592	0.15592	0.15592	0.15543	0.15543	0.15543
North Orange Co. Community College General Fund	0.07755	0.07755	0.07755	0.07755	0.07755	0.07755	0.07755	0.07730	0.07730	0.07730
Orange County Cemetery District	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057
Orange County Department Of Education	0.01579	0.01579	0.01579	0.01579	0.01579	0.01579	0.01579	0.01574	0.01574	0.01574
Orange County Flood Control District General	0.02197	0.02197	0.02197	0.02197	0.02197	0.02197	0.02197	0.02190	0.02190	0.02190
Orange County General Fund	0.06849	0.06849	0.06849	0.06849	0.06849	0.06849	0.06849	0.06827	0.06827	0.06827
Orange County Harbors Beaches & Parks CSA	0.01698	0.01698	0.01698	0.01698	0.01698	0.01698	0.01698	0.01693	0.01693	0.01693
Orange County Sanitation District #2 Operating	0.03227	0.03227	0.03227	0.03227	0.03227	0.03227	0.03227	0.03469	0.03469	0.03469
Orange County Transportation Authority	0.00312	0.00312	0.00312	0.00312	0.00312	0.00312	0.00312	0.00311	0.00311	0.00311
Orange County Vector Control	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124
Orange County Water District	0.00831	0.00831	0.00831	0.00831	0.00831	0.00831	0.00831	0.00893	0.00893	0.00893
Orange County Water District Water Reserve	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00013	0.00013	0.00013
Anaheim Elementary School Districts	0.04461	0.04227	0.02867	0.05848	0.05382	0.05371	0.03363	0.03193	0.02248	0.03544
Anaheim High School Districts	0.04259	0.04948	0.02412	0.02620	0.02858	0.02678	0.02745	0.02617	0.02363	0.02516
North Orange County Community College	0.02885	0.03043	0.01704	0.01704	0.01902	0.01742	0.01758	0.01662	0.01493	0.01502
Water District Rate	0.00350	0.00350	0.00350	0.00350	0.00350	0.00370	0.00370	0.00430	0.00430	0.00450
Total Direct and Overlapping Rate	1.11955	1.12741	1.07531	1.10733	1.10719	1.10385	1.08460	1.08117	1.06742	1.08237

⁽¹⁾ Excludes rates associated with mello-roos districts.

⁽²⁾ In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is assessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value.

Source: Auditor Controller, Orange County

Principal Property Tax Payers

Current Year and Nine Years Ago (In thousands)

Tax Payer	Fiscal Year					
	2017			2008		
	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value
Walt Disney World Company	1	11.30%	\$ 4,464,753	1	10.58%	\$ 3,469,918
HHC HA Investment II Inc.	2	0.52%	203,517			
US REIF MG Madison Park CA LLC	3	0.31%	123,861			
Irvine Company LLC	4	0.29%	114,281			
Teachers Insurance & Annuity Association	5	0.26%	104,666			
Prologis California I LLC	6	0.24%	96,782			
Angeli LLC	7	0.23%	92,104			
OTR	8	0.23%	91,033			
Mary Susan Samia Trust	9	0.23%	90,365			
Essex Anavia LP	10	0.22%	86,793			
Kaiser Foundation Health				2	0.50%	159,638
Kiltoy Realty Finance Partnership				3	0.39%	125,239
Taormina Industries				4	0.28%	90,006
Catellus Development Corporation				5	0.27%	85,613
Maguire Properties Syadium Gateway				6	0.26%	81,607
Boeing North America				7	0.25%	80,307
Pacific Sunwear California, Inc				8	0.20%	64,625
PK II Anaheim Plaza Limited Partnership				9	0.19%	60,338
Amlap Venture Limited Partnership				10	0.11%	34,550
Total		<u>13.84%</u>	<u>\$ 5,468,155</u>		<u>13.36%</u>	<u>\$ 4,251,841</u>

Source: Finance Department, City of Anaheim, California Municipal Statistics, Inc.

See accompanied Independent auditors' report

Property Tax Levies and Collections

Last Ten Fiscal Years (In thousands)

Fiscal Year	Total Taxes Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Tax Increments Levy ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount	Percentage of Levy		Amount ²	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 40,787	\$ 39,710	97.36%	\$ 152	\$ 39,862	97.73%						
2016	40,026	38,832	97.02%	382	39,214	97.97%						
2015	38,365	37,456	97.63%	414	37,870	98.71%						
2014	36,293	35,558	97.97%	460	36,018	99.24%						
2013	34,813	34,116	98.00%	384	34,500	99.10%						
2012	33,598	32,560	96.91%	512	33,072	98.43%	\$ 49,004	\$ 28,327	57.81%		\$ 28,327	57.81%
2011	33,512	32,517	97.03%	558	33,075	98.70%	49,294	45,906	93.13%	\$ 282	46,188	93.70%
2010	33,627	32,490	96.62%	796	33,286	98.99%	49,119	46,584	94.84%	524	47,108	95.91%
2009	34,579	33,068	95.63%	1,231	34,299	99.19%	48,432	46,057	95.10%	622	46,679	96.38%
2008	34,283	32,798	95.67%	1,237	34,035	99.28%	46,785	44,793	95.74%	552	45,345	96.92%

¹ Excludes property taxes in-lieu of vehicle license fees

² Decrease in property tax collection is due to the dissolution of the Redevelopment Agency on February 1, 2012. Property tax increments were received up to January 31, 2012.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the current presentation.

Source: Auditor-Controller, County of Orange

Ratios of Outstanding Debt by Type Last Ten Fiscal Years (In thousands, except per capita amount)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities					
Bonds	\$ 627,589	\$ 632,321	\$ 640,891	\$ 614,757	\$ 616,086
Certificates of participation				8,880	10,020
Notes and loans	29,577	20,820	21,372	50,757	54,877
Capital leases	1,738	2,088	2,346	1,325	1,369
Total governmental activities	658,904	655,229	664,609	675,719	682,352
Business-Type Activities					
Bonds	1,235,400	1,124,159	1,116,443	780,553	863,987
Certificates of participation				38,000	38,000
Notes and loans	20,523	36,200	57,399	48,271	62,722
Total business-type activities	1,255,923	1,160,359	1,173,842	866,824	964,709
Total Government	\$ 1,914,827	\$ 1,815,588	\$ 1,838,451	\$ 1,542,543	\$ 1,647,061
Percentage of Personal Income	20.84%	20.19%	21.26%	18.88%	19.74%
Per Capita	\$5,341	\$5,070	\$5,231	\$4,429	\$4,758
	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities					
Bonds	\$ 616,444	\$ 821,587	\$ 810,504	\$ 805,068	\$ 793,343
Certificates of participation	11,085	12,070	12,990	13,840	23,333
Notes and loans	25,546	34,566	29,094	24,621	27,538
Capital leases	1,694	2,341	2,605	1,235	2,353
Total governmental activities	654,769	870,564	855,193	844,764	846,567
Business-Type Activities					
Bonds	889,581	908,683	805,925	829,707	689,791
Certificates of participation	38,000	38,000	38,000	38,000	88,185
Notes and loans	24,652	30,519	11,379	12,299	13,189
Total business-type activities	952,233	977,202	855,304	880,006	791,165
Total Government	\$ 1,607,002	\$ 1,847,766	\$ 1,710,497	\$ 1,724,770	\$ 1,637,732
Percentage of Personal Income	20.95%	24.57%	23.32%	23.96%	21.93%
Per Capita	\$ 4,674	\$ 5,418	\$ 5,088	\$ 5,193	\$ 4,953

Note: Per capita amounts are estimates
Certain reclassifications have been made to prior year data to conform to the current presentation.

Sources: California State Department of Finance and Finance Department, City of Anaheim
US Census Yearly American Community Survey

Ratios of Net General Bonded Debt Outstanding Last Ten Fiscal Years (In thousands, except per capita amount)

	Fiscal Year				
	2017	2016	2015	2014	2013
Bonds					
General Obligation		\$ 700	\$ 1,360	\$ 1,995	\$ 2,605
Lease Revenue	\$ 627,589	631,621	639,531	612,762	613,481
Tax Allocation					
	627,589	632,321	640,891	614,757	616,086
Less amounts available in debt service fund	127,581	108,482	88,174	73,500	61,625
Total net obligation bonds outstanding	\$ 500,008	\$ 523,839	\$ 552,717	\$ 541,257	\$ 554,461
Percentage of Assessed Value of Property	1.21%	1.32%	1.44%	1.49%	1.54%
Per capita	\$ 1,395	\$ 1,463	\$ 1,573	\$ 1,554	\$ 1,602
	Fiscal Year				
	2012	2011	2010	2009	2008
Bonds					
General Obligation	\$ 3,185	\$ 3,735	\$ 4,255	\$ 4,750	\$ 5,220
Lease Revenue	616,444	609,683	605,252	600,064	588,692
Tax Allocation		208,169	200,997	200,254	199,431
	619,629	821,587	810,504	805,068	793,343
Less amounts available in debt service fund	53,398	67,363	69,043	63,560	57,995
Total net obligation bonds outstanding	\$ 566,231	\$ 754,224	\$ 741,461	\$ 741,508	\$ 735,348
Percentage of Assessed Value of Property	1.63%	2.19%	2.14%	2.12%	2.17%
Per capita	\$ 1,647	\$ 2,212	\$ 2,205	\$ 2,233	\$ 2,224

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements
Certain reclassifications have been made to prior year data to conform to current presentation.

Source: Finance Department, City of Anaheim

Direct and Overlapping Governmental Activities Debt

As of June 30, 2017 (In thousands)

2016-17 Assessed Valuation	\$41,363,369		
<u>DIRECT TAX AND ASSESSMENT DEBT:</u>			Outstanding
City of Anaheim			\$ 0
<u>DIRECT GENERAL FUND DEBT:</u>			
City of Anaheim General Fund Obligations			658,904
TOTAL GROSS DIRECT DEBT			658,904
Less: City of Anaheim Public Financing Authority (100% self-supporting)			627,589
City of Anaheim various revenue funds (100% self-supporting)			31,315
TOTAL NET DIRECT DEBT			0
	Total Debt	% Applicable (1)	City's Share
	6/30/2017		of Debt
			6/30/2017
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 74,905	1.599 %	\$ 1,198
North Orange Joint Community College District	240,284	27.539	66,172
Rancho Santiago Community College District	258,097	12.646	32,639
Rancho Santiago Community College District School Facilities Improvement District No 1	57,025	0.391	223
Anaheim Union High School District	130,664	67.629	88,367
Fullerton Joint Union High School District	126,838	0.242	307
Garden Grove Unified School District	329,640	0.584	1,925
Placentia - Yorba Linda Unified School District	242,284	18.988	46,005
Anaheim School District	175,742	99.127	174,208
Magnolia School District	22,288	67.155	14,968
Other School Districts	130,782	Various	21,578
City of Anaheim Community Facilities Districts	67,540	100.000	67,540
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	1,856,089		515,130
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	227,516	7.878	17,924
Orange County Pension Obligation Bonds	386,763	7.878	30,469
Orange County Board of Education Certificates of Participation	14,440	7.878	1,138
North Orange County Regional Occupation Program Certificates of Participation	9,910	28.353	2,810
Orange Unified School District Certificates of Participation	24,848	26.285	6,531
Orange Unified School District Benefit Obligations	80,865	26.285	21,255
Placentia-Yorba Linda Unified School District Certificates of Participation	95,540	18.988	18,141
Anaheim Union High School District Certificates of Participation	39,595	67.629	26,778
Fullerton Joint Union High School District Certificates of Participation	19,920	0.242	48
Fullerton School District Certificates of Participation	5,165	0.170	9
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT	904,562		125,103
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>			
City of Anaheim Tax Allocation Bonds	203,855	0.093-100 %	193,969
TOTAL OVERLAPPING TAX INCREMENT DEBT			193,969
TOTAL GROSS OVERLAPPING DEBT			834,202
TOTAL NET OVERLAPPING DEBT			834,202
GROSS COMBINED TOTAL DEBT			\$ 1,493,106 ⁽²⁾
NET COMBINED TOTAL DEBT			\$ 834,202

(continued)

Direct and Overlapping Governmental Activities Debt

As of June 30, 2017 (In thousands) (continued)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$0)	0.000%
Total Direct and Overlapping Tax and Assessment Debt	1.25%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt (\$)	1.59%
Net Combined Direct Debt (\$)	0.000%
Gross Combined Total Debt	3.61%
Net Combined Total Debt	2.02%

Ratios to Redevelopment Increment Valuation (\$5,461,774)

Total Overlapping Tax Increment Debt	3.55%
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Source: California Municipal Statistics, Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Legal Debt Margin

Last Ten Fiscal Years (In thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Debt limit	\$ 1,551,126	\$ 1,493,069	\$ 1,440,087	\$ 1,364,466	\$ 1,346,125
Total net debt applicable to limit		(700)	(1,360)	(1,995)	(2,605)
Legal debt margin	<u>\$ 1,551,126</u>	<u>\$ 1,492,369</u>	<u>\$ 1,438,727</u>	<u>\$ 1,362,471</u>	<u>\$ 1,343,520</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.05%	0.09%	0.15%	0.19%
<u>Legal Debt Margin</u>					
Assessed value	\$ 41,363,369	\$ 39,815,177	\$ 38,402,322	\$ 36,385,768	\$ 35,896,658
Debt limit (3.75% of total assessed value)	1,551,126	1,493,069	1,440,087	1,364,466	1,346,125
	Fiscal Year				
	2012	2011	2010	2009	2008
Debt limit	\$ 1,300,351	\$ 1,288,982	\$ 1,296,912	\$ 1,312,118	\$ 1,269,410
Total net debt applicable to limit	(3,185)	(3,735)	(4,255)	(4,750)	(5,220)
Legal debt margin	<u>\$ 1,297,166</u>	<u>\$ 1,285,247</u>	<u>\$ 1,292,657</u>	<u>\$ 1,307,368</u>	<u>\$ 1,264,190</u>
Total net debt applicable to the limit as a percentage of debt limit	0.24%	0.29%	0.33%	0.36%	0.41%
<u>Legal Debt Margin</u>					
Assessed value	\$ 34,676,022	\$ 34,372,844	\$ 34,584,323	\$ 34,989,820	\$ 33,850,933
Debt limit (3.75% of total assessed value)	1,300,351	1,288,982	1,296,912	1,312,118	1,269,410

Note:

¹ California Government Code sets the debt limit at 15%. The Code section was enacted when assessed valuation were based on 25% of full market value. This has since changed to 100% of full market value. Thus the limit shown is 3.75% (one-fourth the limit of 15%).

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the current presentation

Pledged-Revenue Coverage **Last Ten Fiscal Years** (In thousands)

Electric Utility Revenue Bonds

Fiscal Year	Electric Revenue	Less Operating Expenses ³	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2017	\$ 435,805	\$ 338,888	\$ 96,917	\$ 18,950	\$ 28,948	\$ 47,898	2.0234
2016	433,744	319,169	114,575	14,040	27,995	42,035	2.7257
2015	458,211	341,206	117,005	12,950	27,878	40,828	2.8658
2014	430,782	347,290	83,492	11,590	30,039	41,629	2.0056
2013	453,949	349,835	104,114	18,995	33,335	52,330	1.9896
2012	407,787	314,231	93,556	18,175	34,104	52,279	1.7896
2011	391,218	309,274	81,944	17,825	30,825	48,650	1.6844
2010	390,364	309,112	81,252	15,995	31,788	47,783	1.7004
2009	378,916	300,269	78,647	15,370	28,798	44,168	1.7806
2008	373,842	299,534	74,308	14,690	29,450	44,140	1.6835

³ Operating expenses includes transfer for right of way and excludes amortization and depreciation.

Water Utility Revenue Bonds

Fiscal Year	Water Revenue	Less Operating Expenses ⁴	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2017	\$ 71,790	\$ 56,487	\$ 15,303	\$ 3,380	\$ 6,815	\$ 10,195	1.5010
2016	61,721	46,383	15,338	5,885	1,775	7,660	2.0023
2015	65,518	52,883	12,635	960	4,178	5,138	2.4591
2014	66,979	50,046	16,933	920	4,217	5,137	3.2963
2013	61,849	44,838	17,011	950	4,255	5,205	3.2682
2012	59,330	44,615	14,715	915	4,292	5,207	2.8260
2001	56,935	45,293	11,642	880	3,275	4,155	2.8019
2010	57,787	45,231	12,556	1,490	2,544	4,034	3.1125
2009	53,039	40,123	12,916	1,435	1,967	3,402	3.7966
2008	51,052	41,190	9,862	1,375	325	1,700	5.8012

⁴ Operating expenses includes transfer for right of way and excludes amortization and depreciation.

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

Source: Finance Department, City of Anaheim

(continued)

Pledged-Revenue Coverage

Last Ten Fiscal Years (In thousands)

(continued)

Sanitation Revenue Bonds							
Fiscal Year	Wastewater Revenue ⁵	Less Operating Expenses ⁶	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2017	\$ 13,771	\$ 6,252	\$ 7,519	\$ 1,045	\$ 1,954	\$ 2,999	2.5072
2016	13,291	5,733	7,558	1,005	1,994	2,999	2.5202
2015	13,373	6,103	7,270	955	2,042	2,997	2.4258
2014	12,572	5,594	6,978	920	2,079	2,999	2.3268
2013	12,106	5,477	6,629	880	2,118	2,998	2.2111
2012	11,933	4,832	7,101	835	2,161	2,996	2.3702
2011	11,813	4,030	7,783	805	2,193	2,998	2.5961
2010	11,773	5,452	6,321	775	2,224	2,999	2.1077
2009	10,913	5,176	5,737		2,224	2,224	2.5796
2008	10,299	5,167	5,132		1,532	1,532	3.3499

⁵ Amounts based on the notes to the basic financial statement, segment reporting⁶ Operating expenses excludes amortization and depreciation.

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

Source: Finance Department, City of Anaheim

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age ⁽¹⁾	Education Level in Years of Schooling	School Enrollment	Orange County Unemployment Rate
2017	358,546	\$ 9,189,369	\$ 25,630 ⁽²⁾	33.6	12.2	64,870	3.80%
2016	358,136	8,998,883	25,127	33.6	12.2	65,692	4.40%
2015	351,433	8,649,469	24,612	33.6	12.2	66,439	4.10%
2014	348,305	8,955,966	25,713	33.8	12.2	66,982	6.20%
2013	346,161	8,344,211	24,105	32.8	12.2	67,014	6.10%
2012	343,793	7,669,678	22,309	32.4	12.2	67,760	7.90%
2011	341,034	7,519,459	22,049	32.1	12.2	67,884	9.20%
2010	336,208	7,333,705	21,813	32.1	12.2	68,331	9.50%
2009	332,120	7,198,701	21,675	31.5	12.2	68,890	9.30%
2008	330,659	7,467,272	22,583	32.4	12.2	68,663	5.30%

(1) Population and Median Age were updated to reflect 2011-2015 American Community Survey Five-Year Estimate.

(2) Per capita income for FY 2017 is estimated. Data not readily available.

Sources: California State Department of Finance
 Anaheim City Superintendent of Schools
 State of California, Employment Development Department
 State Department of Commerce and Labor
 State Department of Education
 US Census Yearly American Community Survey

Principal Employers Current Year and Nine Years Ago

Employer	Fiscal Year					
	2017			2008		
	Rank	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
Disneyland Resort	1	31,000	18.3%	1	20,050	11.4%
Kaiser Foundation Hospital	2	6,000	3.6%	2	3,660	2.1%
Northgate Gonzalez Supermarkets	3	2,000	1.2%	4	2,000	1.1%
Hilton Anaheim	4	1,575	0.9%	7	920	0.5%
Angels Baseball	5	1,484	0.9%			
Anaheim Regional Medical Center	6	1,262	0.7%	5	1,185	0.7%
Anaheim Marriott Hotel	7	1,030	0.6%			
L-3 Communications	8	1,000	0.6%			
St. Joseph Heritage Healthcare	9	900	0.5%			
Time Warner Cable Business Class	10	900	0.5%			
Carrington Mortgage Services LLC (CMS)			0.0%			
West Anaheim Medical Center				10	774	0.4%
Honda Center				6	1,000	0.6%
AT & T				3	2,659	1.5%
Long Beach Mortgage				8	800	0.5%
Alstyle Apparel				9	750	0.4%
Total		47,151	27.9%		33,798	19.2%

Source: Inside Prospects Database

Full-time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Council	9	6	7	7	7	7	7	7	7	7
City Administration	19	19	20	20	20	21	21	24	24	24
City Attorney	33	33	33	31	30	30	30	35	35	35
City Clerk	8	8	7	7	7	6	6	7	7	7
Human Resources	40	39	37	37	38	36	36	40	40	40
Finance	55	54 ¹	44	44	44	46	47	52	53	54
Police	576	569	561	549	536	530	554	610	610	604
Fire & Rescue	276	274	267	262	262	275	277	289	289	290
Community & Economic Development	73	73	71	68	78	102	105	106	109	108
Planning & Building	76	76	75	71	69	73	75	93	94	97
Public Works	236	235	237	236	234	235	252	252	252	252
Community Services	92	92	91	87	87	115	123	180	183	184
Public Utilities	352	352	354	353	352	355	377	377	377	367
Convention, Sports & Entertainment	85	85	85	84	83	91	91	91	91	88
Total	<u>1,930</u>	<u>1,915</u>	<u>1,889</u>	<u>1,856</u>	<u>1,847</u>	<u>1,922</u>	<u>2,001</u>	<u>2,163</u>	<u>2,171</u>	<u>2,157</u>

¹ Increase is due to reorganization of the Citywide Geographic Information System (GIS) and Police Information System into Finance.

Operating Indicators by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police Department										
Number of calls for service	200,695	208,710	195,305	186,042	186,461	189,751	195,587	185,934	191,037	196,241
Number of 911 calls received	150,555	155,371	158,447	145,813	182,856	179,313	165,698	140,529	129,998	125,174
Number of Part I Crimes per 100,000 population	2,917	3,279	2,950	2,883	3,326	3,057	2,886	2,857	2,764	2,899
Number of Arrest	11,010	11,604	11,405	11,846	11,617	11,494	13,345	17,650	15,951	16,212
Number of Field Reports processed by Records Bureau	41,208	41,655	39,191	38,362	39,066	33,050	35,807	35,256	37,999	40,232
Number of traffic collisions	4,817	5,179	4,833	4,686	4,414	4,044	4,046	4,027	4,251	4,626
Number of Hours of Volunteer service	21,132	21,647	22,885	24,124	23,470	25,309	20,335	18,038	16,201	16,820
Fire & Rescue Department										
Fire responses	1,035	1,082	952	885	902	923	983	1,275	1,016	1,082
False alarm responses	1,903	1,848	3,910	1,735	1,424	1,390	1,487	1,467	1,503	1,398
Mutual aid responses	5,450	5,506	4,322	3,001	2,860	2,744	2,707	2,560	2,532	2,662
Medical responses	28,437	28,858	27,158	24,912	24,735	23,061	22,202	24,045	21,553	21,301
Hazardous condition responses	222	211	213	211	207	201	199	207	224	203
Public Works										
Centerline miles of arterial highway pavement improved	1.22	4.7	3.55	7.13	5.9	8.7	5.8	9.0	8.1	9.1
Square feet of deteriorated pavement replaced	4,017,828	2,487,188	2,101,231	4,345,480	4,029,806	2,977,482	4,274,463	820,000	780,500	890,500
Square feet of deteriorated pavement slurry sealed	5,519,982	1,941,187	7,253,633	4,422,148	2,850,939	4,208,194	4,167,569	1,975,000	2,532,000	3,483,000
Number of traffic intersections maintained	335	333	321	327	318	318	319	318	318	316
Number of traffic control hubs maintained	18	18	18	19	18	18	18	18	17	16
Square feet of deteriorated sidewalk replaced	102,305	232,922	153,531	96,399	77,590	74,780	62,940	60,000	50,500	50,200
Linear feet of damaged curb/gutter replaced	6,797	33,373	30,152	29,996	25,187	27,661	24,755	11,500	12,500	11,500
Square feet of medians/parkways maintained	6,063,299	6,063,299	5,721,764	5,644,799	5,644,818	5,511,065	5,460,655	5,400,000	5,350,000	5,350,000
Square feet of landscape maintained in the Anaheim Resort	1,554,886	1,554,886	1,542,442	1,542,442	1,430,486	1,430,486	1,430,486	1,430,486	1,419,286	1,419,286
Square feet of hardscape maintained in the Anaheim Resort	991,360	991,360	991,370	991,360	858,828	858,828	1,001,743	858,828	858,828	858,828
Number of vehicles maintained	1,036	1,025	1,097	1,144	1,106	1,152	1,162	1,331	1,331	1,351
Number of vehicles per mechanic	49	49	57	58	58	50	47	50	55	59
Square feet of interior space maintained	2,379,100	2,379,100	2,379,100	2,700,000	2,362,992	2,176,265	2,176,265	2,176,265	2,176,265	2,176,265
Square feet of exterior space maintained	37,662,184	37,662,184	37,662,184	37,655,278	37,645,278	39,138,187	39,138,187	39,138,187	39,138,187	39,138,187
Number of facility square feet (interior) per worker	125,215	1,459,000	1,459,000	150,000	139,000	120,904	114,540	103,631	103,631	103,631
Number of construction projects	80	120	100	165	120	100	136	130	130	132
Number of permit inspections	650	510	429	486	380	404	355	800	800	802
Parks										
Number of park acres maintained per full-time equivalent employee	77	77	76	75	75	75	75.00	12.00	12.00	10.52
Number of sports fields prepared	66	66	66	66	66	66	66	66	66	66
Cost per acre of parks maintained.	\$9,221	\$8,952	\$8,691	\$8,438	\$8,192	\$8,031	\$8,333	\$9,651	\$9,950	\$10,699
Cost per sports field maintained.	\$4,791	\$4,655	\$4,519	\$4,387	\$4,260	\$4,133	\$4,261	\$5,134	\$5,134	\$4,937
Golf Courses										
Cost per acre of golf course maintained	\$10,434	\$10,076	\$9,455	\$9,931	\$9,595	\$9,010	\$9,569	\$11,327	\$10,674	\$10,617
Number of rounds played	102,542	102,234	110,855	117,652	118,879	120,675	116,287	124,404	137,948	153,661
Number of acres maintained	200	200	200	200	200	200	200	200	200	200

(continued)

Operating Indicators by Function Last Ten Fiscal Years

(continued)

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Libraries										
Hours open	16,023	15,461	16,929	16,820	16,243	15,530	15,364	18,944	19,290	20,292
Total circulation of materials, including eBooks	1,117,096	1,169,829	1,257,127	1,397,239	1,520,841	1,635,627	1,700,104	1,655,922	1,721,779	1,658,731
Patron assistance (reference, information, computer)	226,429	185,436	207,305	240,287	291,960	347,085	397,287	530,364	537,807	461,819
Patron visits	981,637	1,098,146	1,221,982	1,264,972	1,317,689	1,321,309	1,403,995	1,572,138	1,752,838	1,615,640
Library cardholders	230,951	217,661	201,194	186,891	158,396	157,278	156,444	149,501	138,826	147,638
Programs offered	4,507	3,900	3,800	3,397	3,097	3,235	3,927	3,991	4,777	4,410
Program attendance	142,098	125,609	117,226	111,380	102,728	101,696	124,401	146,357	158,669	152,532
Hours of public internet usage	144,364	150,712	184,851	209,953	237,340	220,930	209,673	246,676	277,097	242,734
Community Services Programs										
Number of youth program participants	181,697	183,967	177,746	126,429	136,345	129,215	110,013	134,611	146,381	455,725
Number of youth program participants in recreation classes	8,500	13,026	10,136	13,897	10,906	9,213	10,231	10,125	16,332	16,006
Number of adult program sports teams	679	725	750	791	841	845	908	885	875	840
Number of park ranger contacts	382,310	278,599	327,893	263,765	233,308	275,014	232,132	187,000	208,176	161,038
Public Utilities Department										
Electric Utility:										
Number of meters	118,248	117,593	115,682	115,474	115,418	115,113	114,662	113,434	112,548	111,784
Megawatt-hours - sales	3,298,340	3,229,569	3,725,386	4,065,552	3,312,018	2,966,119	2,976,014	3,344,188	3,208,123	2,979,396
Megawatt-hours - purchased power	2,990,931	3,050,657	3,417,459	3,751,220	3,029,766	2,707,466	2,737,174	3,085,358	2,836,962	2,978,800
Megawatt-hours - owned generation	398,068	318,921	371,657	467,348	410,601	430,323	431,027	410,784	435,835	301,021
Water Utility:										
Number of meters	63,489	63,775	63,145	63,002	62,917	62,793	62,717	62,607	62,456	62,436
Millions of gallons sold	17,422	16,607	19,804	20,743	20,464	19,672	19,526	20,492	22,238	23,154
Millions of gallons purchased from Metropolitan Water	4,170	4,373	4,717	5,286	6,878	7,023	7,398	8,054	6,614	4,978
Millions of gallons pumped from water system wells	14,217	13,213	15,180	16,749	14,659	14,100	13,399	14,669	17,034	18,961
Anaheim Convention Center										
Number of events serviced	179	181	197	221	263	222	200	232	310	339
Number of attendees	925,000	954,000	986,000	1,020,000	1,070,000	1,059,000	935,000	944,000	917,000	1,008,000
Percentage of occupancy	72.0%	59.0%	63.0%	63.0%	58.0%	62.0%	56.0%	68.0%	56.0%	61.0%

Sources: Various City departments

Capital Assets Statistics by Function Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police Department										
Police Facilities	10	10	10	10	10	10	10	10	10	9
Motorized Equipment	260	260	250	247	247	242	242	250	266	255
Police Helicopters	3	2	2	2	3	3	3	4	4	3
Shooting Range	1	1	1	1	1	1	1	1	1	1
Communication/Radio Tower	1	1	1	1	1	1	1	1	1	1
Fixed Wing	1	1	1	1	1	1				
Fire & Rescue Department										
Fire stations	11	11	11	11	11	11	11	11	11	11
Training center	1	1	1	1	1	1	1	1	1	1
Fire trucks, engines, and other vehicles	75	75	74	74	79	74	69	74	74	79
Public Works										
Streets (center lane miles)	585	584	584	578	578	578	578	588	633	633
Traffic signals	335	321	321	321	318	318	318	306	318	314
Sewers (miles)	578.17	578.13	577.60	575.52	575.52	573.63	570.44	569.60	568.30	565.70
Storm Drains (miles)	151.82	151.30	151.30	151.30	151.30	151.24	151.24	151.24	148.00	148.00
Parks										
Community parks	11	11	11	11	11	11	11	11	11	11
Mini parks	15	15	9	7	7	7	7	7	7	6
Neighborhood parks	23	23	21	21	21	21	21	21	21	20
Special use parks	8	8	7	7	7	7	7	6	6	6
Golf Courses	2	2	2	2	2	2	2	2	2	2
City Libraries										
Branch libraries	8	8	8	7	7	7	7	7	7	7
Book mobiles	1	1	1	1	1	1	1	2	2	2
Museums/Historic properties	5	5	5	5	5	5	5	5	3	3

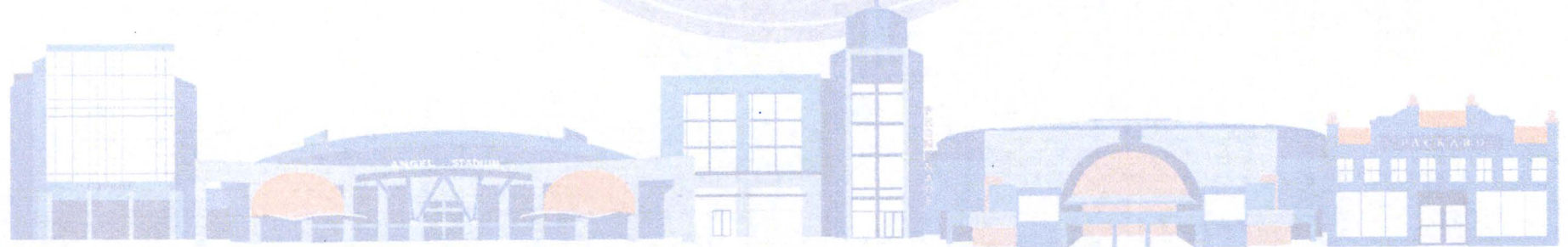
Capital Assets Statistics by Function Last Ten Fiscal Years

(continued)

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Utilities Department										
Electric Utility:										
Transmission, 69 kV, circuit miles	90	88	87	86	87	86	90	80	80	80
Distribution, 12 kV and lower, circuit miles										
Overhead	402	408	414	420	426	428	440	446	446	453
Underground	708	693	680	666	662	656	658	617	625	615
Water Utility:										
Active Wells	18	17	18	17	18	18	18	18	18	21
Reservoirs	14	14	14	14	14	14	14	13	13	13
Water Mains (miles)	753	753	753	753	753	753	752	753	750	750
Fire Hydrants	7,842	7,832	7,840	7,832	7,816	7,812	7,802	7,805	7,751	7,749
Anaheim Convention Center										
Square footage available	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000
Number of exhibit halls	5	5	5	5	5	5	5	5	5	5

Source: Various City Departments

Other Information



Summary of Pension Obligation Funding Progress

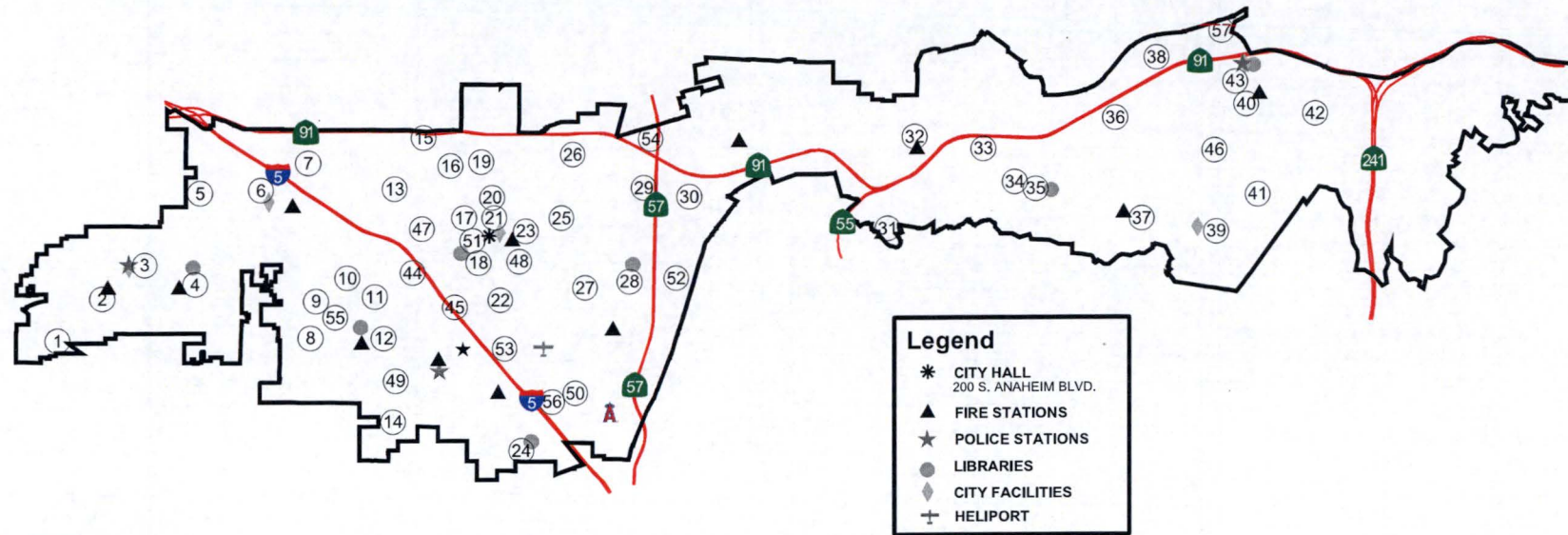
(in thousands)

June 30, 2016 Actuarial Valuation Date	Market Value of Assets (MVA)	Accrued Liability	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
Miscellaneous	\$ 881,703	\$ 1,295,862	\$ 414,159	68.0%	\$ 117,138	353.6%
Police Safety	490,402	708,804	218,402	69.2%	46,888	465.8%
Fire Safety	281,087	403,743	122,656	69.6%	22,027	556.8%
Total	<u>\$ 1,653,192</u>	<u>\$ 2,408,409</u>	<u>\$ 755,217</u>	68.6%	<u>\$ 186,053</u>	405.9%

June 30, 2015 Actuarial Valuation Date	Market Value of Assets (MVA)	Accrued Liability	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
Miscellaneous	\$ 896,992	\$ 1,217,106	\$ 320,114	73.7%	\$ 108,154	296.0%
Police Safety	498,226	666,459	168,233	74.8%	45,125	372.8%
Fire Safety	289,122	387,567	98,445	74.6%	20,971	469.4%
Total	<u>\$ 1,684,340</u>	<u>\$ 2,271,132</u>	<u>\$ 586,792</u>	74.2%	<u>\$ 174,250</u>	336.8%

June 30, 2014 Actuarial Valuation Date	Market Value of Assets (MVA)	Accrued Liability	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
Miscellaneous	\$ 900,750	\$ 1,194,359	\$ 293,609	75.4%	\$ 108,776	269.9%
Police Safety	499,432	630,621	131,189	79.2%	40,583	323.3%
Fire Safety	293,153	376,725	83,572	77.8%	20,326	441.2%
Total	<u>\$ 1,693,335</u>	<u>\$ 2,201,705</u>	<u>\$ 508,370</u>	76.9%	<u>\$ 169,685</u>	299.6%

CITY OF ANAHEIM

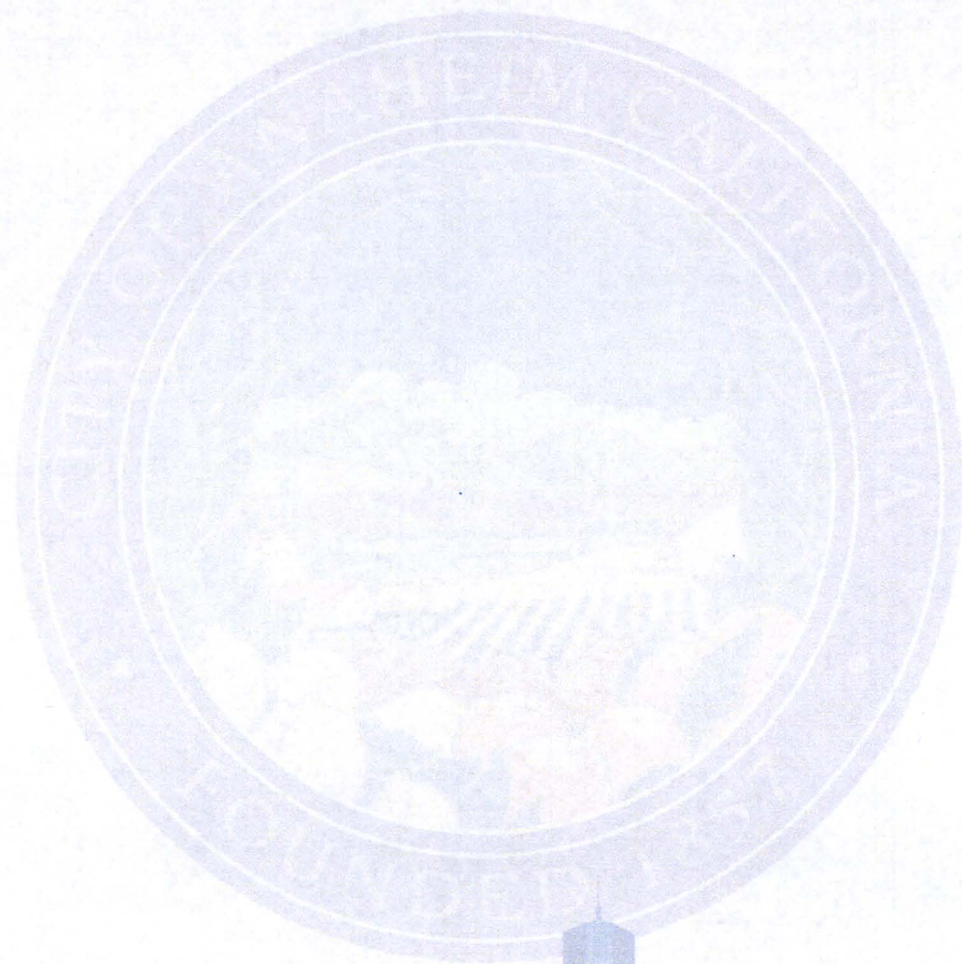


Legend

- * CITY HALL
200 S. ANAHEIM BLVD.
- ▲ FIRE STATIONS
- ★ POLICE STATIONS
- LIBRARIES
- ◆ CITY FACILITIES
- ✚ HELIPORT

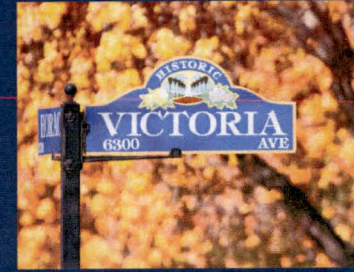
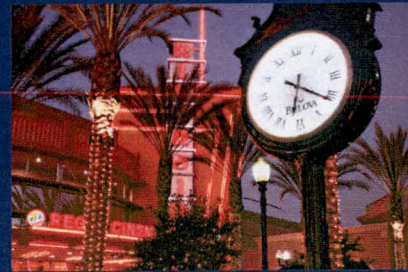
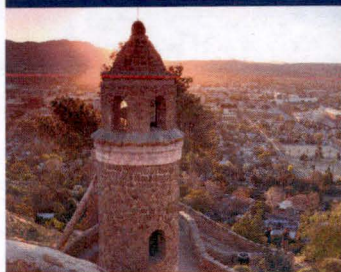
PARKS

- | | | | | |
|-------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|
| 1. HANSEN PARK
1300 S. Knott St. | 13. SAGE PARK
1313 Lido Pl. | 25. LINCOLN PARK
1440 E. Lincoln Ave. | 37. OAK PARK
6400 E. Nohl Ranch Rd. | 49. ENERGY FIELD
1625 S. Ninth St. |
| 2. REID PARK
3100 W. Orange Ave. | 14. STODDARD PARK
901 S. Ninth St. | 26. EDISON PARK
1145 Baxter St. | 38. YORBA REGIONAL PARK
7600 E. La Palma Ave. | 50. MAGNOLIA PARK
1515 Wright Cir. |
| 3. SCHWEITZER PARK
238 S. Bel Air St. | 15. MANZANITA PARK
1260 Riviera St. | 27. BOYSEN PARK
951 State College Blvd. | 39. OAK CANYON NATURE CENTER
6700 Walnut Canyon Rd. | 51. FRIENDSHIP PLAZA PARK
200 S. Anaheim Blvd. |
| 4. MAXWELL PARK
2660 W. Orange Ave. | 16. LA PALMA PARK & STADIUM
1151 La Palma Park Way | 28. JUAREZ PARK
841 S. Sunkist St. | 40. SYCAMORE PARK
8268 Monte Vista Rd. | 52. ANAHEIM COVES
962 S. Rio Vista St. |
| 5. PETER MARSHALL PARK
801 N. Magnolia Ave. | 17. PEARSON PARK
400 N. Harbor Blvd. | 29. PIONEER PARK
2565 E. Underhill Ave. | 41. CANYON RIM PARK
7305 E. Canyon Rim Rd. | 53. PAUL REVERE PARK
160 Guinida Ln. |
| 6. BROOKHURST COMMUNITY PARK
2271 W. Crescent Ave. | 18. LITTLE PEOPLES PARK
220 W. Elm St. | 30. RIO VISTA PARK
201 N. Park Vista St. | 42. RONALD REAGAN PARK
945 S. Weir Canyon Rd. | 54. MIRALOMA PARK
2600 E. Miraloma Way |
| 7. JOHN MARSHALL PARK
2066 Falmouth Ave. | 19. JULIANNA PARK
309 E. Juliana St. | 31. OLIVE HILLS PARK
4200 Nohl Ranch Rd. | 43. ROOSEVELT PARK
8160 E. Bauer Rd. | 55. CIRCLE PARK
924 S. Park Cir. |
| 8. MODJESKA PARK
1331 S. Nutwood St. | 20. GEORGE WASHINGTON PARK
250 E. Cypress St. | 32. RIVERDALE PARK
4545 E. Riverdale Ave. | 44. ROSS PARK
1280 W. Santa Ana St. | 56. CORAL TREE PARK
1711 S. Belmor Ln. |
| 9. CLARA BARTON PARK
1926 Clearbrook Ln. | 21. COLONY SQUARE
210 E. Lincoln Ave. | 33. PERALTA CANYON PARK
115 N. Pinney Dr. | 45. COTTONWOOD PARK
853 W. Cottonwood Cir. | 57. WETLANDS
8300 E. La Palma Ave. |
| 10. CHAPARRAL PARK
1770 E. Broadway | 22. WALNUT GROVE PARK
905 S. Anaheim Blvd. | 34. PELANCONI PARK
222 S. Avenida Margarita | 46. DEER CANYON PARK
Mohler & Santa Ana Rd. | |
| 11. WILLOW PARK
1625 W. Crone Ave. | 23. CITRUS PARK
104 S. Atchison St. | 35. IMPERIAL PARK
450 S. Imperial Hwy. | 47. FOUNDERS PARK
400 N. West St. | |
| 12. PALM LANE PARK
1595 Palais Rd. | 24. PONDEROSA PARK
2100 S. Haster St. | 36. EUCALYPTUS PARK
100 N. Quintana Dr. | 48. COLONY PARK
501 E. Water St. | |



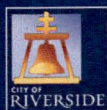
ANAHEIM





COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF RIVERSIDE, CALIFORNIA



YEAR ENDED
JUNE 30, 2017

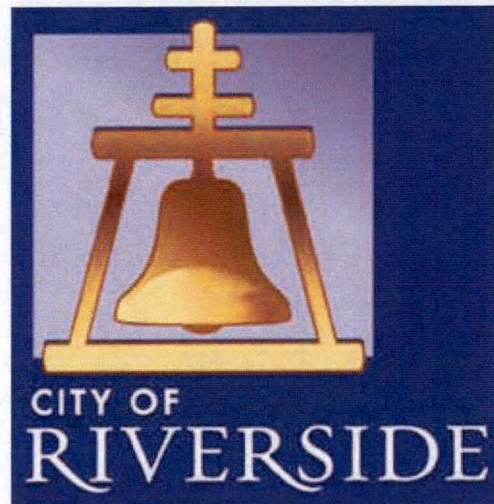


CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the Finance Department
Adam Raymond, Chief Financial Officer/Treasurer

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock



**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

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**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

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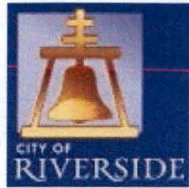
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October 31, 2017

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a rational basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have 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's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of the 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 internal controls and compliance with legal requirements, with-emphasis on those involving the administration of federal awards/grants. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with this section. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County, about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in note 1 in the Notes to Basic Financial Statements.

The annual budget serves as the foundation for the City's financial planning and control. Consistent with the City's Charter, the City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 25 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 75.

Local economy: The City is located in Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.2 million, is larger than 24 states. The City leads the Inland Southern California in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 326,792 which places it as the 12th largest in Southern California.

Unemployment in the MSA is currently at 6.1% down from 6.6% for the same period last year with modest improvements in the real estate and home building sectors.

The MSA is projected to grow in future years because land values continue to remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Goals and Vision: Through various strategic planning workshops the City Council identified the following seven strategic priorities for the City:

- **Enhanced Customer Service – Improved quality of life**
- **Economic Development – Continue to develop an economically vibrant City**
- **Community Services – Provide appealing, accessible and safe venues**
- **City Transportation Program – Continue to develop efficient transportation systems and provide affordable options for community mobility**
- **Improve Housing Diversity and Options**
- **Improve Teamwork and Communication**
- **Reduce Taxpayer Liability and Reduce Costs Wherever Possible**

As a result of the development of the seven strategic priorities, the Riverside 2.0 Strategic Plan was formed to implement the vision. The purpose of the Riverside 2.0 Strategic Plan is to advance the City of Riverside's mission statement: *The City of Riverside is committed to providing high quality municipal services to ensure safe, inclusive, and livable community.* Additionally, the Riverside 2.0 Strategic Plan is intended to advance *Seizing Our Destiny* which is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Riverside 2.0 also includes five effective government principles that are reinforced through management's actions:

- **Accountability**
- **Transparency**
- **Responsiveness**
- **Financial Prudence**
- **Decisiveness**

The City is in the initial implementation phase of the Strategic Plan and provides the City Council with periodic updates until the goals of the Strategic Plan have been fully implemented which is anticipated to be in several years.

Long-term financial planning: For the fiscal year (FY) 2016-17 and 2017-18 Budget Cycle, the City's first two-year budget in the context of a five-year financial plan was presented. It is a process designed to bring enhanced transparency to the City's finances, operations and strategic goals both internally with employees and departments, and externally with the residents and businesses. For the first time, the City's budget included a comprehensive Five-Year Capital Improvement Program (CIP) document as a separate section which serves as a framework for policy decisions on the two-year budget as well as in the future. Among other things, the five-year plan allows the City to illustrate fiscal impacts of budget decisions on the General Fund Reserves through June 30, 2021.

The first two years included anticipated funding source for 87 projects in FY 2016-17 and 70 projects in FY 2017-18. The funded CIP projects are incorporated into the City's proposed FY 2016-18 Biennial Budget. The last three years of the CIP plan, from FY 2018-19 through 2020/21, contain projects that are anticipated to be funded during the term of the Five-Year CIP Plan.

The CIP two-year budget is \$93 million for FY 2016-17 and \$65 million for FY 2017-18. The CIP five-year plan presents a \$348 million planned CIP revenue and expenditure budget for FY 2016-17 through FY 2020-21. The proposed CIP responds to the needs of our residents to ensure the streets, public buildings, sewer, water, and electric infrastructure, and parks are well maintained and operated for optimum health and safety, added value, increased efficiency and functionality, enhanced attractiveness and beautification, and compliance to legal mandates. The CIP document places equal emphasis on planning for new projects as well as improving and preserving existing capital assets.

Also for the first time, the City's CIP document includes a list of Unfunded CIP Projects. This is an initial attempt to identify and quantify the City's true CIP needs - not only in the short term, but also in the long term. Although the list is comprehensive and reflects a good assessment of the City's needs, it is by no means a complete list as more work needs to be done in the coming years to refine this list, create guidelines to prioritize projects, and prepare a strategic approach to fund and complete these unfunded projects.

Measure Z: Measure Z is a one-cent transaction and use tax, with revenues going directly to the City of Riverside. Measure Z was approved by voters on November 8, 2016 to help pay for critical unfunded City programs and services, such as public safety, prevention of homelessness, road maintenance and tree trimming, recreation and parks, and more. The one-cent increase in sales tax is estimated to generate between \$48 million and \$52 million annually specifically for the City of Riverside's General Fund, which pays for most services.

The City began receiving these revenues in May-June 2017, with the anticipated collection of approximately \$12 million in FY 2016-17 and the entire years' worth of \$50 million in FY 2017-18. On May 16, 2017, the City Council approved a Measure Z Spending Plan, which appropriated \$9.5 million in FY 2016-17 and \$20.5 million in FY 2017-18 to cover the projected General Fund shortfalls and increase the General Fund Reserves to 15% in the first year, and 20% in the second year.

General Fund Restructuring: As part of the Mid-Cycle Budget Update, staff analyzed all General Fund activity and determined that restructuring of the General Fund for FY 2017-18 was required in order to provide for greater transparency between true General Fund activity and other financial activity that has historically been in the General Fund. New funds have been established for Civic

Entertainment and Special Districts. While the majority of these items are self-supported by specific revenues, certain operations will require a General Fund operating transfer to ensure expenditures are supported by revenues. These changes reduce the size of the General Fund by approximately \$19.1 million, from \$275.7 million based on projections to \$256.6 million. This may reduce the transfer of Measure Z funds to the General Fund at the end of FY 2017-18 to maintain a 20% reserve

Finally, staff consolidated three separate debt funds into one general government debt fund. While this does not reduce the size or financial requirements of the General Fund, it was a necessary measure to ensure transparency.

Financial policies: Fiscal policies establish framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards, and best practices. Maintaining healthy reserves in the General Fund, and other Funds as well, is a critical component of the City's sound financial management practices. As a result, the City formally adopted a General Fund, Water Fund, Sewer Fund and Electric Fund reserve policy; the City is in the process of adopting a Self-Insurance Trust Fund reserve policy. The policy establishes minimum required reserve balances for each of those funds.

The City's General Fund Reserve Policy, adopted by the City Council on September 6, 2016, requires maintaining the General Fund reserve at 15%. The City Council set an aspiration goal of the General Fund Reserve at 20%; this goal was recently reaffirmed through adoption of the "Responsible Spending Vision Pledge" on October 4, 2016.

Budget Engagement Commission (BEC): On January 10, 2017, the City Council adopted the final reading of an ordinance to establish the BEC. The purpose of BEC is to advise the City Council on spending and policy priorities based on the information received through quarterly financial and performance reports, including revenues from Measure Z. The BEC will also work with staff to maximize public engagement on municipal budgetary issues.

The BEC is composed of 18 members, consisting of 1) nine resident members, with seven nominated by each of the Council members to represent each of the City's wards, and two Citywide nominations made by the Mayor; and 2) nine business members, with seven nominated by each of the Council members who own a business in their ward or live in their ward or own a business in any ward, and two Citywide nominations made by the Mayor. BEC members were appointed on February 14, 2017.

Awards and Acknowledgements

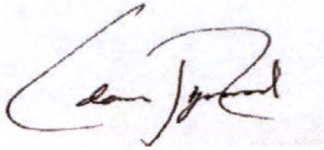
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-eighth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

Budget Presentation Award: The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit also must be given to the Budget Engagement Commission and Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Adam Raymond", is written over a light pink rectangular stamp.

Adam Raymond
Chief Financial Officer/City Treasurer



Government Finance Officers Association

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

Presented to

**City of Riverside
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

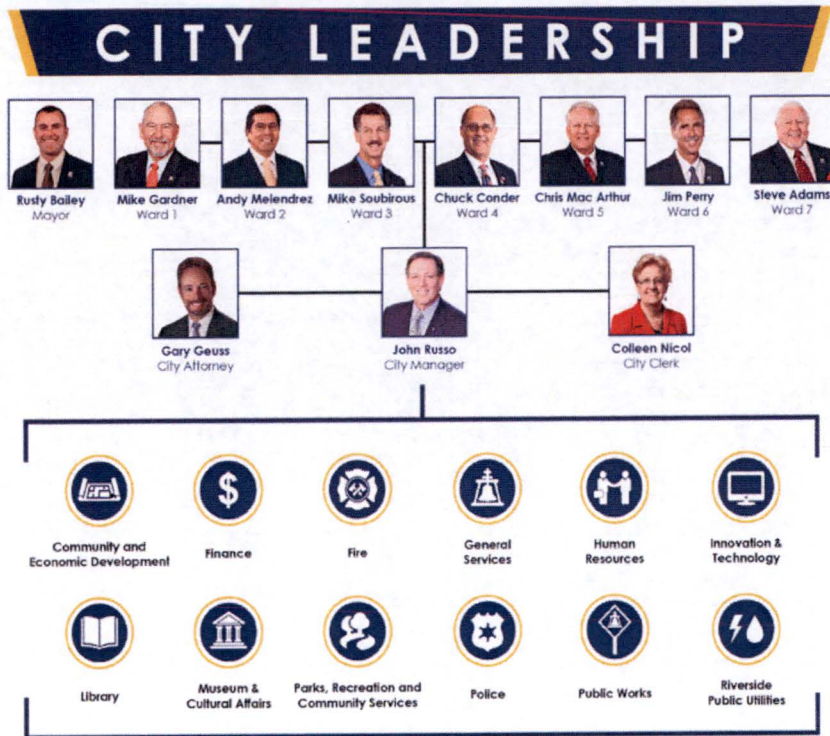

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

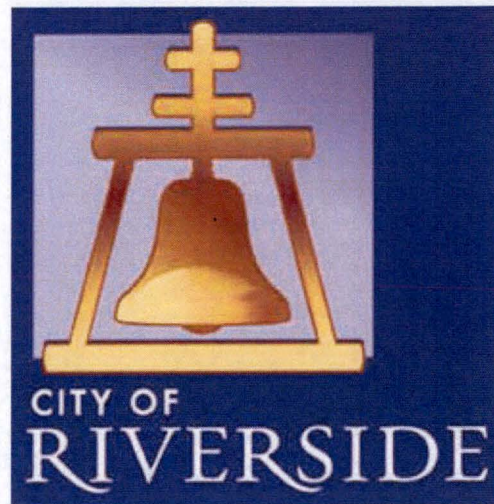
Rusty Bailey	Mayor
Mike Gardner	Councilmember – Ward 1
Andy Melendrez	Councilmember – Ward 2
Mike Soubirous	Councilmember – Ward 3
Chuck Conder	Councilmember – Ward 4
Chris Mac Arthur	Councilmember – Ward 5
Jim Perry	Councilmember – Ward 6
Steve Adams	Councilmember – Ward 7

CITY OFFICIALS

John A. Russo	City Manager*
Alex Nguyen	Assistant City Manager
Al Zelinka	Assistant City Manager
Marianna Marysheva	Assistant City Manager

Colleen J. Nicol	City Clerk*
Gary Geuss	City Attorney*
Sergio G. Diaz	Chief of Police
Lea Deesing	Chief Innovation Officer
Rafael Guzman	Community & Economic Development Director
Adam Raymond	Chief Financial Officer/Treasurer
Michael Moore	Fire Chief
Kris Martinez	Public Works Director
Stephanie Holloman	Human Resources Director
Tonya Kennon	Library Director
Alex Nguyen	Interim Museum & Cultural Affairs Director
Adolfo Cruz	Parks, Recreation & Community Svcs. Director
Girish Balachandran	General Manager - Public Utilities
Carl Carey	General Services Director

*Appointed by City Council





Certified
Public
Accountants

Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California (the City), as of and for the year ended June 30, 2017, 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 City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 -18, pension schedule of changes in net pension liability and related ratios during the measurement period on page 67, pension schedule of plan contributions on page 68 and other post-employment benefits schedules of funding progress on page 69, 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 combining and individual fund statements and schedules and other information, such as the introductory and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 October 31, 2017 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.

Macias Gini & O'Connell LLP

Newport Beach, California
October 31, 2017

Management's Discussion and Analysis (Unaudited)

As management of the City, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars (0,000).

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City'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*. Thus, 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).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the activities of the City and three blended component units, which consist of the Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is also included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary

funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business-Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 19-20 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, 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 can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds *Governmental funds* are used to account for 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.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unrestricted fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains thirteen 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 and Capital Outlay Fund, which are major funds. Data from the other eleven 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* and can be found on pages 71-77 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2017. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary funds The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business-type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 79-88 in this report.

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

Fiduciary funds Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 31-32 of this report, and the combining statement for the agency fund can be found on page 90.

Notes to Basic 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 Basic Financial Statements begin on page 33 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities, deferred inflows and outflows, and net position for its governmental and business-type activities. As noted earlier, a government's net position may serve over time as a useful indicator of its financial position.

(Amounts presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 267,671	\$ 273,925	\$ 709,575	\$ 736,950	\$ 977,246	\$ 1,010,875
Capital assets, net	1,356,278	1,377,609	1,834,007	1,778,027	3,190,285	3,155,636
Total assets	1,623,949	1,651,534	2,543,582	2,514,977	4,167,531	4,166,511
Deferred Outflows of Resources	178,732	131,318	103,067	98,835	281,799	230,153
Current liabilities	64,559	76,188	138,896	162,967	203,455	239,155
Long-term liabilities	828,551	772,609	1,418,369	1,416,469	2,246,920	2,189,078
Total liabilities	893,110	848,797	1,557,265	1,579,436	2,450,375	2,428,233
Deferred Inflows of Resources	64,455	92,935	47,854	58,836	112,309	151,771
Net position:						
Net investment in capital assets	1,102,409	1,123,910	702,844	654,870	1,805,253	1,778,780
Restricted	104,853	106,488	93,570	85,526	198,423	192,014
Unrestricted	(362,146)	(389,278)	245,116	235,144	(117,030)	(154,134)
Total net position	\$ 845,116	\$ 841,120	\$ 1,041,530	\$ 975,540	\$ 1,886,646	\$ 1,816,660

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,886,646 at June 30, 2017, an increase of \$69,986 from June 30, 2016.

By far the largest portion of the City's net position of 96% reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net position 11% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$245,116 is held by the business-type activities and \$(362,146) net deficit is held by the governmental activities.

Unrestricted net position in the amount of \$(117,030), a decrease of 24% from prior year, is the change in resources available to fund City programs to citizens and debt obligations to creditors. The negative unrestricted net position is primarily the result of the reporting of the City's net pension liability in accordance with an accounting standards issued by the Government Accounting Standards Board (GASB) that relates to pension activity; Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

Governmental activities increased the City's net position by \$3,996 to \$845,116 for the year ended June 30, 2017, accounting for 6% of the City's total increase in net position. The primary result of this increase is due to an increase in deferred outflows related to the City's pension obligations which are changes in total pension liability and fiduciary net position that are to be recognized in future pension expense. Governmental activities operating results is discussed on page 9 and business-type operating results is discussed on page 12.

On the following page is a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2017 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

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(Amount presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charge for services	\$ 57,340	\$ 46,354	\$ 517,941	\$ 493,094	\$ 575,281	\$ 539,448
Operating Grants and Contributions	19,374	16,321	3,751	2,322	23,125	18,643
Capital Grants and Contributions	7,617	31,216	24,151	18,868	31,768	50,084
General Revenues:						
Sales taxes	75,883	60,976	-	-	75,883	60,976
Property taxes	59,526	55,545	-	-	59,526	55,545
Other taxes and fees	39,394	39,651	-	-	39,394	39,651
Investment income	6,145	729	2,650	6,888	8,795	7,617
Other	2,195	12,185	14,662	22,666	16,857	34,851
Total Revenues	<u>267,474</u>	<u>262,977</u>	<u>563,155</u>	<u>543,838</u>	<u>830,629</u>	<u>806,815</u>
Expenses:						
General government	45,110	24,483	-	-	45,110	24,483
Public safety	160,665	161,284	-	-	160,665	161,284
Highways and streets	38,585	38,836	-	-	38,585	38,836
Culture and recreation	48,806	47,762	-	-	48,806	47,762
Interest on long-term debt	16,028	16,387	-	-	16,028	16,387
Electric	-	-	317,335	307,925	317,335	307,925
Water	-	-	62,189	57,769	62,189	57,769
Sewer	-	-	38,305	39,978	38,305	39,978
Airport	-	-	1,998	1,799	1,998	1,799
Refuse	-	-	21,953	21,652	21,953	21,652
Transportation	-	-	4,221	4,113	4,221	4,113
Public parking	-	-	5,448	5,141	5,448	5,141
Total expenses	<u>309,194</u>	<u>288,752</u>	<u>451,449</u>	<u>438,377</u>	<u>760,643</u>	<u>727,129</u>
Increase (decrease) in net position	(41,720)	(25,775)	111,706	105,461	69,986	79,686
Transfers, net	45,716	41,216	(45,716)	(41,216)	-	-
Total changes in net position	<u>3,996</u>	<u>15,441</u>	<u>65,990</u>	<u>64,245</u>	<u>69,986</u>	<u>79,686</u>
Net position - beginning	<u>841,120</u>	<u>825,679</u>	<u>975,540</u>	<u>911,295</u>	<u>1,816,660</u>	<u>1,736,974</u>
Net position - ending	<u>\$ 845,116</u>	<u>\$ 841,120</u>	<u>\$ 1,041,530</u>	<u>\$ 975,540</u>	<u>\$ 1,886,646</u>	<u>\$ 1,816,660</u>

Governmental activities. Total net position for governmental activities increased by \$3,996 from prior year. Governmental activities net position in the prior fiscal year increased by \$15,441. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

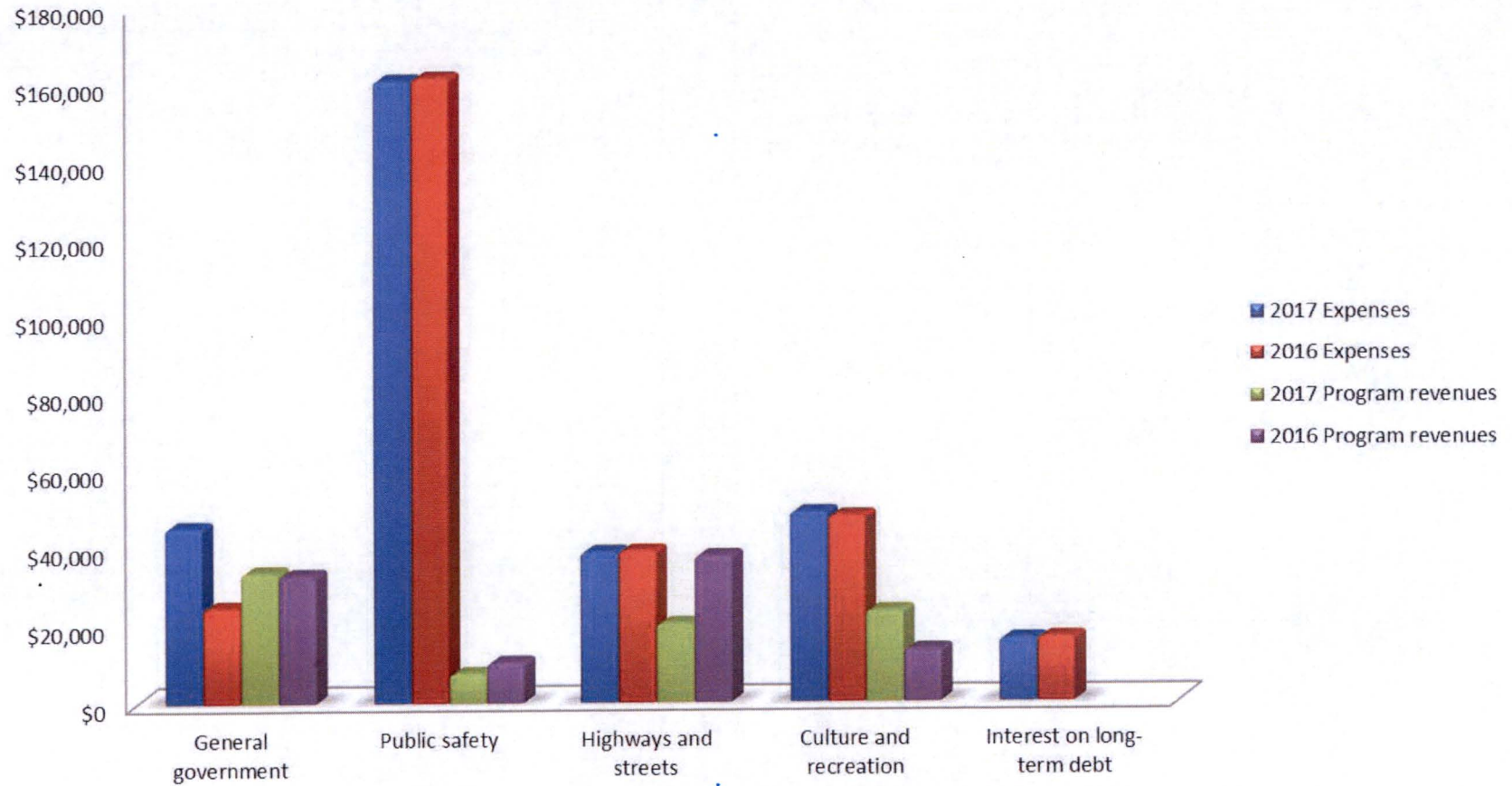
- While variances between years exist for the various revenue categories, the total net increase was approximately \$4.5 million or 2%, which is largely attributable to a decrease in capital grants and contributions offset by significant increases in sales tax and charges for services. Capital grants and contributions decreased by approximately \$23.6 million or 76%. The largest component of the decrease relates to capital outlay projects. Specifically, the City completed several major grade separation projects in the prior fiscal year such as Streeter and Riverside Avenue grade separations. Prior year expenses for these grade separation projects account for \$14.4 million of the decrease.
- The City experienced increases in charges for services from its Convention Center and the Riverside Municipal Auditorium in the amounts of \$1.3 million and \$1.42 million, respectively. In addition, revenues were up almost \$1.0 million on residential development fees which coincides with recent increases in the economic outlook. As the result of Measure Z, a one cent sales tax initiative that was approved by voters in November 2016, the City experienced a significant increase in sales tax revenue of \$14.9 million of which \$12.0 million is directly related to the passing and implementation of Measure Z.

Expenses:

- While variances between years exist for the various expense functions, the total net increase was approximately \$20.0 million or 7%. This is primarily related to an increase of approximately \$17.9 million in pension expense related to the annual recording of the City's pension liability. Increases in other expense categories were minimal and in line with anticipated results.

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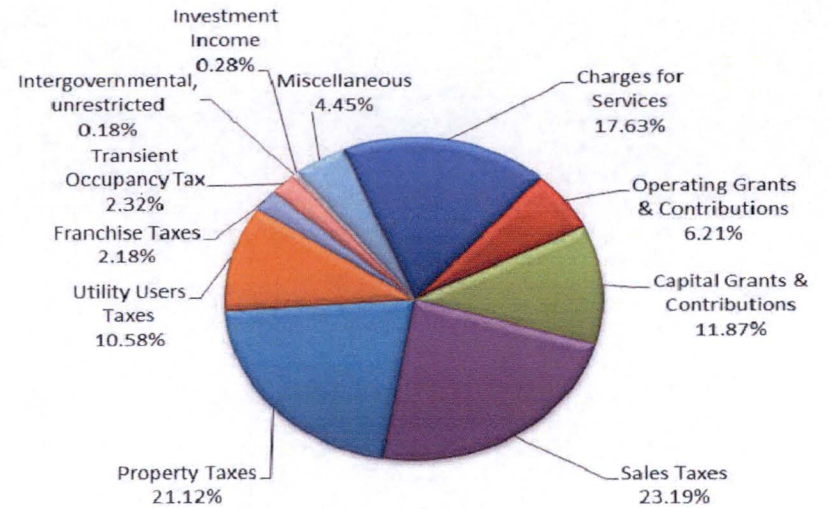
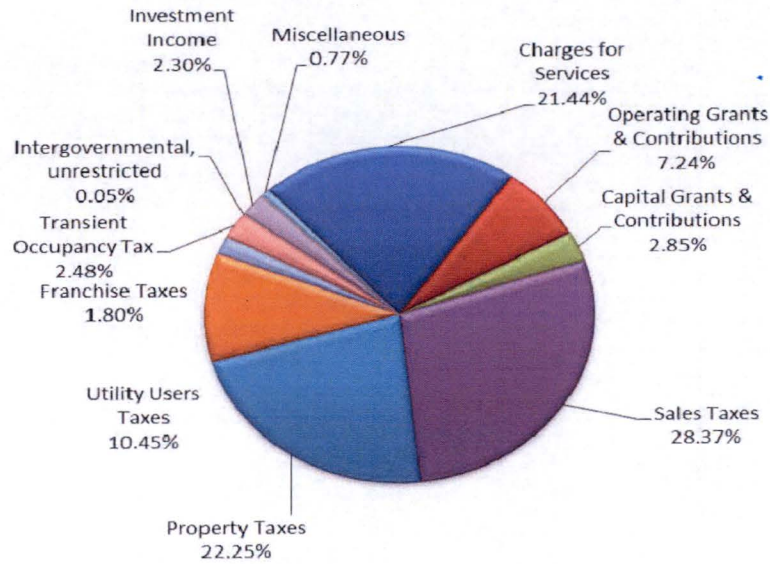
Program Revenues and Expenses – Governmental Activities – Fiscal Year Comparison 2017 vs. 2016



Revenues by Source – Governmental Activities – Fiscal Year Comparison 2017 vs. 2016

2017

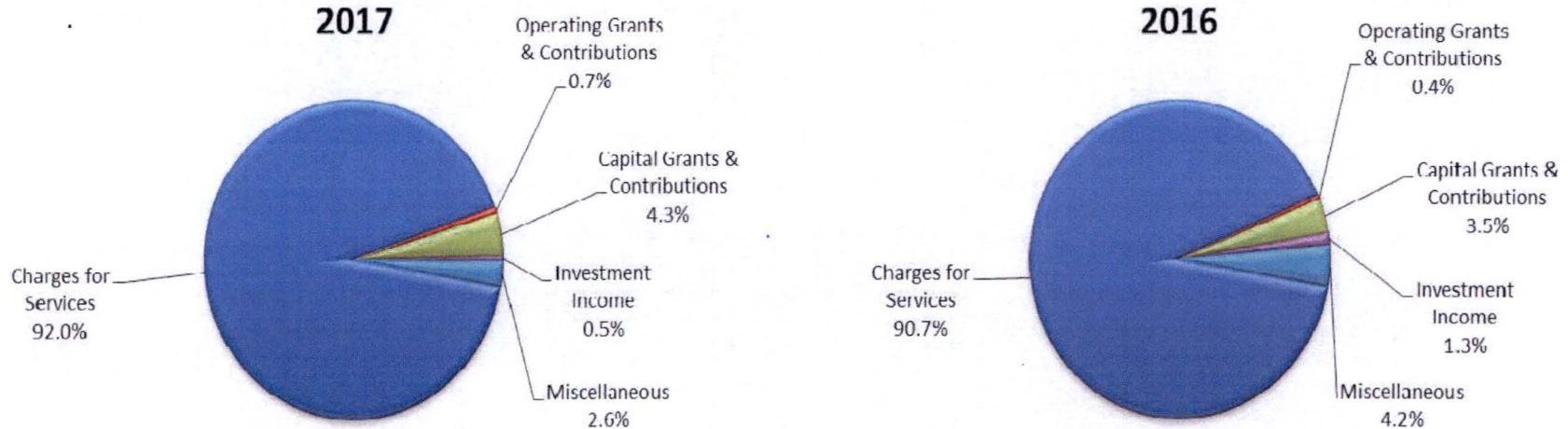
2016



Business-type activities. The net position of business-type activities increased by \$65,990 accounting for a 6% increase in total net position. The net position of business-type activities increased by \$65,990 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services increased by \$24,847 or 5%. The Electric Utility experienced an increase in charges for services of approximately \$11.5 million primarily in the areas of retail sales, transmission and other operating revenue. Retail sales increased \$4.1 million due to increased consumption brought on by warmer weather. Transmission revenue increased \$2.6 million due to the City's high voltage specific utility rate and other operating revenue increased \$5.5 million due to an increase in proceeds on the sale of renewable energy credits and on the sale of cap and trade allowances. In addition, Water Utility and Sewer charges for services were up approximately \$4,300 and \$7,100 million, respectively. The increase in Water Utility revenues was a result of increased consumption after the lifting of State water restriction mandates and warmer weather during the summer season. Sewer revenues increased \$7,071 primarily as a result of an 8% increase in sewer rates and significant infrastructure improvements and developments that came online during the year.
- Overall expenses increased by \$13,072 primarily as the result of increased expenses in the Electric and Water Fund of \$9,410 and \$4,420, respectively, were directly related to increases in energy and water distribution costs.

Revenues by Source – Business-Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City'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's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Capital Outlay, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

(Amounts presented in Thousands)

	General Fund		Capital Outlay Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Total assets	\$ 125,798	\$ 106,710	\$ 23,681	\$ 29,387	\$ 100,635	\$ 124,654	\$ 250,114	\$ 260,751
Total liabilities	\$ 36,536	\$ 33,042	\$ 2,559	\$ 5,132	\$ 10,440	\$ 12,702	\$ 49,535	\$ 50,876
Deferred inflows of resources								
Unavailable revenue	6,192	8,090	3,176	5,582	37,688	37,535	47,056	51,207
Fund balances								
Nonspendable	26,168	23,094	-	-	1,601	1,619	27,769	24,713
Restricted	2,651	3,067	17,946	18,673	50,930	72,798	71,527	94,538
Assigned	14,968	9,922	-	-	-	-	14,968	9,922
Unassigned	39,283	29,495	-	-	(24)	-	39,259	29,495
Total fund balance	83,070	65,578	17,946	18,673	52,507	74,417	153,523	158,668
Total liabilities, deferred inflows and fund balances	\$ 125,798	\$ 106,710	\$ 23,681	\$ 29,387	\$ 100,635	\$ 124,654	\$ 250,114	\$ 260,751

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$153,523 a decrease of \$5,145 compared to the prior year. Additionally, 18% of the fund balance \$27,769 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$71,527 or 47% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. \$14,968 or 10% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. The City's governmental funds reported combined total assets of \$250,114 at June 30, 2017, a decrease of \$10,637 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$96,591, a decrease of \$5,492. Other Governmental Funds was the primary contributor to the decrease in overall assets and deferred inflows. A loan payoff in the form of an advance to the Successor

Agency was received earlier than anticipated from a hotel development project in the amount of \$17.9 million. Additional other similar recurring loan payments were received in the current year that contributed to the additional decrease in total asset receivables. This was offset to a small degree by an increase in total assets for the General Fund primarily due to an increase in cash and investments and increased sales tax revenue.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$83,070 in comparison to \$65,578 in the prior year. The portion of fund balance classified as unassigned was \$39,283 set aside for future economic contingencies.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Electric, Water and Sewer Funds at the end of the year amounted to \$207,042, \$27,550, and \$18,614 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$203,050, \$36,569, and \$5,093, respectively. The increase in unrestricted net position of the Electric and Sewer Fund was the result of increased operating activities. The decrease in unrestricted net position for the Water Fund is primarily a result of operating activities as described below.

Electric Fund operating results experienced an increase in charges for services of \$11,536 or 3.3%, primarily from the effects of an increase in retail load as a result of warmer than normal temperature. Retail sales (residential, commercial, industrial, and other sales) represent 84.4% of total revenues. Retail sales, net of reserve/recovery were \$308,790 and \$304,486 for years ended June 30, 2017 and 2016, respectively. The increase in sales was primarily due to increased customer consumption; increased voltage utility specific rate per the annual filing with the Federal Energy Regulatory Commission; increased proceeds on sale of renewable energy credits and on the sale of cap and trade allowances. Operating expenses increased \$9,814 or 3.50%, which primarily relates to a non-cash pension expense credit of \$5 million in the prior year as a result of pension accounting standards. In addition, in the current year, the City's refinancing of pension obligation bonds resulted in an allocated increase of \$2.6 million for the Electric Utility's share of the obligation.

The Water Fund reported higher operating results, with retail sales higher than the previous year's results by \$4,304. Retail sales (residential, commercial, industrial, and other sales) represent 87.2% of total revenues. Retail sales, net of reserve/recovery were \$54,596 and \$50,195 for the years ended June 30, 2017 and 2016, respectively. The increase in retail sales was primarily due to the lifting of water restriction mandates and warmer weather during the summer season. Distribution expenses were higher which primarily relates to a pension expense credit of \$1.8 million in the prior year as a result of pension accounting standards. In addition, there was an increase in production costs resulting from higher consumption and general operating expenses.

Net position of the Sewer Fund increased by \$25,436 and \$14,570 for the years ended June 30, 2017 and 2016, respectively. Operating revenues increased by \$7,071 or 13.4% primarily as a result of an annual rate increase of 8% and increased sewer connection fees related to infrastructure building unit development. In addition, operating expenses decreased by \$1,233 compared to prior year boosting the funds net position.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>217,236</u>	<u>237,996</u>	<u>238,018</u>	<u>\$22</u>
Expenditures:				
General Government	19,664	22,016	16,451	5,565
Public Safety	158,246	167,773	162,868	4,905
Highways & Streets	19,815	21,747	17,504	4,243
Culture & Recreation	37,986	42,570	40,440	2,130
Capital Outlay	227	7,979	3,361	4,618
Debt Service	<u>19,214</u>	<u>50,359</u>	<u>49,463</u>	<u>896</u>
Total Expenditures	<u>255,152</u>	<u>312,444</u>	<u>290,087</u>	<u>22,357</u>
Deficiency of Revenue Under Expenditures	(37,916)	(74,448)	(52,069)	22,379
Other Financing Sources	<u>35,560</u>	<u>69,491</u>	<u>69,561</u>	<u>70</u>
Net Change in Fund Balances	<u>(2,356)</u>	<u>(4,957)</u>	<u>17,492</u>	<u>22,449</u>
Beginning Fund Balance	<u>65,578</u>	<u>65,578</u>	<u>65,578</u>	<u>-</u>
Ending Fund Balance	<u>63,222</u>	<u>\$60,621</u>	<u>\$83,070</u>	<u>\$22,449</u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

Actual expenditures were less than final budgeted amounts by approximately \$22.4 million. This is primarily associated with unspent appropriations for grants, capital projects and other special programs that were not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of June 30, 2017 amounted to \$3,190,285 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$34,649 (a decrease of \$21,331 for governmental activities and an increase of \$55,980 for business-type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of a tertiary treatment plant of \$291 million; \$12 million in Water Utility upgrades primarily related to system expansion and improvements, and continued pipeline replacement programs; and \$39 million in Electric Utility capital improvements primarily related to improvements to the Electric system in the form of substations, transformers, neighborhood streetlights and distribution line extensions and replacements to serve customers.

Construction in progress totaled \$125,244 at June 30, 2017 a decrease of \$266,268 or 68.0%. The decrease in construction in progress is primarily related to the completion and capitalization of an upgrade to the City's Water Quality Control Plant in the amount of \$291 million. The main construction project still in process is the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Utility's 230 KV Transmission Substation. Depreciation expense during the fiscal year was \$48,564 for governmental activities and \$58,249 for business-type activities.

City of Riverside's Capital Assets (net of depreciation)

(Amount presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$343,918	\$342,792	\$80,246	\$63,839	\$424,164	\$406,631
Construction in progress	44,310	41,535	80,934	349,977	125,244	391,512
Buildings	115,087	119,786	471,137	187,285	586,224	307,071
Improvements other than Buildings	197,482	205,750	1,123,191	1,101,988	1,320,673	1,307,738
Machinery and equipment	22,971	25,075	37,080	34,228	60,051	59,303
Intangibles	131	175	41,419	40,710	41,550	40,885
Infrastructure	632,379	642,496	-	-	632,379	642,496
Total	<u>\$1,356,278</u>	<u>\$1,377,609</u>	<u>\$1,834,007</u>	<u>\$1,778,027</u>	<u>\$3,190,285</u>	<u>\$3,155,636</u>

Additional information on the City's capital assets can be found in note 5 on page 43-44 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,661,144 which includes bonded debt of \$1,478,820.

City of Riverside's Long-Term Debt

(Amounts presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$11,513	\$12,567	\$ -	\$ -	\$11,513	\$12,567
Pension Obligation Bonds	92,592	101,000	-	-	92,592	101,000
Certificates of Participation	156,516	181,429	-	-	156,516	181,429
Lease Revenue Bonds	37,854	39,398	-	-	37,854	39,398
Revenue Bonds	-	-	1,180,345	1,208,851	1,180,345	1,208,851
Loans Payable	41,325	43,482	-	-	41,325	43,482
Notes Payable	-	-	35,255	37,793	35,255	37,793
Capital Leases	17,193	12,006	6,209	4,694	23,402	16,700
Landfill Capping	-	-	5,390	5,686	5,390	5,686
Water Acquisition Rights	-	-	938	938	938	938
Compensated Absences	22,790	22,444	8,279	8,120	31,069	30,564
Claims liability	44,945	43,269	-	-	44,945	43,269
Total	<u>\$424,728</u>	<u>\$455,595</u>	<u>\$1,236,416</u>	<u>\$1,266,082</u>	<u>\$1,661,144</u>	<u>\$1,721,677</u>

The City's total debt decreased by \$60,533 or 3.64% during the current fiscal year. The net decrease is primarily related to principal obligation payments on bonded debt.

The City's Water Utility maintains "AAA" and "AA+" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA" and "AA," respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$720,357 at June 30, 2017, which applies only to general obligation debt. At June 30, 2017, the City had \$11,513 of general obligation debt, resulting in available legal debt capacity of \$708,844.

Additional information on the City's long-term debt can be found in note 6 beginning on page 44 of this report.

Economic Factors and Next Year's Budget and Rates

- ☐ Unemployment in the City of Riverside is 6.1% as compared to 6.5% for the prior year.
- ☐ The required employer normal cost contribution rates as a percentage of payroll for the City's retirement program will be changing effective July 1, 2017. Additionally, beginning with Fiscal Year 2017-18 CalPERS will collect employer contributions toward the plan's unfunded liability as dollar amounts instead of prior method of a contribution rate combined with the normal cost rate. As a result, the following lists the two required contribution components per plan as follows :
 - Miscellaneous Plan – 22.978% to 12.136%. Unfunded Liability Payment of \$15,126,070.
 - Safety Plan – 34.836% to 19.867%. Unfunded Liability Payment of \$11,912,989.

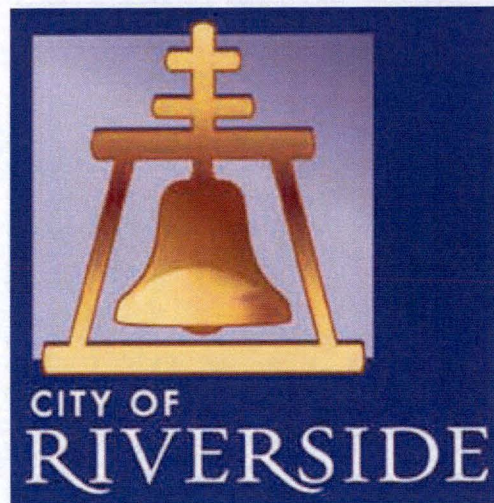
At the time of the two-year budget preparation for the fiscal year 2016-17 and 2017-18 budget cycle, the economic outlook for the City was considered to be stable. However, there were significant structural shortfalls projected over the next five fiscal years in the General Fund. The City's administration has implemented balancing measures to address the fiscal challenges that will replenish the General Fund Reserve over a five year period. In addition, the City successfully passed a one cent sales tax initiative (Measure Z). The one-cent increase in the City's sales tax rate from 7.75% to 8.75% authorized by Measure Z took effect on April 1, 2017. It is anticipated Measure Z will generate an additional \$51.5 million per year in sales tax revenue.

The Budget Engagement Commission (BEC), a group of city residents and business owners appointed to represent the community in advising the City Council on budget matters, held seven meetings to review staff's recommendations for Measure Z spending and to formulate its own proposal for the City Council's consideration. During these meetings, the BEC heard presentations and comments about spending priorities and community needs from city staff, other commissions and boards, and the public. On May 9, 2017, the BEC presented its recommendations to City Council. The recommendation included a five-year plan for spending \$218 Million on community needs. The City Council heard presentations from city staff and public comments recommending spending priorities. On May 16, 2017, the City Council adopted a five-year spending plan for Measure Z revenue. The spending plan addresses 33 of the community's critical needs with 6 major categories: Public Safety; Fiscal Discipline/Responsibility; Quality of Life; Critical Operating Needs; Facility Capital Needs and Technology.

The General Fund Budget for fiscal year 2017 of approximately \$267 million was adopted. It represents an increase from the prior year of approximately 4.0%, largely related to increased personnel costs associated with new labor agreements, CalPERS increases and increases related to the Riverside Convention Center and Municipal Auditorium.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.



City of Riverside
Statement of Net Position
June 30, 2017
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 129,686	\$ 387,368	\$ 517,054
Receivables, net	87,705	57,824	145,529
Inventory	6,000	2,622	8,622
Prepaid items	2,623	31,355	33,978
Deposits	300	1,272	1,572
Internal balances	16,814	(16,814)	-
Restricted assets:			
Cash and cash equivalents	-	71,741	71,741
Cash and investments at fiscal agent	13,740	158,619	172,359
Other	-	990	990
Advances to Successor Agency Trust Fund	7,531	4,665	12,196
Land and improvements held for resale	3,272	-	3,272
Regulatory assets	-	9,933	9,933
Land and other capital assets not being depreciated	388,228	182,672	570,900
Capital assets (net of accumulated depreciation)	968,050	1,651,335	2,619,385
Total assets	1,623,949	2,543,582	4,167,531
Deferred Outflows of Resources			
Changes in derivative values	15,955	21,038	36,993
Charge on refunding	4,192	16,446	20,638
Pension contributions, changes in assumptions and differences in experience	158,585	65,583	224,168
Total deferred outflows of resources	178,732	103,067	281,799
Liabilities			
Accounts payable and other current liabilities	31,627	20,326	51,953
Accrued interest payable	2,652	14,990	17,642
Unearned revenue	2,164	1,440	3,604
Deposits	7,750	6,748	14,498
Derivative instruments	20,366	30,718	51,084
Decommissioning liability	-	64,674	64,674
Noncurrent liabilities:			
Due within one year	51,791	38,725	90,516
Due in more than one year	372,937	1,197,691	1,570,628
OPEB obligation	19,427	15,497	34,924
Net pension liability	384,396	166,456	550,852
Total liabilities	893,110	1,557,265	2,450,375
Deferred Inflows of Resources			
Regulatory charges	-	16,602	16,602
Pension contributions, changes in assumptions and differences in experience	64,455	31,252	95,707
Total deferred inflows of resources	64,455	47,854	112,309
Net Position			
Net investment in capital assets	1,102,409	702,844	1,805,253
Restricted for:			
Expendable:			
Capital projects	25,270	-	25,270
Debt service	-	57,220	57,220
Economic development	17,956	-	17,956
Landfill capping	-	1,738	1,738
Public works	16,220	-	16,220
Housing	43,830	-	43,830
Programs and regulatory requirements	-	34,612	34,612
Nonexpendable	1,577	-	1,577
Unrestricted	(362,146)	245,116	(117,030)
Total net position	\$ 845,116	\$ 1,041,530	\$ 1,886,646

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 45,110	\$ (17,189)	\$ 27,441	\$ 5,620	\$ 393	\$ 5,533	\$ -	\$ 5,533
Public safety	160,665	8,730	1,167	4,564	1,760	(161,904)	-	(161,904)
Highways and streets	38,585	4,752	5,930	8,965	5,224	(23,218)	-	(23,218)
Culture and recreation	48,806	3,707	22,802	225	240	(29,246)	-	(29,246)
Interest on long-term debt	16,028	-	-	-	-	(16,028)	-	(16,028)
Total governmental activities	309,194	-	57,340	19,374	7,617	(224,863)	-	(224,863)
Business type activities:								
Electric	317,335	-	366,066	-	19,684	-	68,415	68,415
Water	62,189	-	62,627	-	3,525	-	3,963	3,963
Sewer	38,305	-	59,735	-	-	-	21,430	21,430
Airport	1,998	-	1,578	-	161	-	(259)	(259)
Refuse	21,953	-	22,567	-	-	-	614	614
Transportation	4,221	-	359	3,751	781	-	670	670
Public parking	5,448	-	5,009	-	-	-	(439)	(439)
Total business type activities	451,449	-	517,941	3,751	24,151	-	94,394	94,394
Total	\$ 760,643	-	\$ 575,281	\$ 23,125	\$ 31,768	\$ (224,863)	\$ 94,394	\$ (130,469)
General revenues:								
Taxes:								
Sales						75,883	-	75,883
Property						59,526	-	59,526
Utility users						27,958	-	27,958
Franchise						4,814	-	4,814
Transient occupancy tax						6,622	-	6,622
Intergovernmental, unrestricted						145	-	145
Investment income						6,145	2,650	8,795
Miscellaneous						2,050	14,662	16,712
Subtotal						183,143	17,312	200,455
Transfers, net						45,716	(45,716)	-
Total general revenues and transfers						228,859	(28,404)	200,455
Change in net position						3,996	65,990	69,986
Net position - beginning						841,120	975,540	1,816,660
Net position - ending						\$ 845,116	\$ 1,041,530	\$ 1,886,646

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2017
(amounts expressed in thousands)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 59,347	\$ 14,352	\$ 37,466	\$ 111,165
Cash and investments at fiscal agent	1,943	9	11,788	13,740
Receivables (net of allowance for uncollectibles)				
Interest	23	64	118	205
Property taxes	4,274	-	-	4,274
Sales tax	20,360	-	-	20,360
Utility billed	1,210	-	-	1,210
Accounts	6,525	2,858	60	9,443
Intergovernmental	4,050	6,398	3,861	14,309
Notes	1	-	37,244	37,245
Prepaid items	2,599	-	24	2,623
Deposits	300	-	-	300
Due from other funds	1,722	-	-	1,722
Advances to other funds	22,715	-	-	22,715
Advances to Successor Agency Trust Fund	554	-	6,977	7,531
Land & improvements held for resale	175	-	3,097	3,272
Total assets	\$ 125,798	\$ 23,681	\$ 100,635	\$ 250,114
Liabilities				
Accounts payable	\$ 9,291	\$ 627	\$ 941	\$ 10,859
Accrued payroll	19,072	-	-	19,072
Retainage payable	1	41	161	203
Intergovernmental	149	-	-	149
Unearned revenue	273	1,891	-	2,164
Deposits	7,750	-	-	7,750
Due to other funds	-	-	1,415	1,415
Advances from other funds	-	-	7,923	7,923
Total liabilities	36,536	2,559	10,440	49,535
Deferred Inflows of Resources				
Unavailable revenue	6,192	3,176	37,688	47,056
Total deferred inflows of resources	6,192	3,176	37,688	47,056
Fund Balances				
Nonspendable:				
Inventories, prepaids and deposits	2,899	-	24	2,923
Advances	23,269	-	-	23,269
Permanent fund principal	-	-	1,577	1,577
Restricted for:				
Housing and redevelopment	175	-	24,098	24,273
Debt service	1,884	-	6,455	8,339
Transportation and public works	-	17,946	16,232	34,178
Other purposes	592	-	4,145	4,737
Assigned to:				
General government	2,387	-	-	2,387
Public safety	2,357	-	-	2,357
Highways and streets	1,032	-	-	1,032
Culture and recreation	728	-	-	728
Continuing projects	8,464	-	-	8,464
Unassigned	39,283	-	(24)	39,259
Total fund balances	83,070	17,946	52,507	153,523
Total liabilities, deferred inflows of resources, and fund balances	\$ 125,798	\$ 23,681	\$ 100,635	\$ 250,114

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

City of Riverside
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017
(amounts expressed in thousands)

Total fund balances - governmental funds	\$ 153,523
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.	1,348,644
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Deferred refunding charges are not available resources and, therefore, are not reported in the funds.	4,192
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Deferred amounts on pensions related to contributions after the measurement date	155,649
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Deferred amounts on pensions related to the net difference between projected and actual earnings on pension plan investments	(63,095)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	47,056
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Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.	(2,652)
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Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.

Bonds	\$ (140,150)	
Certificates of participation	(155,350)	
Capital leases	(17,193)	
Loan payable	(41,325)	
Bond premiums	(2,975)	
OPEB obligation	(18,523)	
Net pension liability	(377,006)	
Compensated absences	(22,354)	
		(774,876)

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Position.

Net fair value of interest rate swaps	\$ (20,366)	
Deferred amount related to the hedgeable portion of the derivative instrument	15,955	
		(4,411)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	(18,914)
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Net position of governmental activities	<u>\$845,116</u>
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The notes to basic financial statements are an integral part of this statement.

City of Riverside

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the fiscal year ended June 30, 2017

(amounts expressed in thousands)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 174,803	\$ -	\$ -	\$ 174,803
Licenses and permits	9,815	-	4,640	14,455
Intergovernmental	7,318	10,643	13,479	31,440
Charges for services	31,384	-	-	31,384
Fines and forfeitures	1,975	-	1	1,976
Special assessments	4,443	956	2,179	7,578
Rental and investment income	2,768	25	1,925	4,718
Miscellaneous	5,512	136	1,604	7,252
Total revenues	238,018	11,760	23,828	273,606
Expenditures				
Current:				
General government	16,451	-	4,199	20,650
Public safety	162,868	-	844	163,712
Highways and streets	17,504	-	-	17,504
Culture and recreation	40,440	-	203	40,643
Capital outlay	3,361	9,487	18,152	31,000
Debt service:				
Principal	44,225	-	28,475	72,700
Interest	5,209	-	10,906	16,115
Bond issuance costs	29	-	-	29
Total expenditures	290,087	9,487	62,779	362,353
Excess (deficiency) of revenues over (under) expenditures	(52,069)	2,273	(38,951)	(88,747)
Other financing sources (uses)				
Transfers in	76,948	-	17,573	94,521
Transfers out	(13,497)	(3,000)	(32,308)	(48,805)
Issuance of long-term debt	-	-	31,578	31,578
Capital lease financings	2,109	-	-	2,109
Proceeds from the sale of capital assets	4,001	-	198	4,199
Total other financing sources (uses)	69,561	(3,000)	17,041	83,602
Net change in fund balances	17,492	(727)	(21,910)	(5,145)
Fund balances - beginning	65,578	18,673	74,417	158,668
Fund balances - ending	\$ 83,070	\$ 17,946	\$ 52,507	\$ 153,523

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

City of Riverside
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (5,145)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, depreciation exceeded capital asset additions, as listed below:

Capital asset additions	\$ 28,766	
Depreciation expense	<u>(47,650)</u>	(18,884)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (3,025)

Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The amount reflects the timing differences for revenue recognition. (4,151)

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds immediately report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal repayments	\$ 72,700	
Net pension liability	(1,064)	
Net OPEB obligation	(1,480)	
Compensated absences	(361)	
Interest	888	
Issuance of long-term debt	<u>(37,405)</u>	33,278

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. 1,923

Change in net position of governmental activities \$ 3,996

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

City of Riverside

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

For the fiscal year ended June 30, 2017

(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 166,691	\$ 176,691	\$ 174,803	\$ (1,888)
Licenses and permits	9,825	9,825	9,815	(10)
Intergovernmental	1,520	10,441	7,318	(3,123)
Charges for services	26,350	26,513	31,384	4,871
Fines and forfeitures	1,737	1,737	1,975	238
Special assessments	4,504	4,504	4,443	(61)
Rental and investment income	4,024	4,024	2,768	(1,256)
Miscellaneous	2,585	4,261	5,512	1,251
Total revenues	217,236	237,996	238,018	22
Expenditures				
General government:				
Mayor	989	1,105	1,078	27
Council	1,705	1,707	1,719	(12)
Manager	6,378	6,253	6,379	(126)
Attorney	5,415	5,908	4,689	1,219
Clerk	1,873	1,868	1,661	207
Community development	15,382	15,376	13,130	2,246
Human resources	3,871	4,452	3,289	1,163
General services	21,290	21,411	21,798	(387)
Finance	13,164	13,658	13,429	229
Innovation & technology	11,562	12,243	11,002	1,241
Subtotal	81,629	83,981	78,174	5,807
Allocated expenditures	(61,965)	(61,965)	(61,723)	(242)
Total general government	19,664	22,016	16,451	5,565

continued

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Public safety:				
Police	97,798	105,026	100,555	4,471
Fire	50,064	52,386	52,215	171
Animal regulation	3,409	3,511	3,128	383
Building and zoning inspection	2,481	2,356	2,408	(52)
Street lighting	4,494	4,494	4,562	(68)
Total public safety	158,246	167,773	162,868	4,905
Highways and streets	19,815	21,747	17,504	4,243
Culture and recreation				
Library	7,554	8,534	8,076	458
Museum & cultural affairs	12,792	13,675	14,306	(631)
Parks, recreation & community services	17,640	20,361	18,058	2,303
Total culture and recreation	37,986	42,570	40,440	2,130
Capital outlay	227	7,979	3,361	4,618
Debt service:				
Principal	13,620	44,765	44,225	540
Interest	5,404	5,404	5,209	195
Bond issuance costs	190	190	29	161
Total debt service	19,214	50,359	49,463	896
Total expenditures	255,152	312,444	290,087	22,357
Deficiency of revenue under expenditures	(37,916)	(74,448)	(52,069)	22,379
Other financing sources (uses)				
Transfers in	45,075	44,902	76,948	32,046
Transfers out	(13,648)	(13,648)	(13,497)	151
Issuance of long-term debt	-	31,145	-	(31,145)
Capital lease financings	-	2,959	2,109	(850)
Proceeds from the sale of capital assets	4,133	4,133	4,001	(132)
Total other financing sources	35,560	69,491	69,561	70
Net change in fund balance	(2,356)	(4,957)	17,492	22,449
Fund balance, beginning	65,578	65,578	65,578	-
Fund balance (deficit), ending	\$ 63,222	\$ 60,621	\$ 83,070	\$ 22,449

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2017
(amounts expressed in thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Current assets:						
Cash and investments	\$ 255,496	\$ 63,503	\$ 61,941	\$ 6,428	\$ 387,368	\$ 18,521
Receivables (net allowances for uncollectibles)						
Interest	891	231	218	30	1,370	43
Utility billed	14,604	3,606	3,050	1,038	22,298	-
Utility unbilled	16,411	3,329	2,295	774	22,809	-
Accounts	4,415	1,504	415	1,767	8,101	23
Intergovernmental	2	1,670	772	802	3,246	593
Inventory	1,097	-	1,525	-	2,622	6,000
Prepaid items	22,234	164	30	-	22,428	-
Deposits	1,272	-	-	-	1,272	-
Due from other funds	183	78	-	-	261	-
Restricted assets:						
Cash and cash equivalents:						
Rate stabilization cash and cash equivalents	-	-	14,500	-	14,500	-
Other restricted cash and cash equivalents	47,133	8,370	-	1,738	57,241	-
Public benefit programs receivable	927	63	-	-	990	-
Total current assets	364,665	82,518	84,746	12,577	544,506	25,180
Non-current assets:						
Restricted assets:						
Cash and investments at fiscal agent	82,941	2,283	73,395	-	158,619	-
Regulatory assets	3,056	-	1,596	5,281	9,933	-
Prepaid items - non-current	8,927	-	-	-	8,927	-
Advances to other funds	-	-	4,986	-	4,986	3,538
Advances to Successor Agency Trust Fund	4,665	-	-	-	4,665	-
Capital assets:						
Land	37,845	20,484	2,737	19,180	80,246	458
Intangible assets, non-depreciable	10,651	10,841	-	-	21,492	-
Intangible assets, depreciable	20,950	3,528	119	-	24,597	219
Accumulated depreciation - intangible assets, depreciable	(3,808)	(820)	(42)	-	(4,670)	(88)
Buildings	61,054	19,662	490,365	35,903	606,984	4,065
Accumulated depreciation - buildings	(9,004)	(6,216)	(112,743)	(7,884)	(135,847)	(597)
Improvements other than buildings	920,657	602,935	143,134	29,253	1,695,979	1,315
Accumulated depreciation - improvements other than buildings	(341,187)	(198,705)	(21,535)	(11,361)	(572,788)	(369)
Machinery and equipment	41,774	14,847	16,418	23,578	96,617	11,307
Accumulated depreciation - machinery and equipment	(21,776)	(12,556)	(8,375)	(16,830)	(59,537)	(8,676)
Construction in progress	51,636	13,973	15,161	164	80,934	-
Total non-current assets	868,381	470,256	605,216	77,284	2,021,137	11,172
Total assets	1,233,046	552,774	689,962	89,861	2,565,643	36,352
Deferred Outflows of Resources						
Changes in derivative values	17,157	3,881	-	-	21,038	-
Charge on refunding	9,772	6,674	-	-	16,446	-
Pension contributions, changes in assumptions and differences in experience	38,247	13,542	8,490	5,304	65,583	2,936
Total deferred outflows of resources	65,176	24,097	8,490	5,304	103,067	2,936

Continued

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2017
(amounts expressed in thousands)

Liabilities	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Current liabilities:						
Accounts payable	11,497	2,667	4,273	1,307	19,744	1,344
Retainage payable	162	193	227	-	582	-
Unearned revenue	51	185	3	1,201	1,440	-
Deposits	5,996	752	-	-	6,748	-
Due to other funds	-	-	-	307	307	261
Capital leases - current	806	210	-	-	1,016	-
Water stock acquisitions - current	-	150	-	-	150	-
Notes payable - current	-	837	774	1,014	2,625	-
Landfill capping - current	-	-	-	250	250	-
Claims and judgments - current	-	-	-	-	-	10,765
Compensated absences - current	4,177	1,394	976	517	7,064	302
Current liabilities payable from restricted assets:						
Revenue bonds	13,795	5,415	8,410	-	27,620	-
Decommissioning liability	8,607	-	-	-	8,607	-
Accrued interest	5,215	1,619	8,156	-	14,990	-
Total current liabilities	50,306	13,422	22,819	4,596	91,143	12,672
Non-current liabilities:						
Revenue bonds	547,122	184,949	420,654	-	1,152,725	-
Notes payable	-	12,927	1,446	18,257	32,630	-
Capital leases	3,098	2,095	-	-	5,193	-
Advances from other funds	12,312	4,439	2,821	2,182	21,754	1,562
Decommissioning liability	56,067	-	-	-	56,067	-
Derivative instruments	22,525	8,193	-	-	30,718	-
Claims and judgments	-	-	-	-	-	34,180
Water stock acquisitions	-	788	-	-	788	-
Landfill capping	-	-	-	5,140	5,140	-
Compensated absences	808	288	78	41	1,215	134
OPEB obligation	7,905	3,266	2,320	2,006	15,497	904
Net pension liability	96,193	34,465	21,980	13,818	166,456	7,390
Total non-current liabilities	746,030	251,410	449,299	41,444	1,488,183	44,170
Total liabilities	796,336	264,832	472,118	46,040	1,579,326	56,842
Deferred Inflows of Resources						
Regulatory charges	-	111	16,491	-	16,602	-
Pension contributions, changes in assumptions and differences in experience	17,685	6,510	4,312	2,745	31,252	1,360
Total deferred inflows of resources	17,685	6,621	20,803	2,745	47,854	1,360
Net Position						
Net investment in capital assets	229,432	269,789	150,891	52,732	702,844	7,634
Restricted for debt service	16,510	6,068	34,642	-	57,220	-
Restricted for landfill capping	-	-	-	1,738	1,738	-
Restricted for programs and regulatory requirements	31,217	2,011	1,384	-	34,612	-
Unrestricted	207,042	27,550	18,614	(8,090)	245,116	(26,548)
Total net position (deficit)	\$ 484,201	\$ 305,418	\$ 205,531	\$ 46,380	\$ 1,041,530	\$ (18,914)

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

City of Riverside
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:						
Charges for services	\$ 366,066	\$ 62,627	\$ 59,735	\$ 29,513	\$ 517,941	\$ 24,381
Operating expenses:						
Personnel services	46,931	12,890	9,673	8,907	78,401	4,517
Contractual services	6,971	1,909	1,154	6,354	16,388	1,474
Maintenance and operation	190,626	8,857	8,891	7,284	215,658	2,615
General	13,061	14,409	5,683	4,533	37,686	2,444
Materials and supplies	865	744	3,260	1,462	6,331	303
Claims/Insurance	899	397	1,260	258	2,814	10,231
Depreciation and amortization	32,642	14,320	7,734	3,959	58,655	915
Total operating expenses	291,995	53,526	37,655	32,757	415,933	22,499
Operating income (loss)	74,071	9,101	22,080	(3,244)	102,008	1,882
Non-operating revenues (expenses):						
Operating grants	-	-	-	3,751	3,751	-
Interest income	1,809	17	798	26	2,650	76
Other	7,174	1,838	831	1,370	11,213	5
Gain (loss) on retirement of capital assets	420	61	(28)	(309)	144	29
Capital improvement fees	-	-	3,305	-	3,305	-
Interest expense and fiscal charges	(25,340)	(8,663)	(650)	(863)	(35,516)	(69)
Total non-operating revenues (expenses)	(15,937)	(6,747)	4,256	3,975	(14,453)	41
Income (loss) before capital contributions and transfers	58,134	2,354	26,336	731	87,555	1,923
Cash capital contributions	2,367	3,313	-	887	6,567	-
Noncash capital contributions	17,317	212	-	55	17,584	-
Transfers in	-	-	-	825	825	-
Transfers out	(39,230)	(5,673)	(900)	(738)	(46,541)	-
Change in net position	38,588	206	25,436	1,760	65,990	1,923
Net position (deficit) - beginning	445,613	305,212	180,095	44,620	975,540	(20,837)
Net position (deficit) - ending	\$ 484,201	\$ 305,418	\$ 205,531	\$ 46,380	\$ 1,041,530	\$ (18,914)

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	\$ 366,039	\$ 62,443	\$ 58,934	\$ 28,753	\$ 516,169	\$ 23,818
Cash paid to employees for services	(55,359)	(19,945)	(9,609)	(8,754)	(93,667)	(2,805)
Cash paid to other suppliers of goods or services	(212,409)	(18,232)	(21,541)	(19,932)	(272,114)	(17,377)
Other receipts	7,174	794	916	1,776	10,660	5
Net cash provided by operating activities	105,445	25,060	28,700	1,843	161,048	3,641
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	825	825	-
Transfers out	(39,230)	(5,673)	(900)	(738)	(46,541)	-
Operating grants	-	-	-	3,751	3,751	-
Receipts on interfund advances	683	101	1,044	100	1,928	5,394
Payments on interfund advances	(712)	(306)	-	(276)	(1,294)	(1,021)
Net cash (used) provided by noncapital financing activities	(39,259)	(5,878)	144	3,662	(41,331)	4,373
Cash flows from capital and related financing activities:						
Purchase of capital assets	(27,999)	(18,634)	(28,604)	(2,213)	(77,450)	(1,493)
Proceeds from the sale of capital assets	426	92	-	19	537	29
Principal paid on long-term obligations	(14,109)	(5,180)	(9,577)	(976)	(29,842)	-
Interest paid on long-term obligations	(26,274)	(8,522)	(18,978)	(863)	(54,637)	(69)
Capital improvement fees	-	-	3,305	-	3,305	-
Capital lease proceeds	-	2,305	-	-	2,305	-
Capital contributions	2,285	2,913	-	887	6,085	-
Net cash (used) for capital and related financing activities	(65,671)	(27,026)	(53,854)	(3,146)	(149,697)	(1,533)
Cash flows from investing activities:						
Sale and (purchase) of investments	9,452	-	(95)	(13)	9,344	(10)
Interest from investments	1,568	(32)	798	26	2,360	76
Net cash (used) provided by investing activities	11,020	(32)	703	13	11,704	66
Net change in cash and cash equivalents	11,535	(7,876)	(24,307)	2,372	(18,276)	6,547
Cash and cash equivalents, beginning (including \$41,847 for Electric, \$8,491 for Water, \$128,379 for Sewer and \$413 for Other Enterprise Funds in restricted accounts.)	291,094	82,032	174,143	5,794	553,063	11,974
Cash and cash equivalents, ending (including \$47,133 for Electric, \$10,653 for Water, \$87,895 for Sewer and \$1,738 for Other Enterprise Funds in restricted accounts.)	\$ 302,629	\$ 74,156	\$ 149,836	\$ 8,166	\$ 534,787	\$ 18,521

Continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

						Continued
						Governmental
				Other	Total	Activities-
	Electric	Water	Sewer	Enterprise	Enterprise	Internal
				Funds	Funds	Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating Income (loss)	\$ 74,071	\$ 9,101	\$ 22,080	\$ (3,244)	\$ 102,008	\$ 1,882
Other receipts	7,174	794	831	1,370	10,169	5
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	32,642	14,320	7,734	3,959	58,655	915
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	(225)	(385)	(143)	(11)	(764)	-
Utility unbilled receivable	(502)	(281)	(233)	(27)	(1,043)	-
Accounts receivable	(225)	816	(322)	(360)	(91)	(2)
Intergovernmental receivable	-	(772)	(103)	(494)	(1,369)	(561)
Inventory	-	-	4	-	4	(86)
Prepaid and deposit items	(2,775)	4	(29)	-	(2,800)	-
Benefit programs receivable	(30)	39	-	-	9	-
Regulatory assets	-	-	150	406	556	-
Accounts payable	(1,687)	638	(1,160)	475	(1,734)	(224)
Retainage payable	47	160	(108)	-	99	-
Other payables	465	499	117	99	1,180	55
Deposits payable	956	213	-	-	1,169	-
Landfill capping	-	-	-	(296)	(296)	-
Claims and judgments	-	-	-	-	-	1,676
Net pension liability and related changes in deferred outflows and inflows of resources	(247)	(86)	(53)	(34)	(420)	(19)
Deferred regulatory charges	-	-	(65)	-	(65)	-
Decommissioning liability	(4,219)	-	-	-	(4,219)	-
Net cash provided by operating activities	<u>\$ 105,445</u>	<u>\$ 25,060</u>	<u>\$ 28,700</u>	<u>\$ 1,843</u>	<u>\$ 161,048</u>	<u>\$ 3,641</u>
Schedule of noncash financing and investing activities:						
Capital Contributions - capital assets	\$ 17,317	\$ 212	\$ -	\$ 55	\$ 17,584	\$ -
Payment on note payable including interest offset by rent credit	-	1,044	-	-	1,044	-
Loss on retirement of capital assets	-	-	(28)	(328)	(356)	-
Borrowing under capital lease	902	-	-	-	902	-
Proceeds of refunding debt	-	-	-	-	-	-

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

City of Riverside
Statement of Net Position/(Deficit)
Fiduciary Funds
June 30, 2017
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 34,428	\$ 3,181
Cash and investments at fiscal agent	13,236	5,068
Receivables:		
Interest	113	8
Accounts	109	-
Notes	3,164	-
Direct financing lease receivable	16,675	-
Deposits	2	-
Property tax receivables	-	34
Land and improvements held for resale	9,899	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	<u>77,811</u>	<u>8,291</u>
Liabilities		
Accounts payable	10	-
Accrued interest	3,995	-
Advances from other funds	12,196	-
Bonds payable	217,147	-
Notes payable	4,728	-
Held for bond holders	-	8,291
Total liabilities	<u>238,076</u>	<u>8,291</u>
Deferred Inflows of Resources		
Deferred charge on refunding	1,261	-
Total deferred inflows of resources	<u>1,261</u>	<u>-</u>
Net Position/(Deficit)		
Held by Successor Agency	(161,526)	-
Total net position/(deficit)	<u>\$ (161,526)</u>	<u>\$ -</u>

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

City of Riverside
Statement of Changes in Net Position/(Deficit)
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
Additions	
Property tax revenue	\$ 30,019
Miscellaneous	222
Total additions	<u>30,241</u>
Deductions	
Professional services and other deductions	1,861
Redevelopment projects	464
Interest expense	<u>11,433</u>
Total deductions	<u>13,758</u>
Change in Net Position/(Deficit)	16,483
Net position/(deficit) - beginning	<u>(178,009)</u>
Net position/(deficit) - ending	<u><u>\$ (161,526)</u></u>

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

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

The financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. The Housing Authority's activity has been combined with that of the primary government because City Council members serve as the Housing Authority's commissioners and because the City is financially accountable and operationally responsible for all matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. Pursuant to Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies were dissolved effective February 1, 2012. Subsequently, the City became the Successor Agency to the Redevelopment Agency. The Parking Authority of the City of Riverside was added as an additional member of the Public Financing Authority on August 14, 2012. The Public Financing Authority's activity has been combined with that of the primary government because City Council members serve as the Public Financing Authority's board members and because the Public Financing Authority exclusively provides financing assistance to the primary government. The City is also financially accountable and operationally responsible for all matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The

Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. The activity of the Municipal Improvements Corporation has been combined with that of the primary government because three members of the City Council serve as the Municipal Improvements Corporation's directors and because the Municipal Improvements Corporation exists to serve exclusively the primary government. The City is financially accountable and operationally responsible for all matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund.

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows 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 is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are generally collected within 60 days after year end, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursement received from

Transportation Uniform Mitigation Fees, which is six (6) months. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor

Agency Trust. The agency fund is used to account for special assessments that service no-commitment debt.

The permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Non-expendable net position on the Statement of Net Position includes \$1.6 million of permanent fund principal which are considered nonexpendable.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value except for investments in investment contracts which are recorded at contract value. All highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer

are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

E. Restricted Cash and Investments

Certain proceeds of long-term indebtedness, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted cash and investments also include cash set aside for nuclear decommissioning, public benefit programs, regulatory requirements and rate stabilization because their use is legally restricted to a specific purpose. Unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Allowance for Doubtful Accounts

Management determines the allowance for doubtful accounts by analyzing customer accounts for all balances over 60 days old. The allowance for doubtful accounts is then adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices after 60 days are sent to customers with outstanding balances. After 120 days, accounts still outstanding are referred to the City's collection agency. As of June 30, 2017, the City had an allowance for doubtful account balance of \$5,922.

G. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

H. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

I. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are reported in the applicable governmental activities and business-type activities of the government-wide financial statements and in the proprietary funds and the fiduciary private-purpose trust fund statements of net position. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2017, business-type activities capitalized net interest costs of \$20,572 in the government-wide financial statements. Total interest expense incurred by the business-type activities before capitalization was \$56,088.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method. Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciable	3-15 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

K. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain

employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

L. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net position.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net position. See Note 9 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The City has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

M. Long-Term Obligations

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns in the government-wide financial statements and in the proprietary funds and

fiduciary private-purpose trust fund statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established trust accounts to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Based on the most recent site specific cost estimate as of September 2014, submitted by Southern California Edison (SCE) and accepted by the Nuclear Regulatory Commission (NRC), the Electric Utility has fully funded the San Onofre Nuclear Generating Station ("SONGS") decommissioning liability.

The Electric Utility has set aside \$70,324 in cash investments with the trustee and \$6,590 in an internally designated decommissioning reserve as the Electric Utility's estimated share of the decommissioning cost of SONGS as of June 30, 2017. With the recent retirement of SONGS units 2 and 3, there is much uncertainty as to future unknown costs to decommission SONGS. Although management believes the current cost estimate is the upper bound of decommissioning obligations, the Electric Utility has conservatively decided to continue to set aside \$1,581 per year in an unrestricted designated cash reserve for unexpected costs not contemplated in the current estimates.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. As of June 30, 2017, the Electric Utility has paid to date \$18,887 in decommissioning obligations, of which \$9,899 has been reimbursed by the trust funds with the balance to be reimbursed in the next fiscal year.

The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

N. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the self-insurance internal service fund. As of June 30, 2017, the City had an obligation related to claims and judgments which is reflected as a liability on the government-wide statements and is more fully described in Note 7.

O. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, and notes receivable, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. No amounts have been reported within this category of fund balance.
- Assigned fund balance reflects the City's intended use of resources. Intent can be expressed by the City Council or by an official to which the City Council delegates the authority. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer, which authorized the assignment of fund balance for specific programs or purposes in accordance with City Council directives. The City also uses budget and finance policy to authorize the assignment of fund balance, which is

done through the adoption of the budget and subsequent budget amendments throughout the year.

- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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 use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

P. Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the related acquisition, construction or improvement of those assets excluding unspent debt proceeds. Restricted net position represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

Q. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as advances and, for governmental fund types, are equally offset by nonspendable fund balance to indicate that the receivable is not in spendable form.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

R. Unearned Revenue

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

S. Unavailable Revenue

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

T. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

U. Regulatory Assets and Deferred Regulatory Charges

In accordance with GASB Statement No. 62, enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the City is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges have been recorded in the Electric, Water, Sewer and Refuse funds.

V. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the

counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On January 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent after December 10. The second installment is due February 1 and is delinquent after April 10. The City generally accrues only those taxes, which are received within sixty days after the year-end. Under the Teeter plan, the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

W. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

X. 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 Riverside California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

Y. New Accounting Pronouncements

Effective June 30, 2017, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 77 (GASB 77), *Tax Abatement Disclosures*. The primary objective of GASB 77 is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The City implemented this Statement resulting in additional disclosures (Note 17).

Effective July 1, 2016, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 82 (GASB 82), *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*. The primary objective of GASB 82 is to address certain issues that have been raised with respect to Statements No. 67 *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan members) contribution requirements. The City implemented this Statement resulting in revisions to the presentation of payroll-related measures in certain pension schedules presented as required supplementary information.

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

Biannually, during the period December through February, department heads prepare estimates of required appropriations for the following two-year budget

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cycle. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding budget cycle. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

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

Investments	\$ 564,521
Investments at fiscal agent	186,633
	<u>751,154</u>
Cash on hand and deposits with financial institutions	64,899
Non-negotiable certificates of deposit	1,014
	<u>\$ 817,067</u>

The amounts are reflected in the statements of net position of the government-wide and fiduciary fund financial statements:

Cash and investments	\$ 517,054
Restricted cash and cash equivalents	71,741
Restricted cash and investments at fiscal agent	172,359
Total per statement of net position	<u>761,154</u>
Fiduciary fund cash and investments	37,609
Fiduciary fund cash and investments with fiscal agent	18,304
	<u>\$ 817,067</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income

from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first \$250 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

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

	<u>Max Maturity</u>	<u>Max % of Portfolio</u>
Local Agency Investment Fund (State Pool)	N/A	100%
Money Market Funds	N/A	20%
Mutual Funds	N/A	20%
Joint Powers Authority Pools	N/A	N/A
Corporate Medium Term Notes	5 Years	30%
Municipal Bonds	5 Years	30%
Negotiable Certificates of Deposit	5 Years	30%
Mortgage Pass-Through and Asset-Backed Securities	5 Years	20%
Certificates of Deposit Placement Services	5 Years	15%
Collateralized Time Deposits	5 Years	15%
Federally Insured Time Deposits	5 Years	15%
Supranational Securities	5 Years	15%
Federal Agency Securities	5 Years	N/A
U.S. Treasury Notes/Bonds	5 Years	N/A
Repurchase Agreements	1 Year	N/A
Commercial Paper of "prime" quality	270 Days	25%
Bankers' Acceptances	180 Days	10%
Reverse Repurchase Agreements	92 Days	20%

Investments in Corporate Medium Term Notes may be invested in securities rated "A" or better by at least two nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer.

Investments in Negotiable Certificates of Deposit exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A1" (or the equivalent) or better by at least two

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nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer of negotiable or non-negotiable certificates of deposit.

Investments in Commercial Paper may be invested in securities rated "A1" (or the equivalent) or higher by at least one nationally recognized statistical rating agency. In addition, debt other than Commercial Paper, if any, issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating agency. No more than 5% of the market value of the portfolio may be invested in any single issuer. For purposes of this issuer limitation, holdings of Commercial Paper shall be combined with holdings of Corporate Medium-Term Notes. No more than 25% of the total market value of the portfolio may be invested in Commercial Paper. No more than 10% of the outstanding Commercial Paper of any single issuer may be purchased.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated AA or higher at the time of purchase
- Investments in money market funds rated in the single highest classification, except for certain debt proceeds which have no minimum rating requirement
- Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
- Investment Agreements

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

Disclosures Relating to Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City does not value any of its investments using Level 1 and Level 3 inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 86,372	\$ -	\$ 86,372	\$ -
Federal Agency Securities	10,149	-	10,149	-
U.S. Treasury Notes/Bonds	310,871	-	310,871	-
Corp. Medium Term Notes	17,291	-	17,291	-
Negotiable Certificates of Deposits	11,189	-	11,189	-
Held by Fiscal Agent				
Money Market Funds	84,176	-	84,176	-
Commercial Paper	2,243	-	2,243	-
U.S. Treasury Notes/Bonds	12,901	-	12,901	-
Federal Agency Securities	15,472	-	15,472	-
Corp. Medium Term Notes	11,421	-	11,421	-
Total	562,085	\$ -	\$ 562,085	\$ -
Investments not subject to fair value hierarchy:				
State Investment Pool	178,308			
Investment Contracts	10,761			
Total Investments	\$ 751,154			

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 City's investment policy requires that the interest rate risk exposure be managed by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of

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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's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 86,372	\$ 86,372	\$ -	\$ -	\$ -
Federal Agency Securities	10,149	10,149	-	-	-
U.S. Treasury Notes/Bonds	310,871	45,910	99,286	165,675	-
Corp. Medium Term Notes	17,291	8,749	8,542	-	-
State Investment Pool	128,649	128,649	-	-	-
Negotiable Certificates of Deposit	11,189	3,723	4,479	2,987	-
Held by Fiscal Agent					
Money Market Funds	84,176	84,176	-	-	-
State Investment Pool	49,659	49,659	-	-	-
Investment Contracts	10,761	-	-	-	10,761
Commercial Paper	2,243	2,243	-	-	-
U.S. Treasury Notes/Bonds	12,901	9,627	3,274	-	-
Federal Agency Securities	15,472	13,780	1,326	366	-
Corp. Medium Term Notes	11,421	3,998	7,423	-	-
Total	<u>\$ 751,154</u>	<u>\$ 447,035</u>	<u>\$ 124,330</u>	<u>\$ 169,028</u>	<u>\$ 10,761</u>

The City assumes that callable investments will not be called.

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 actual rating as of year-end for each investment type:

	Total	Ratings as of Year End			
		AAA	AA	A	Unrated
Money Market Funds	\$ 86,372	\$ -	\$ 81,272	\$ 5,100	\$ -
Federal Agency Securities	10,149	10,149	-	-	-
U.S. Treasury Notes/Bonds	310,871	310,871	-	-	-
Corp. Medium Term Notes	17,291	3,533	11,954	1,804	-
State Investment Pool	128,649	-	-	-	128,649
Negotiable Certificates of Deposits	11,189	-	-	-	11,189
Held by Fiscal Agent					
Money Market Funds	84,176	59,255	-	24,921	-
State Investment Pool	49,659	-	-	-	49,659
Investment Contracts	10,761	-	-	-	10,761
Commercial Paper	2,243	-	-	2,243	-
U.S. Treasury Notes/Bonds	12,901	12,901	-	-	-
Federal Agency Securities	15,472	15,472	-	-	-
Corp. Medium Term Notes	11,421	-	-	11,421	-
Total	<u>\$ 751,154</u>	<u>\$ 412,181</u>	<u>\$ 93,226</u>	<u>\$ 45,489</u>	<u>\$ 200,258</u>

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. For fiscal year ended June 30, 2017, the City did not have any investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments.

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 City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository insurance (FDIC) if obligations of the United States and its agencies, or obligations of the State or its

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municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the City. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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 an amortized cost basis.

4. Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

<u>Fiscal Year</u>		
2018	\$	2,598
2019		2,625
2020		2,659
2021		2,692
2022		2,724
Thereafter		8,368
Total Due		21,666
Less: Amount applicable to interest		(4,991)
Total direct financing lease receivable	\$	16,675

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2017.

	<u>Beginning Balance</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 342,792	\$ 1,906	\$ (780)	\$ 343,918
Construction in progress	41,535	14,298	(11,523)	44,310
Total capital assets not depreciated	384,327	16,204	(12,303)	388,228
Capital assets being depreciated:				
Buildings	183,596	4,245	(4,200)	183,641
Improvements other than buildings	309,836	4,568	-	314,404
Machinery and equipment	92,067	3,985	(6,551)	89,501
Intangibles, depreciable	219	-	-	219
Infrastructure	998,997	14,779	-	1,013,776
Total capital assets being depreciated	1,584,715	27,577	(10,751)	1,601,541
Less accumulated depreciation for:				
Buildings	(63,810)	(4,744)	-	(68,554)
Improvements other than buildings	(104,086)	(12,836)	-	(116,922)
Machinery and equipment	(66,992)	(6,044)	6,506	(66,530)
Intangibles, depreciable	(44)	(44)	-	(88)
Infrastructure	(356,501)	(24,896)	-	(381,397)
Total accumulated depreciation	(591,433)	(48,564)	6,506	(633,491)
Total capital assets being depreciated, net	993,282	(20,987)	(4,245)	968,050
Governmental activities capital assets, net	\$ 1,377,609	\$ (4,783)	\$ (16,548)	\$ 1,356,278

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	Beginning Balance	Additions/ Transfers In	Deletions/ Transfers Out	Ending Balance
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 63,839	\$ 16,407	\$ -	\$ 80,246
Intangibles, non-depreciable	21,492	-	-	21,492
Construction in progress	349,977	93,641	(362,684)	80,934
Total capital assets not depreciated	435,308	110,048	(362,684)	182,672
Capital assets being depreciated:				
Buildings	315,379	291,605	-	606,984
Improvements other than buildings	1,633,910	63,199	(1,130)	1,695,979
Machinery and equipment	89,273	9,293	(1,949)	96,617
Intangibles, depreciable	21,433	3,164	-	24,597
Total capital assets being depreciated	2,059,995	367,261	(3,079)	2,424,177
Less accumulated depreciation for:				
Buildings	(128,094)	(7,753)	-	(135,847)
Improvements other than buildings	(531,922)	(41,963)	1,097	(572,788)
Machinery and equipment	(55,045)	(6,078)	1,586	(59,537)
Intangibles, depreciable	(2,215)	(2,455)	-	(4,670)
Total accumulated depreciation	(717,276)	(58,249)	2,683	(772,842)
Total capital assets being depreciated, net	1,342,719	309,012	(396)	1,651,335
Business-type activities capital assets, net	\$ 1,778,027	\$ 419,060	\$ (363,080)	\$ 1,834,007

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	\$ 5,178
Public safety	5,683
Highway and streets, including general infrastructure	25,833
Culture and recreation	11,870
Total depreciation expense - governmental activities	\$ 48,564
Business-type activities:	
Electric	\$ 32,642
Water	14,320
Sewer	7,734
Airport	707
Refuse	1,324
Transportation	530
Public Parking	992
Total depreciation expense - business-type activities	\$ 58,249

6. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligations bond	\$ 12,567	\$ -	\$ (1,054)	\$ 11,513	\$ 1,110
Pension obligation bonds	101,000	31,578	(39,986)	92,592	12,830
Certificates of participation	181,429	-	(24,913)	156,516	5,645
Lease revenue bonds	39,398	-	(1,544)	37,854	1,485
Loan payable	43,482	-	(2,157)	41,325	2,222
Capital leases	12,006	7,955	(2,768)	17,193	3,741
Compensated absences	22,444	14,128	(13,782)	22,790	13,993
Claims liability	43,269	10,284	(8,608)	44,945	10,765
	\$ 455,595	\$ 63,945	\$ (94,812)	\$ 424,728	\$ 51,791

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	\$ 1,208,851	\$ -	\$ (28,506)	\$ 1,180,345	\$ 27,620
Notes payable	37,793	-	(2,538)	35,255	2,625
Capital leases	4,694	2,305	(790)	6,209	1,016
Landfill capping	5,686	-	(296)	5,390	250
Water stock acquisition rights	938	-	-	938	150
Compensated absences	8,120	7,091	(6,932)	8,279	7,064
	\$ 1,266,082	\$ 9,396	\$ (39,062)	\$ 1,236,416	\$ 38,725

Business-type activities:

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

Long-Term Obligations at June 30, 2017:

Revenue Bonds:	Principal Outstanding
Electric	

\$141,840 2008 Electric Refunding/Revenue Bonds; Series A & C. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed

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rate of 3.1% and 3.2% for the Series A & C bonds, respectively. See Note 9 for information on the swap agreements. Bonds are due in annual installments from \$700 to \$7,835 through October 1, 2035. \$112,515

\$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from \$3,460 to \$25,345 through October 1, 2038. 209,740

\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,150 to \$7,035 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series. 2,490

\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 7.65%, due in annual installments from \$95 to \$33,725 through October 1, 2040. 140,285

\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 9. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. 41,925

\$79,080 2013 Electric Revenue Refunding Bonds; Series A fixed rate bonds, 3% to 5.25%, due in annual installments from \$795 to \$12,685 through October 1, 2043. 46,560

Subtotal 553,515
Add: Unamortized bond premium 7,402
Subtotal \$560,917

Water

\$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,210 to \$7,505 through October 1, 2038. \$56,625

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 3.0% to 5.0%, due in annual

installments from \$2,360 to \$4,335 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series. 9,760

\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 5.1% to 6.3%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039. 67,790

\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 9. Bonds are due in annual installments from \$600 to \$3,950 through October 1, 2035. 54,125

Subtotal 188,300
Add: Unamortized bond premium 2,064
Subtotal \$190,364

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 4% to 7.2%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039. \$204,075

\$200,030 2015 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from \$4,790 to \$14,175 through August 1, 2040. 200,030

Subtotal 404,105
Add: Unamortized bond premium 24,959
Subtotal \$429,064

Total Revenue Bonds \$1,180,345

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer Enterprise funds. Annual debt service requirements to maturity are as follows:

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2017

(amounts expressed in thousands)

Fiscal Year	Electric Utility Fund			Water Utility Fund		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 13,795	\$ 24,279	\$ 38,074	\$ 5,415	\$ 7,577	\$ 12,992
2019	14,445	23,636	38,081	5,635	7,352	12,987
2020	14,995	23,066	38,061	5,865	7,120	12,985
2021	15,535	22,506	38,041	6,080	6,889	12,969
2022	16,085	21,922	38,007	6,320	6,658	12,978
2023-2027	90,180	99,426	189,606	35,270	29,439	64,709
2028-2032	110,540	78,362	188,902	42,730	21,747	64,477
2033-2037	136,375	51,229	187,604	51,960	12,229	64,189
2038-2042	136,440	15,509	151,949	29,025	1,648	30,673
2043-2047	5,125	259	5,384	-	-	-
Premium	7,402	-	7,402	2,064	-	2,064
Total	\$ 560,917	\$ 360,194	\$ 921,111	\$ 190,364	\$ 100,659	\$ 291,023

Sewer Utility Fund			
Fiscal Year	Principal	Interest	Total
2018	\$ 8,410	\$ 18,900	\$ 27,310
2019	13,515	18,488	32,003
2020	14,075	17,929	32,004
2021	10,820	17,372	28,192
2022	11,345	16,844	28,189
2023-2027	65,630	75,336	140,966
2028-2032	83,340	57,623	140,963
2033-2037	106,035	34,919	140,954
2038-2042	90,935	8,174	99,109
Premium	24,959	-	24,959
Total	\$ 429,064	\$ 265,585	\$ 694,649

General Obligation Bonds – Governmental Activities: Principal Outstanding

\$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from \$410 to \$1,740 through August 1, 2024. \$ 11,390

Add: Unamortized bond premium 123
Total General Obligation Bonds \$11,513

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,110	\$ 544	\$ 1,654
2019	1,195	492	1,687
2020	1,290	436	1,726
2021	1,380	373	1,753
2022	1,475	306	1,781
2023-2027	4,940	418	5,358
Premium	123	-	123
Total	\$ 11,513	\$ 2,569	\$ 14,082

Pension Obligation Bonds – Governmental Activities: Principal Outstanding

\$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from \$1,125 to \$10,715 through June 1, 2023. \$ 50,840

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020. 10,135

\$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from \$2,910 to \$3,580 through June 1, 2027. The refunding transaction resulted in an economic gain of approximately \$1,000. 31,960

Less: Bond Discount 343

Total Pension Obligation Bonds \$92,592

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

City of Riverside
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For the year ended June 30, 2017

(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 12,830	\$ 4,263	\$ 17,093
2019	13,985	3,679	17,664
2020	13,760	3,023	16,783
2021	11,875	2,360	14,235
2022	12,855	1,775	14,630
2023-2027	27,630	2,177	29,807
Discount	(343)	-	(343)
Total	<u>\$ 92,592</u>	<u>\$ 17,277</u>	<u>\$ 109,869</u>

Certificates of Participation – Governmental Activities:

**Principal
Outstanding**

\$19,945 2006 Galleria at Tyler Public Improvements
Certificates of Participation; 4.0% to 5.0%, due in
annual installments from \$435 to \$1,270 through
September 1, 2036. \$17,040

\$128,300 2008 Riverside Renaissance Certificates of
Participation; issued at a variable rate; however, the City
entered into an agreement to convert to a fixed rate of
3.4%. For information on the swap agreement see Note
9. Due in annual installments from \$2,900 to \$7,200
through March 1, 2037. 105,700

\$35,235 2013 Pavement Rehab Certificates of
Participation; 4.0% to 5.0%, due in annual installments
from \$1,285 to \$2,855 through June 1, 2034. 32,610

Subtotal 155,350
Plus: Unamortized bond premium 1,166
Total Certificates of Participation \$156,516

Remaining certificates of participation debt service payments will be made
from unrestricted revenues of the debt service fund. Annual debt service
requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 5,645	\$ 5,897	\$ 11,542
2019	5,825	5,694	11,519
2020	6,120	5,468	11,588
2021	6,420	5,232	11,652
2022	6,625	4,984	11,609
2023-2027	37,130	20,827	57,957
2028-2032	45,250	12,961	58,211
2033-2037	42,335	4,086	46,421
Premium	1,166	-	1,166
Total	<u>\$ 156,516</u>	<u>\$ 65,149</u>	<u>\$ 221,665</u>

Lease Revenue Bonds – Governmental Activities:

**Principal
Outstanding**

On August 15, 2012, the City issued the Series 2012A
Lease Revenue Refunding Bonds in the amount of
\$41,240. The bonds were issued to refinance the 2003
Certificates of Participation. Interest on the bonds is
payable semi-annually on May 1 and November 1 of
each year, commencing May 1, 2013. The rate of
interest varies from 2% to 5% per annum depending on
maturity date. Principal is payable in annual installments
ranging from \$1,295 to \$2,840 commencing November
1, 2013 and ending November 1, 2033. \$35,825

Add: Unamortized bond premium 2,029
Total Lease Revenue Bonds – Governmental Activities \$37,854

Remaining lease revenue bond debt service payments will be made from
unrestricted revenues of the debt service fund. Annual debt service
requirements to maturity are as follows:

City of Riverside
Notes to Basic Financial Statements
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(amounts expressed in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,485	\$ 1,588	\$ 3,073
2019	1,560	1,511	3,071
2020	1,640	1,431	3,071
2021	1,725	1,347	3,072
2022	1,810	1,259	3,069
2023-2027	9,940	4,963	14,903
2028-2032	12,090	2,474	14,564
2033-2037	5,575	225	5,800
Premium	2,029	-	2,029
Total	<u>\$ 37,854</u>	<u>\$ 14,798</u>	<u>\$ 52,652</u>

Fiscal Year	Principal	Interest	Total
2018	\$ 2,222	\$ 1,282	\$ 3,504
2019	2,283	1,220	3,503
2020	2,365	1,139	3,504
2021	2,430	1,073	3,503
2022	2,505	999	3,504
2023-2027	11,217	3,965	15,182
2028-2032	13,054	2,127	15,181
2033-2037	5,249	253	5,502
Total	<u>\$ 41,325</u>	<u>\$ 12,058</u>	<u>\$ 53,383</u>

Loans Payable – Governmental Activities:

2012 financing arrangement in the amount of \$4,000 for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately \$468 per year over a 10 year period, which includes interest at an annualized rate of 3.05%.

Principal
Outstanding

\$ 2,151

On July 19, 2012, the City secured financing in the amount of \$41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. In March 2014, the financing arrangement with BBVA was increased to \$44,650. The financing consists of an initial 21-month variable rate interest only period during construction that has a swap transaction layered over the remaining 20-year amortization resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years. For information on the swap agreement see Note 9. At the end of the construction period, principal and interest are due on the first of each month, with equal payments each year of approximately \$2,850.

39,174

Total Loans Payable – Governmental Activities

\$41,325

Remaining loans payable debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Notes Payable – Enterprise Funds:

Principal
Outstanding

Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of \$339, beginning January 29, 2003 through January 29, 2021

\$ 1,290

Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of \$477, beginning November 6, 1999 through November 6, 2018

930

Public parking fund loan for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of \$1,747, beginning June 16, 2011 through December 16, 2031

19,271

In 2014, the Water fund purchased property from Hillwood Enterprises, L.P. (Hillwood). The property was subsequently leased back to Hillwood, which is to be developed into a logistics center. In consideration of the costs to purchase the property the Water fund will make payments to Hillwood in the form of a credit equal to Hillwood's rental payments to the Water fund for the first 15 years of the lease. Rent will commence the earlier of when Hillwood starts construction of the logistic center or May 20, 2016.

13,764

Total notes payable – Enterprise Funds

\$35,255

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2017

(amounts expressed in thousands)

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	<u>Sewer Fund</u>		Total
	Principal	Interest	
2018	\$ 774	\$ 43	\$ 817
2019	788	28	816
2020	326	14	340
2021	332	7	339
Total	<u>\$ 2,220</u>	<u>\$ 92</u>	<u>\$ 2,312</u>

Fiscal Year	<u>Public Parking Fund</u>		Total
	Principal	Interest	
2018	\$ 1,014	\$ 732	\$ 1,746
2019	1,054	693	1,747
2020	1,095	652	1,747
2021	1,138	609	1,747
2022	1,182	565	1,747
2023-2027	6,634	2,100	8,734
2028-2032	7,154	706	7,860
Total	<u>\$ 19,271</u>	<u>\$ 6,057</u>	<u>\$ 25,328</u>

Fiscal Year	<u>Water Fund</u>		Total
	Principal	Interest	
2018	\$ 837	\$ 228	\$ 1,065
2019	873	214	1,087
2020	910	198	1,108
2021	947	183	1,130
2022	986	166	1,152
2023-2027	5,559	560	6,119
2028-2030	3,652	92	3,744
Total	<u>\$ 13,764</u>	<u>\$ 1,641</u>	<u>\$ 15,405</u>

Contracts – Enterprise Funds:

Water stock acquisition rights payable on demand to various water companies

Principal
Outstanding

\$938

Letters of Credit:

The City's 2008 Certificates of Participation and 2008 Electric Revenue Bonds (Series A and C) require an additional layer of security between the City and the purchaser of the bonds. The City has entered into the following letters of credit ("LOC") in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

<u>Debt Issue</u>	<u>LOC Provider</u>	<u>LOC Expiration Date</u>	<u>Annual Commitment Fee</u>
2008 Certificates of Participation	Bank of America, N.A.	2018	0.400%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%
2008C Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOC that are not repaid will be converted to an installment loan with principal to be paid quarterly not to exceed a 5-year period. The City would be required to pay annual interest equal to the highest of 8.0%, the Prime Rate plus 2.50%, the Federal Funds Rate plus 2.50% and 150% of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the three letters of credit due to a failed remarketing.

The various indentures allow the City to convert the mode of the debt in the case of a failed remarketing.

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

The assets acquired through capital leases are as follows:

City of Riverside
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(amounts expressed in thousands)

<u>Asset</u>	Governmental Activities	Business-type Activities
Buildings and improvements	\$ 1,103	\$ -
Machinery and equipment	20,610	5,715
Subtotal	21,713	5,715
Less: Accumulated depreciation	(8,756)	(1,821)
Total	<u>\$ 12,957</u>	<u>\$ 3,894</u>

The future minimum lease obligations as of June 30, 2017 were as follows:

<u>Fiscal Year</u>	Governmental Activities	Business-type Activities
2018	\$ 4,067	\$ 1,141
2019	3,761	1,141
2020	2,581	1,128
2021	2,581	819
2022	2,021	819
Thereafter	3,380	1,664
Total minimum lease payments	18,391	6,712
Less: Amount representing interest (rates ranging from 1.2% to 9%)	(1,198)	(503)
Total capital lease payable	<u>\$ 17,193</u>	<u>\$ 6,209</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2017:

Governmental long-term obligations:

Certificates of participation	\$ 8,767
Total	<u>\$ 8,767</u>

Enterprise funds:

Electric	\$ 10,801
Sewer	16,459
Total	<u>\$ 27,260</u>

The City has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of

debt service to pledged revenue for the remainder of the term of the commitment.

<u>Description of Pledged Revenue</u>	<u>Pledged Revenue (net of expenses, where required)</u>	<u>Payments (all of debt secured by this revenue)</u>	<u>Ratio for FY 06/30/16</u>
Electric revenues	\$ 117,206	\$ 39,585	\$ 2.96
Water revenues	27,818	13,610	2.04
Sewer revenues	48,416*	28,631	1.69

* Includes cash set-aside in a rate stabilization account in accordance with applicable bond covenants.

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2017 was 100%. The remaining post closure period is currently 13 years.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. However, there is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. The City is recovering such costs in rates charged to its customers. The portion of costs to be recovered through future rates is classified as a regulatory asset and will be amortized over future periods.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and

City of Riverside
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For the year ended June 30, 2017

(amounts expressed in thousands)

natural disasters. Property insurance coverage has a limit of \$1,000,000, with a deductible of \$100. Earthquake and flood insurance coverage has a limit of \$25,000, with a deductible of 5% for earthquake and \$100 for flood. Workers' compensation insurance coverage has a limit of \$25,000, with a self-insured retention of \$3,000 per occurrence. The City carries commercial liability insurance in the amount of \$20,000 for general and auto liability claims greater than \$3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

Changes in the self-insurance fund's claims liability amounts are:

Unpaid claims, June 30, 2015	\$	38,795
Incurred claims (including IBNR's)		14,581
Claim payments and adjustments		(10,107)
Unpaid claims, June 30, 2016		43,269
Incurred claims (including IBNR's)		10,284
Claim payments and adjustments		(8,608)
Unpaid claims, June 30, 2017	\$	44,945

8. Other Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):
Successor Agency Trust:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency Bonds	\$ 226,290	\$ -	\$ (9,143)	\$ 217,147	\$ 8,920
Notes Payable	5,093	-	(365)	4,728	418
	<u>\$ 231,383</u>	<u>\$ -</u>	<u>\$ (9,508)</u>	<u>\$ 221,875</u>	<u>\$ 9,338</u>

Redevelopment Agency Bonds:

**Principal
Outstanding**

\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; \$1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from \$100 to \$145 through Feb. 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through Feb. 1, 2018 (portion not refunded).

\$ 25

\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from \$545 to \$2,230 through Oct. 1, 2024.

14,200

\$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; \$310 serial bonds 1.20% to 1.42% through Oct. 1, 2004; \$620 term bonds at 3.090% due Oct. 1, 2008; \$1,110 term bonds at 4.340% due Oct. 1, 2014 and \$2,770 term bonds at 5.480% due Oct. 1, 2024.

2,330

\$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from \$20 to \$590 through Aug. 1, 2025; \$4,980 term bonds at 4.5% due Aug. 1, 2029; \$410 term bonds at 4.375% due Aug. 1, 2037.

8,145

\$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, \$4,050 term bonds at 5.2% due Aug. 1, 2017; \$10,800 term bonds at 5.8% due Aug. 1, 2028.

11,150

\$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from \$50 to \$3,210 through Aug. 1, 2025; \$17,955 term bonds at

City of Riverside
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4.5% due Aug. 1, 2030; \$47,775 term bonds at 5.0% due Aug. 1, 2037. 85,355

\$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, \$15,740 term bonds at 5.24% due Aug. 1, 2017; \$28,135 term bonds at 5.89% due Aug. 1, 2032. 29,625

On October 16 2014, the Successor Agency to the Redevelopment Agency of the City of Riverside issued 2014 Subordinate Tax Allocation Refunding Bonds (Series A and B) in the amount of \$62,980. The bonds were issued to refund certain obligations of the former Redevelopment Agency of the City of Riverside. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from \$160 to \$4,745 through September 1, 2034. The rate of interest varies from 0.6% to 5% per annum.

Subtotal 54,995
Add: Unamortized bond premium 205,825
Total Redevelopment Agency Bonds 11,322
\$217,147

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 8,920	\$ 10,222	\$ 19,142
2019	9,320	9,778	19,098
2020	9,830	9,288	19,118
2021	10,805	8,762	19,567
2022	11,405	8,197	19,602
2023-2027	58,550	31,787	90,337
2028-2032	47,175	18,308	65,483
2033-2037	43,045	7,087	50,132
2038-2042	6,775	169	6,944
Premium	11,322	-	11,322
Total	<u>\$ 217,147</u>	<u>\$ 103,598</u>	<u>\$ 320,745</u>

Notes Payable – Successor Agency:

**Principal
Outstanding**

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion.

2,987

HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning Aug. 1, 1999 of \$110 to \$420 through Aug. 1, 2018.

810

Smith's Food & Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment.

931

Total Notes Payable – Successor Agency

\$ 4,728

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

City of Riverside
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For the year ended June 30, 2017

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Fiscal Year	Principal	Interest	Total
2018	\$ 418	\$ 332	\$ 750
2019	451	317	768
2020	34	307	341
2021	38	304	342
2022	42	300	342
2023-2027	1,217	1,423	2,640
2028-2032	471	1,238	1,709
2033-2037	777	933	1,710
2038-2042	1,280	430	1,710
Total	<u>\$ 4,728</u>	<u>\$ 5,584</u>	<u>\$ 10,312</u>

As a result of action by the State of California to dissolve all redevelopment agencies in the state, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the California Department of Finance.

For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios for the Successor Agency also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required) *	Annual Debt Service Payments (all of debt secured by this revenue)	Debt Service Coverage Ratio for FY 06/30/17
Property Taxes:			
Non-Housing	\$ 50,230	\$ 14,052	3.57
Housing	9,580	2,442	3.92

* The computations above are based on the total tax increment generated for the year ended June 30, 2017 for each project area that had been pledged as collateral for the Bonds. As discussed above, only a portion of tax increment has been actually remitted to the Successor Agency and reported as revenue in the accompanying financial statements.

Assessment Districts and Community Facilities Districts Bonds
(Not obligations of the City):

As of June 30, 2017, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of \$44,170. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

9. Derivative Instruments

Interest Rate Swaps

The City has six cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011 and against debt issued in 2012. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. Hedge accounting was also applied to the swap associated with the debt issued in 2012, which was also determined to be effective.

The following is a summary of the derivative activity for the year ended June 30, 2017:

	Notional Amount	Fair Value as of 06/30/17	Change in Fair Value for Fiscal Year
Governmental activities			
2008 Renaissance Certificates of Participation	\$ 105,700	\$ (19,499)	\$ 9,019
2012 Convention Center Financing	36,712	(867)	2,079
Business-type activities			
2008 Electric Refunding/Revenue Bonds Series A	68,525	(7,665)	4,319
2008 Electric Refunding/Revenue Bonds Series C	41,975	(7,441)	3,680
2011 Electric Refunding/Revenue Bonds Series A	41,925	(7,419)	3,676
2011 Water Refunding/Revenue Bonds Series A	54,125	(8,193)	4,205

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its \$141,840 2008 Electric Revenue Bonds (Series A and C), \$56,450 2011 Electric Revenue Bonds, \$59,000 2011 Water Revenue Bonds and \$128,300

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2008 Certificates of Participation ("COP"). Also, in 2012, the City entered into an additional interest rate swap agreement in connection with the Convention Center financing with BBVA Compass Bank.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The Convention Center financing consists of an initial 21-month variable rate interest only period during construction, which swaps to a fixed rate for the remaining 20-year amortization whereby the City will pay a fixed payment and will receive a variable payment computed at 65.01% of the LIBOR one month index plus 150 basis points. The lease interest rate on the Convention Center has a cap at the lesser of 12% or the highest rate permitted by applicable law whereas the related swap does not have a cap. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by \$975 to \$7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. The loan with BBVA Compass Bank will be paid in full on April 1, 2034.

As of June 30, 2017, rates were as follows:

	2008 Electric Refunding/ Revenue Bonds Series A	2008 Electric Refunding/ Revenue Bonds Series C	2011 Electric Refunding/ Revenue Bonds Series A
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	-0.40870%	-0.40948%	-0.32275%
Net interest rate swap payments	2.70230%	2.79452%	2.87825%
Variable rate bond coupon payments	0.32339%	0.32271%	0.22165%
Synthetic interest rate on bonds	3.02569%	3.11723%	3.09990%

	2011 Water Refunding/ Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.36200%
Variable payment from counterparty	-0.31124%	-0.37380%	-0.37380%
Net interest rate swap payments	2.88876%	2.98820%	2.98820%
Variable rate bond coupon payments	0.30060%	0.34689%	0.34689%
Synthetic interest rate on bonds	3.18936%	3.33509%	3.33509%

Fair Value: As of June 30, 2017, in connection with all swap arrangements, the transactions had a combined net negative fair value of (\$51,084). Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: The City is not exposed to credit risk on the swaps because those swaps have a negative fair value. The swap counterparties, Bank of America, N.A., Bank of America Corp. and J.P. Morgan Chase & Co. were rated A+, BBB+ and A- respectively by Standard & Poor's. To mitigate the potential for credit risk for these swaps, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2017, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: The city is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the city on these hedging derivative instruments are based on a rate or index other than interest rates the city pays on its hedged variable-rate debt. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events,

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such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2017, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Variable-Rate Bonds

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2018	\$ 7,217	\$ 1,668	\$ 9,960	\$ 18,845
2019	13,516	1,610	9,639	24,765
2020	16,610	1,528	9,198	27,336
2021	17,262	1,451	8,725	27,438
2022	17,823	1,369	8,231	27,423
2023-2027	87,702	5,564	33,958	127,224
2028-2032	101,159	3,239	21,098	125,496
2033-2037	92,149	761	6,050	98,960
Total	<u>\$ 353,438</u>	<u>\$ 17,190</u>	<u>\$ 106,859</u>	<u>\$ 477,487</u>

10. Economic Contingency

A portion of unassigned fund balance within the General Fund is set aside for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2017:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,415
	Nonmajor Enterprise Funds	307
		<u>1,722</u>
Electric Fund	Central Stores Fund *	183
Water Fund	Central Stores Fund *	78
Total		<u>\$ 1,983</u>

* Internal service fund

Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2017:

Receivable Funds	Payable Funds	Amount
General Fund	Electric Fund	\$ 12,312
	Water Fund	4,439
	Sewer Fund	2,821
	Nonmajor Governmental Funds	173
	Nonmajor Enterprise Funds	2,084
	Self-Insurance Trust Fund *	107
	Central Stores Fund *	149
	Central Garage Fund *	630
		<u>22,715</u>
Sewer Fund	Nonmajor Governmental Funds	4,986
Self-Insurance Trust Fund *	Nonmajor Enterprise Funds	98
	Central Garage Fund *	676
		<u>774</u>
Central Garage Fund *	Nonmajor Governmental Funds	2,764
		<u>\$ 31,239</u>

* Internal service fund

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In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

<u>Receivable Funds</u>	<u>Amount</u>
General Fund	\$ 554
Nonmajor Governmental Funds	6,977
Electric Fund	4,665
Total	<u>\$ 12,196</u>

Transfers In/Out: Transfers are primarily used to (1) move revenues to the fund that statute or budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The following table shows amounts transferred to/from funds within the City for the year ended June 30, 2017:

<u>Transfers In Funds</u>	<u>Transfers Out Funds</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 31,145
	Electric Fund	39,230
	Water Fund	5,673
	Sewer Fund	900
		<u>76,948</u>
Nonmajor Governmental Funds	General Fund	12,672
	Capital Outlay Fund	3,000
	Nonmajor Governmental Funds	1,163
	Nonmajor Enterprise Funds	738
		<u>17,573</u>
Nonmajor Enterprise Funds	General Fund	<u>825</u>
	Total	<u>\$ 95,346</u>

12. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund (\$31,653). This City adopted a Self-Insurance Reserve Policy that will address the on-going deficit in fund balance. In the past, the City began funding a portion of the deficit in the internal service fund via self-insurance rate increases phased in over several years. However, the increases continue to be offset by unusually large losses incurred during the year combined with an

adjustment for the increase in the amount estimated for claims and judgments. Management believes that there are sufficient funds on hand to cover current payment obligations and plans to continue to control costs and increase rates. However, the Self-Insurance Reserve Policy specifically address minimum cash balance requirements in the Self-Insurance Trust Fund in-line with best practices. In conjunction with the new reserve policy, City Council has approved a funding plan to increase the cash reserve balances over the next two fiscal years. The plan calls for cash contributions of \$2,500 in each of the next two fiscal years. Implementation of the reserve policy, the cash funding approved by City Council and the increased rates should provide the fund greater financial stability for future needs.

Deficit net position exists in the Successor Agency Private-Purpose Trust Fund (\$162,046). The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

13. Litigation

The City is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the City are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

The Water Utility is a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009, and no trial date has been set.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy. The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contributions to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA) - The retirement formula is 3% at age 50 for employees hired before February 16, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account. Beginning January 2019, in the event of annual wage increases in excess of 2%, employees shall pay a portion of the required employer contribution of 1.5% annual capped at 6%.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 2012 pay their share (9%) of contributions.
- 3rd Tier (RPOA, RPOA Supervisory & RPAA) – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. The City pays the employee share (9%) of contributions on their behalf and for their account. Effective January 2019, represented employees shall pay 2.5% of the required employer contribution with annual increases of 2.5% and 1% in January 2020 and December 2021, respectively capped at 8%.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.
- 3rd Tier – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the employee share (9%). Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account except for general SEIU employees, which contributed 6%, with the City paying the remaining 2% of the employee share.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:
 - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
 - All other miscellaneous employees hired on or after October 19, 2011 pay their share (8%) of contributions.
- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the employee share ranging from 7-8% based on bargaining group classification. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Under the recently approved memorandums of understanding agreed to by all bargaining units, effective January 1, 2018, all employees in Tier 1, with the exception of the IBEW bargaining unit, will begin contributing 1-2% of additional annual earnings to a maximum of 8% rate by January 1, 2020 or January 1, 2021, depending on the bargaining unit. IBEW Tier 1 employees will begin to pay 2% per year starting November 1, 2017 and will contribute a total of 8% by November 1, 2020.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(D) Employees Covered - At June 30, 2016, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,040 and 729 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving

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benefits are 1,317 and 158 for Miscellaneous and Safety Plans, respectively. Active employees were 1,536 and 579 for Miscellaneous and Safety Plans, respectively.

(E) Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 rate of employees.

(F) Net Pension Liability - The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

Discount Rate – The discount rate used to measure each plan's total pension liability as of June 30, 2016 was 7.65%. 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 discount rates used to measure total pension liability are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rates are 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 from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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

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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.

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.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

- (1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

(G) Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at June 30, 2016	\$ 1,214,579	\$ 970,787	\$ 243,792
Changes in the year:			
Service Cost	22,189	-	22,189
Interest on Total Pension Liability	90,913	-	90,913
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(8,417)	-	(8,417)
Contribution - employer	-	29,426	(29,426)
Contribution - employee	-	5,187	(5,187)
Net Investment Income	-	4,958	(4,958)
Benefit Payments, including Refunds of Employee Contributions	(57,702)	(57,702)	-
Administrative Expenses	-	(594)	594
Net Changes	<u>46,983</u>	<u>(18,725)</u>	<u>65,708</u>
Balance at June 30, 2017	<u>\$ 1,261,562</u>	<u>\$ 952,062</u>	<u>\$ 309,500</u>

Safety

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at June 30, 2016	\$ 900,127	\$ 708,689	\$ 191,438
Changes in the year:			
Service Cost	18,144	-	18,144
Interest on Total Pension Liability	67,513	-	67,513
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(4,373)	-	(4,373)
Contribution - employer	-	26,483	(26,483)
Contribution - employee	-	1,837	(1,837)
Net Investment Income	-	3,478	(3,478)
Benefit Payments, including Refunds of Employee Contributions	(44,609)	(44,609)	-
Administrative Expenses	-	(428)	428
Net Changes	<u>36,675</u>	<u>(13,239)</u>	<u>49,914</u>
Balance at June 30, 2017	<u>\$ 936,802</u>	<u>\$ 695,450</u>	<u>\$ 241,352</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension

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liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<i>Miscellaneous</i>	Current		
	Discount Rate	Discount Rate	Discount Rate
	-1% (6.65%)	(7.65%)	+1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 480,387	\$ 309,500	\$ 168,952

<i>Safety</i>	Current		
	Discount Rate	Discount Rate	Discount Rate
	-1% (6.65%)	(7.65%)	+1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 367,847	\$ 241,352	\$ 137,441

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

H. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.

For the year ended June 30, 2017, the City recognized pension expense of \$55,749. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Miscellaneous</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	\$ 30,477	\$ -
Differences between actual and actuarial determined contribution	9,103	-
Changes of assumptions	-	(7,729)
Differences between expected and actual experience	-	(14,058)
Net differences between projected and actual earnings on plan investments	85,493	(33,298)
Total	<u>\$ 125,073</u>	<u>\$ (55,085)</u>

<i>Safety</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	\$ 26,775	\$ -
Differences between actual and actuarial determined contributions	9,481	-
Changes of assumptions	-	(8,954)
Differences between expected and actual experience	-	(7,198)
Net differences between projected and actual earnings on plan investments	62,839	(24,470)
Total	<u>\$ 99,095</u>	<u>\$ (40,622)</u>

\$57,252 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, 2018.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Deferred Outflows of Resources

Fiscal Year	Miscellaneous	Safety
2018	\$ 19,315	\$ 13,813
2019	26,726	20,912
2020	24,114	19,434
2021	24,440	18,162
Total	<u>\$ 94,595</u>	<u>\$ 72,321</u>

Deferred Inflows of Resources

Fiscal Year	Miscellaneous	Safety
2018	\$ (9,741)	\$ (4,554)
2019	(27,663)	(18,310)
2020	(17,681)	(16,516)
2021	-	(1,242)
Total	<u>\$ (55,085)</u>	<u>\$ (40,622)</u>

15. Other Post-Employment Benefits

The City provides healthcare benefits to retirees in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees receive the benefit of a lower rate. The

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difference between these amounts is the implied rate subsidy, which is considered an other post-employment benefit (OPEB) under GASB 45.

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. However, the retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

The contribution requirements are established by the City Council. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. 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 liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2017 was \$4,198, which consisted of normal cost of \$2,034 and UAAL amortization of \$2,164. The ARC as a percentage of payroll was 2.5% for the year ended June 30, 2017.

As of June 30, 2015, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$40 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$40 million.

Determination of the net OPEB obligation as of June 30, 2017:

Annual required contribution	\$ 4,198
Interest on net OPEB obligation	1,287
Amortization of net OPEB obligation	(1,583)
Annual OPEB cost	3,902
Less contributions made	(1,150)
Increase in net OPEB obligation	2,752
Net OPEB liability, beginning of year	32,172
Net OPEB liability, end of year	<u>\$ 34,924</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.00%, (b) 2.75% inflation, (c) projected salary increases of 3.00% annually and (d) healthcare cost trend rates ranging from 5.0% to 7.0%.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Three-year trend information:

Fiscal Year	ARC	Actual Contributions	% of ARC Contributed
2015	\$5,061	\$1,431	25%
2016	4,076	977	28%
2017	4,198	1,150	27%

Fiscal Year	Annual OPEB Cost	% of OPEB Cost Contributed	Net OPEB Obligation
2015	\$5,022	28%	\$29,433
2016	3,716	26%	32,172
2017	3,902	29%	34,924

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Liability (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Covered Payroll
06/30/15	\$ 40,235	\$ -	\$ 40,235	0%	\$ 165,775	24%

16. Commitments and Contingencies

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station, known as Intermountain Power Project (IPP), located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements and other fixed costs. Such payments are considered a cost of production.

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource. On June 16, 2015, the City Council approved the Intermountain Power Project renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP renewal subscription process. The Second Amendatory Power Sales Contract became effective March 16, 2016. The generation component of IPP under the Renewal Power Sales Contract (Repower Project) is envisioned to be a natural gas fueled combined cycle plant with total capacity of 1,200 MW. The Renewal Power Sales Contract contemplates a term of fifty years, through June 2077 for the Repower Project. The Electric Utility is authorized to participate in the subscription process for up to 5 percent of the Repower Project or approximately 60 MW. On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and all other necessary documents for the first two rounds of the subscription process. The Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. The IPP Repower Project renewal subscription process was completed after two rounds on January 17, 2017 and all entitlements in the project were fully subscribed. The Electric Utility's reduced

power would allow it to diversify its energy portfolio in the future. Further, under the Renewal Power Sales Contract, the Electric Utility has the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

<u>Project</u>	<u>Percentage Share</u>	<u>Entitlement</u>	<u>Final Maturity</u>	<u>Contract Expiration</u>
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3 MW	2017	2030
Southern Transmission System (STS)	10.20%	244.0 MW	2027	2027
Hoover Dam Upgrading (Hoover)	31.90%	30.0 MW	2017	2017
Mead – Phoenix Transmission (MPP)	4.00%	18.0 MW	2020	2030
Mead – Adelanto Transmission (MAT)	13.50%	118.0 MW	2020	2030

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and portions of the Mead Phoenix and Mead-Adelanto Transmission Projects. The remaining projects have fixed interest rates which range from 0.85 percent to 5.25 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

City of Riverside
Notes to Basic Financial Statements
For the year ended June 30, 2017

(amounts expressed in thousands)

Fiscal Year	SCPPA						Total
	IPA	PV	STS	Hoover	MPP	MAT	
2018	\$ 17,019	\$ 679	\$ 7,917	\$ 699	\$ 258	\$ 2,909	\$ 29,481
2019	18,613	-	7,893	-	257	2,881	29,644
2020	18,096	-	6,913	-	254	2,859	28,122
2021	16,470	-	7,926	-	189	2,136	26,721
2022	11,600	-	9,448	-	-	-	21,048
2023-2027	9,246	-	24,179	-	-	-	33,425
2028-2032	-	-	3,254	-	-	-	3,254
Total	\$ 91,044	\$ 679	\$ 67,530	\$ 699	\$ 958	\$ 10,785	\$ 171,695

In addition to debt service, the Electric Utility's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2017 is as follows (in thousands):

Fiscal Year	IPA	PV	STS	Hoover	MPP	MAT	Total
2017	\$ 23,000	\$ 3,285	\$ 2,712	\$ 58	\$ 64	\$ 254	\$ 29,373
2016	22,667	3,601	3,001	81	34	377	29,761

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix and Mead-Adelanto Transmission Projects. In return, users of the California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

Hoover Upgrading Project

The Electric Utility's entitlement in the Hoover project through SCPPA will terminate on September 30, 2017. In March 2014, the Electric Utility prepaid its share of outstanding debt incurred by the Bureau of Reclamation in connection with the acquisition and construction of the Hoover Power Project

Visitors Center and Air Slots. The payment of principal and interest on the debt is a component of the cost of power and energy payable by Hoover contractors, which includes SCPPA participants that receive power from the Hoover Power Project under agreements with the Western Area Power Administration. Because Bureau Debt bears interest at rates that are substantially higher than current market interest rates, the Electric Utility elected to prepay the debt in order to realize savings on power costs in the future. The Electric Utility's share of the debt is recorded on the statements of net position as unamortized purchased power to be amortized over the remaining term of the project through 2017. As of June 30, 2017, unamortized purchased power was \$124 with amortization of \$496.

On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western), Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western will be effective October 1, 2017. The ESC extends the Electric Utility's 30 MW entitlement in the Hoover project an additional 50 years. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and process for decision making plant operations.

Nuclear Insurance

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available (\$450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective January 1, 2017, the Act limits liability from third-party claims to approximately \$13.4 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to \$127.3 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to \$19.0 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde and ownership in SONGS, the Electric Utility would be responsible for a maximum assessment of \$5.8 million, limited to payments of \$0.9 million per incident, per year. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising

measures to pay claims, including a possible additional assessment on all licensed reactor operators.

Renewable Portfolio Standards (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was passed by the State Legislative and signed by the Governor. SBX1-2 revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33 percent by December 31, 2020 in three stages: average of 20 percent of retail sales during 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement plan implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility met the 20 percent mandates from 2011-2013 and the 25 percent mandate by December 31, 2016. The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan.

On September 11, 2015, California legislature passed Senate Bill 350 (SB 350) increasing the RPS mandate beyond December 31, 2020 above 33 percent to 50 percent by December 31, 2030. SB 350 was signed into law by the Governor on October 7, 2015. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the portfolio of renewable resources outlined below.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) with various entities described below on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with this standard.

Long-term renewable PPAs in operation (in thousands):

Supplier	Type	Maximum Contract ¹	Contract Expiration	Estimated Annual Cost	
				For 2018	
Salton Sea Power LLC	Geothermal	46.0 MW	5/31/2020	\$	28,730
Wintec Energy, Ltd.	Wind	1.3 MW	12/30/2018		243
WKN Wagner	Wind	6.0 MW	12/22/2032		1,293
SunEdison - AP North Lake	Photovoltaic	20.0 MW	8/11/2040		4,554
Dominion - Columbia II	Photovoltaic	11.1 MW	12/22/2034		2,314
Cabazon Wind	Wind	39.0 MW	1/1/2025		4,299
First Solar - Kingbird B	Photovoltaic	14.0 MW	12/31/2036		2,867
FTP Solar					
sPower - Summer Solar	Photovoltaic	10.0 MW	12/31/2041		1,748
sPower - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041		1,748
sPower - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036		3,826
Solar Star - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040		1,321
CalEnergy - Salton Sea Portfolio Phase 1	Geothermal	20.0 MW	12/31/2039		12,007
Total		209.7 MW		\$	64,950

¹ All contracts are contingent on energy production from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

Long-term renewable PPAs with expected delivery:

				Energy Delivery No Later Than	Contract Term In Years
Supplier	Type	Maximum Contract ¹	Expected Delivery		
CalEnergy - Salton Sea Portfolio Phase 2	Geothermal	20.0 MW	1/1/2019	1/1/2019	21
CalEnergy - Salton Sea Portfolio Phase 3	Geothermal	46.0 MW	6/1/2020	6/1/2020	20
Total		66.0 MW			

¹ All contracts are contingent on energy production from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

Cap-and-Trade Program

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to

retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

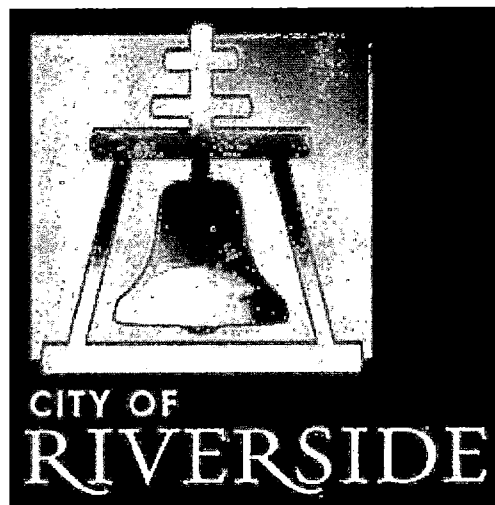
At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal year ended June 30, 2017, the Electric Utility received \$6,881 in proceeds related to the sale of the GHG allowances which are included on the statements of revenues, expenses and changes in net position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was \$16,123 as of June 30, 2017.

The Electric Utility also purchases GHG allowances which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was \$1,097 as of June 30, 2017 and is recorded as inventory in the statements of net position.

17. Tax Abatements

In November 2012, the City entered into a tax sharing agreement with a local business to incentivize an expansion of their facility. Assistance is provided in the form of a rebate of sales and property taxes over fifteen years in an amount not to exceed \$4,500. The agreement expires on the earlier of: 1) total cumulative tax rebate of \$4,500; or 2) fifteen years in fiscal 2027-28.

Incremental Sales Tax Revenue can be generated from sales reported to the State Board of Equalization at the business site and from third party vendor transactions occurring using the business site as the point of sale. Incremental Property Tax Revenue is generated from the increase in County assessed valuation over the 2012-13 base period values, for the parcels designated in the agreement. For parcels acquired after 2012-13 in the project area, the acquisition price will become its base year valuation. The initial 2012-13 base year assessed valuation is \$114,293 and has been adjusted to \$125,043 for the parcels acquired in 2014-15. The business is due 100% of the incremental Property tax revenue due to the City from the project area tax rate. It is calculated as 11% of the value determined from taking 1% of the difference of current net assessed valuation over the adjusted base valuation. The cumulative rebate payment as of June 30, 2017 is \$135.



Required Supplementary Information

Consists of the following:

- Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
- Schedule of Plan Contributions
- Other Post-Employment Benefits (OPEB) Funding Progress

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios During the
Measurement Period (Thousands)
Last 10 Years*

	6/30/2016		6/30/2015		6/30/2014	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
TOTAL PENSION LIABILITY						
Service Cost	\$ 22,189	\$ 18,144	\$ 22,228	\$ 18,187	\$ 23,320	\$ 18,818
Interest	90,913	67,513	87,436	64,815	84,965	62,249
Changes of Assumptions	-	-	(21,782)	(16,117)	-	-
Difference Between Expected and Actual Experience	(8,417)	(4,373)	(23,548)	(6,835)	-	-
Benefit Payments, Including Refunds and Employee Contribution	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Net Change in Total Pension Liability	\$ 46,983	\$ 36,675	\$ 10,481	\$ 17,974	\$ 57,515	\$ 42,086
Total Pension Liability - Beginning	1,214,579	900,127	1,204,098	882,153	1,146,583	840,067
Total Pension Liability - Ending (a)	\$ 1,261,562	\$ 936,802	\$ 1,214,579	\$ 900,127	\$ 1,204,098	\$ 882,153
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 29,426	\$ 26,483	\$ 25,996	\$ 23,384	\$ 27,583	\$ 23,156
Contributions - Employee	5,187	1,837	4,380	924	2,294	365
Net Investment Income	4,958	3,478	21,671	15,632	145,843	107,032
Benefit Payments, Including Refunds and Employee Contribution	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Administrative and Other Expenses	(594)	(428)	(1,056)	(816)	-	-
Net Change in Fiduciary Net Position	\$ (18,725)	\$ (13,239)	\$ (2,862)	\$ (2,952)	\$ 124,950	\$ 91,572
Plan Fiduciary Net Position - Beginning	970,787	708,689	973,649	711,641	848,699	620,069
Plan Fiduciary Net Position - Ending (b)	952,062	695,450	970,787	708,689	973,649	711,641
Plan Net Pension Liability Ending (a)-(b)	\$ 309,500	\$ 241,352	\$ 243,792	\$ 191,438	\$ 230,449	\$ 170,512
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.47%	74.24%	79.93%	78.73%	80.86%	80.67%
Total - Employee Payroll	\$ 114,521	\$ 64,778	\$ 113,850	\$ 64,648	\$ 113,869	\$ 64,715
Net Pension Liability as a Percentage of Total - Employee Payroll	270.26%	372.58%	214.13%	296.12%	202.38%	263.48%

* - Historical information is required only for measurement periods where GASB 68 is applicable.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit also known as Golden Handshakes.

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflected an adjustment of the discount rate from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.5% discount rate.

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Plan Contributions (Thousands)
Last 10 Years *

	2016-17 *		2015-16 *		2014-15 *	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially Determined Contribution	\$24,885	\$21,886	\$21,063	\$ 18,452	\$ 20,505	\$ 17,341
Contributions in Relation to the Actuarially Determined Contribution	(29,426)	(26,483)	(25,997)	(23,384)	(27,584)	(23,156)
Contribution Excess	<u>\$ (4,541)</u>	<u>\$ (4,597)</u>	<u>\$ (4,934)</u>	<u>\$ (4,932)</u>	<u>\$ (7,079)</u>	<u>\$ (5,815)</u>
Total Covered Payroll	\$114,521	\$64,778	\$113,850	\$64,648	\$113,869	\$64,715
Contributions as a Percentage of Total - Covered Payroll	21.73%	33.79%	18.50%	28.54%	18.01%	26.80%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

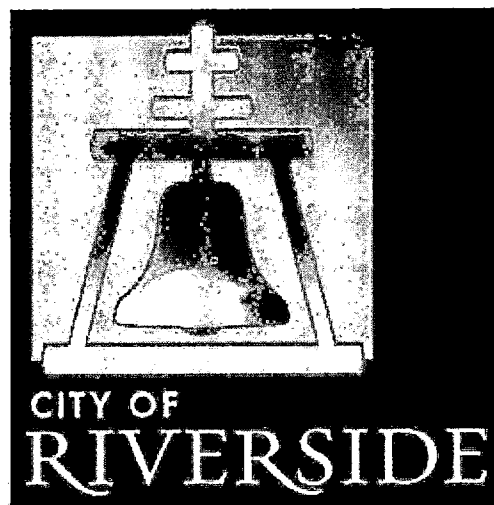
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value of Asset
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 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.

* - Historical information is required only for measurement periods where GASB 68 is applicable.

City of Riverside
Required Supplementary Information - Unaudited
Summary of Other Post Employment Benefits Funding Progress (Thousands)

Other Post-Employment Benefits - Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Accrued Liability</u>	<u>Unfunded Liability AVA</u>	<u>Funded Ratios AVA</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
June 30, 2015	\$ -	\$ 40,235	\$ 40,235	\$ -	\$ 165,775	24%
June 30, 2013	-	47,195	47,195	-	153,077	31%
June 30, 2011	-	56,060	56,060	-	149,321	38%



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes

Urban Areas Security Initiative (UASI) Fund— To account for UASI grants received from the U.S. Department of Homeland Security.

Gas Tax Fund — To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets

Air Quality Improvements Fund — To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing & Community Development Fund — To account for federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes

National Pollution Discharge Elimination System (NPDES) Storm Drain Fund — To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Housing Fund — To account for the housing activities for persons with low or moderate income

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvement Fund — To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund — To account for the acquisition, construction and installation of storm drains in the City

Transportation Fund — To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund — To account for the monies held in trust for the benefit of the Riverside City Public Library System

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(amounts expressed in thousands)

Special Revenue							
	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	NPDES Storm Drain	Housing	Total
Assets							
Cash and investments	\$ -	\$ 15,047	\$ 916	\$ 2,422	\$ -	\$ 10,822	\$ 29,207
Receivable (net of allowance for uncollectibles):							
Interest	-	49	3	5	-	30	87
Accounts	-	-	-	2	-	-	2
Intergovernmental	524	125	103	1,718	1,094	-	3,564
Notes	-	-	-	13,769	-	23,475	37,244
Prepaid items	24	-	-	-	-	-	24
Advances to Successor Agency Trust Fund	-	-	-	-	-	6,977	6,977
Land & improvements held for resale	-	-	-	443	-	2,654	3,097
Total assets	<u>\$ 548</u>	<u>\$ 15,221</u>	<u>\$ 1,022</u>	<u>\$ 18,359</u>	<u>\$ 1,094</u>	<u>\$ 43,958</u>	<u>\$ 80,202</u>
Liabilities							
Accounts payable	\$ -	\$ 392	\$ -	\$ 354	\$ 1	\$ 4	\$ 751
Retainage payable	-	142	-	-	-	-	142
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	548	-	-	-	582	-	1,130
Advance from other funds	-	-	-	49	-	124	173
Total liabilities	<u>548</u>	<u>534</u>	<u>-</u>	<u>403</u>	<u>583</u>	<u>128</u>	<u>2,196</u>
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	14,213	-	23,475	37,688
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,213</u>	<u>-</u>	<u>23,475</u>	<u>37,688</u>
Fund Balances (Deficits)							
Nonspendable:							
Inventories, prepaids and deposits	24	-	-	-	-	-	24
Restricted for:							
Housing and redevelopment	-	-	-	3,743	-	20,355	24,098
Transportation and public works	-	14,687	1,022	-	511	-	16,220
Unassigned	(24)	-	-	-	-	-	(24)
Total fund balances	<u>-</u>	<u>14,687</u>	<u>1,022</u>	<u>3,743</u>	<u>511</u>	<u>20,355</u>	<u>40,318</u>
Total liabilities deferred inflows of resources, and fund balances	<u>\$ 548</u>	<u>\$ 15,221</u>	<u>\$ 1,022</u>	<u>\$ 18,359</u>	<u>\$ 1,094</u>	<u>\$ 43,958</u>	<u>\$ 80,202</u>

Continued

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	Total Nonmajor Governmental Funds
Assets	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	
Cash and investments	\$ 4,671	\$ 1,272	\$ -	\$ 5,943	\$ 739	\$ 1,577	\$ 37,466
Cash and investments at fiscal agent	2,994	-	-	2,994	8,794	-	11,788
Receivable (net of allowance for uncollectibles):							
Interest	23	4	-	27	4	-	118
Accounts	-	-	-	-	58	-	60
Intergovernmental	-	-	297	297	-	-	3,861
Notes	-	-	-	-	-	-	37,244
Prepaid items	-	-	-	-	-	-	24
Advances to Successor Agency Trust Fund	-	-	-	-	-	-	6,977
Land & improvements held for resale	-	-	-	-	-	-	3,097
Total assets	\$ 7,688	\$ 1,276	\$ 297	\$ 9,261	\$ 9,595	\$ 1,577	\$ 100,635
Liabilities							
Accounts payable	\$ -	\$ 12	\$ -	\$ 12	\$ 178	\$ -	\$ 941
Retainage payable	19	-	-	19	-	-	161
Due to other funds	-	-	285	285	-	-	1,415
Advance from other funds	4,788	-	-	4,788	2,962	-	7,923
Total liabilities	4,807	12	285	5,104	3,140	-	10,440
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	-	-	37,688
Total deferred inflows of resources	-	-	-	-	-	-	37,688
Fund Balances (Deficits)							
Nonspendable:							
Inventories, prepaids and deposits	-	-	-	-	-	-	24
Permanent fund principal	-	-	-	-	-	1,577	1,577
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	24,098
Debt service	-	-	-	-	6,455	-	6,455
Transportation and public works	-	-	12	12	-	-	16,232
Other purposes	2,881	1,264	-	4,145	-	-	4,145
Unassigned	-	-	-	-	-	-	(24)
Total fund balances	2,881	1,264	12	4,157	6,455	1,577	52,507
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,688	\$ 1,276	\$ 297	\$ 9,261	\$ 9,595	\$ 1,577	\$ 100,635

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	NPDES Storm Drain	Housing	Total
Revenues							
Intergovernmental	\$ 844	\$ 6,142	\$ 422	\$ 5,713	\$ -	\$ -	\$ 13,121
Fines and forfeitures	-	-	-	-	-	1	1
Special assessments	-	-	-	-	1,093	-	1,093
Rental and investment income	-	9	3	67	-	192	271
Miscellaneous	-	-	208	215	-	549	972
Total revenues	844	6,151	633	5,995	1,093	742	15,458
Expenditures							
Current:							
General government	-	-	452	361	-	1,186	1,999
Public safety	844	-	-	-	-	-	844
Capital outlay	-	8,609	-	5,718	1,095	-	15,422
Debt service:							
Interest	-	-	-	10	-	-	10
Total expenditures	844	8,609	452	6,089	1,095	1,186	18,275
Excess (deficiency) of revenues over (under) expenditures	-	(2,458)	181	(94)	(2)	(444)	(2,817)
Other financing sources (uses)							
Transfers in	-	-	-	1,163	-	-	1,163
Transfers out	-	-	-	-	-	(1,163)	(1,163)
Proceeds on retirement of capital assets	-	308	-	-	-	(110)	198
Total other financing sources (uses)	-	308	-	1,163	-	(1,273)	198
Net change in fund balances	-	(2,150)	181	1,069	(2)	(1,717)	(2,619)
Fund balances - beginning	-	16,837	841	2,674	513	22,072	42,937
Fund balances - ending	\$ -	\$ 14,687	\$ 1,022	\$ 3,743	\$ 511	\$ 20,355	\$ 40,318

Continued

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	
Revenues							
Licenses and permits	\$ 4,245	\$ 395	\$ -	\$ 4,640	\$ -	\$ -	\$ 4,640
Intergovernmental	-	61	297	358	-	-	13,479
Fines and forfeitures	-	-	-	-	-	-	1
Special assessments	-	-	-	-	1,086	-	2,179
Rental and investment income	26	-	-	26	1,616	12	1,925
Miscellaneous	-	-	-	-	483	149	1,604
Total revenues	4,271	456	297	5,024	3,185	161	23,828
Expenditures							
Current:							
General government	1,714	-	-	1,714	486	-	4,199
Public safety	-	-	-	-	-	-	844
Culture and recreation	-	-	-	-	-	203	203
Capital outlay	2,120	313	297	2,730	-	-	18,152
Debt service:							
Principal	-	-	-	-	28,475	-	28,475
Interest	63	-	-	63	10,833	-	10,906
Total expenditures	3,897	313	297	4,507	39,794	203	62,779
Excess (deficiency) of revenues over (under) expenditures	374	143	-	517	(36,609)	(42)	(38,951)
Other financing sources (uses)							
Transfers in	-	-	-	-	16,410	-	17,573
Transfers out	-	-	-	-	(31,145)	-	(32,308)
Issuance of long-term debt	-	-	-	-	31,578	-	31,578
Proceeds on retirement of capital assets	-	-	-	-	-	-	198
Total other financing sources (uses)	-	-	-	-	16,843	-	17,041
Net change in fund balances	374	143	-	517	(19,766)	(42)	(21,910)
Fund balances - beginning	2,507	1,121	12	3,640	26,221	1,619	74,417
Fund balances - ending	\$ 2,881	\$ 1,264	\$ 12	\$ 4,157	\$ 6,455	\$ 1,577	\$ 52,507

City of Riverside

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

Nonmajor Governmental Funds

For the fiscal year ended June 30, 2017

(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Intergovernmental	\$ 4,495	\$ 844	\$ (3,651)	\$ 6,455	\$ 6,142	\$ (313)	\$ 392	\$ 422	\$ 30
Rental and investment income	-	-	-	150	9	(141)	-	3	3
Miscellaneous	-	-	-	-	-	-	254	208	(46)
Total revenues	4,495	844	(3,651)	6,605	6,151	(454)	646	633	(13)
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,028	452	576
Public safety	4,495	844	3,651	-	-	-	-	-	-
Capital outlay	-	-	-	21,882	8,609	13,273	-	-	-
Total expenditures	4,495	844	3,651	21,882	8,609	13,273	1,028	452	576
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(15,277)	(2,458)	12,819	(382)	181	563
Other financing sources (uses)									
Proceeds on retirement of capital assets	-	-	-	-	308	308	-	-	-
Total other financing sources (uses)	-	-	-	-	308	308	-	-	-
Net change in fund balances	-	-	-	(15,277)	(2,150)	13,127	(382)	181	563
Fund balances (deficit), beginning	-	-	-	16,837	16,837	-	841	841	-
Fund balances (deficit), ending	\$ -	\$ -	\$ -	\$ 1,560	\$ 14,687	\$ 13,127	\$ 459	\$ 1,022	\$ 563

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			NPDES Storm Drain			Housing		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Intergovernmental	\$ 7,284	\$ 5,713	\$ (1,571)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-	1	1
Special assessments	-	-	-	1,391	1,093	(298)	-	-	-
Rental and investment income	35	67	32	-	-	-	-	192	192
Miscellaneous	85	215	130	-	-	-	-	549	549
Total revenues	7,404	5,995	(1,409)	1,391	1,093	(298)	-	742	742
Expenditures									
Current:									
General government	2,136	361	1,775	-	-	-	2,533	1,186	1,347
Capital outlay	19,627	5,718	13,909	1,930	1,095	835	-	-	-
Debt service:									
Principal	32	-	32	-	-	-	-	-	-
Interest	13	10	3	-	-	-	6	-	6
Total expenditures	21,808	6,089	15,719	1,930	1,095	835	2,539	1,186	1,353
Excess (deficiency) of revenues over (under) expenditures	(14,404)	(94)	(14,310)	(539)	(2)	537	(2,539)	(444)	2,095
Other financing sources (uses)									
Transfers in (out)	1,163	1,163	-	-	-	-	(117)	(1,163)	(1,046)
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	(110)	(110)
Total other financing sources (uses)	1,163	1,163	-	-	-	-	(117)	(1,273)	(1,156)
Net change in fund balances	(13,241)	1,069	(14,310)	(539)	(2)	537	(2,656)	(1,717)	939
Fund balances (deficit), beginning	2,674	2,674	-	513	513	-	22,072	22,072	-
Fund balances (deficit), ending	\$ (10,567)	\$ 3,743	\$ (14,310)	\$ (26)	\$ 511	\$ 537	\$ 19,416	\$ 20,355	\$ 939

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City of Riverside

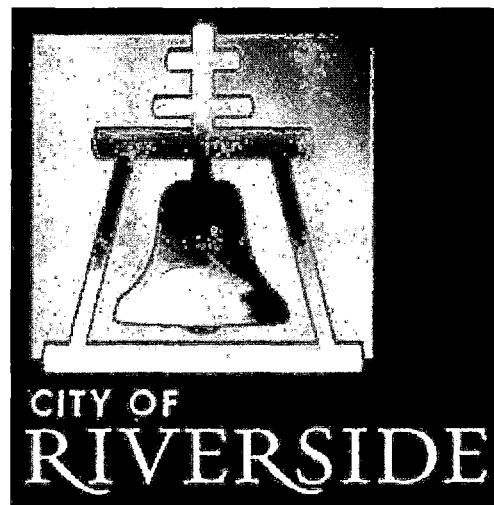
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Nonmajor Governmental Funds

For the fiscal year ended June 30, 2017

(amounts expressed in thousands)

	Capital Projects											
	Capital Outlay			Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Licenses and permits	\$ -	\$ -	\$ -	\$ 2,600	\$ 4,245	\$ 1,645	\$ 130	\$ 395	\$ 265	\$ -	\$ -	\$ -
Intergovernmental	31,910	10,643	(21,267)	250	-	(250)	12,757	61	(12,696)	336	297	(39)
Special assessments	220	956	736	-	-	-	-	-	-	-	-	-
Rental and investment income	170	25	(145)	-	26	26	20	-	(20)	-	-	-
Miscellaneous	3,750	136	(3,614)	-	-	-	-	-	-	-	-	-
Total revenues	36,050	11,760	(24,290)	2,850	4,271	1,421	12,907	456	(12,451)	336	297	(39)
Expenditures												
Current:												
General government	-	-	-	1,114	1,714	(600)	-	-	-	-	-	-
Capital outlay	51,757	9,487	42,270	1,422	2,120	(698)	13,276	313	12,963	336	297	39
Debt service:												
Principal	-	-	-	1,389	-	1,389	-	-	-	-	-	-
Interest	-	-	-	62	63	(1)	-	-	-	-	-	-
Total expenditures	51,757	9,487	42,270	3,987	3,897	90	13,276	313	12,963	336	297	39
Excess (deficiency) of revenues over (under) expenditures	(15,707)	2,273	(13,434)	(1,137)	374	(763)	(369)	143	(226)	-	-	-
Other financing sources (uses)												
Transfers out	(3,000)	(3,000)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,000)	(3,000)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(18,707)	(727)	(13,434)	(1,137)	374	(763)	(369)	143	(226)	-	-	-
Fund balances (deficit), beginning	18,673	18,673	-	2,507	2,507	-	1,121	1,121	-	70	12	(58)
Fund balances (deficit), ending	\$ (34)	\$ 17,946	\$ (13,434)	\$ 1,370	\$ 2,881	\$ (763)	\$ 752	\$ 1,264	\$ (226)	\$ 70	\$ 12	\$ (58)



Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ 814	\$ 5,237	\$ 369	\$ 8	\$ 6,428
Receivables (net of allowance for uncollectibles)					
Interest	3	22	3	2	30
Utility billed	-	1,038	-	-	1,038
Utility unbilled	-	774	-	-	774
Accounts	81	773	16	897	1,767
Intergovernmental	-	-	781	21	802
Restricted assets:					
Other restricted cash and cash equivalents	-	1,738	-	-	1,738
Total current assets	898	9,582	1,169	928	12,577
Non-current assets:					
Regulatory assets	-	5,281	-	-	5,281
Capital assets:					
Land	9,988	-	-	9,192	19,180
Buildings	2,631	-	43	33,229	35,903
Accumulated depreciation-buildings	(1,442)	-	(15)	(6,427)	(7,884)
Improvements other than buildings	19,665	-	2,848	6,740	29,253
Accumulated depreciation-improvements other than buildings	(8,348)	-	(414)	(2,599)	(11,361)
Machinery and equipment	479	16,832	5,137	1,130	23,578
Accumulated depreciation-machinery and equipment	(394)	(11,977)	(3,339)	(1,120)	(16,830)
Construction in progress	164	-	-	-	164
Total non-current assets:	22,743	10,136	4,260	40,145	77,284
Total assets	23,641	19,718	5,429	41,073	89,861
Deferred Outflows of Resources					
Pension contributions, changes in assumptions and differences in experience	388	2,865	1,311	740	5,304
Total deferred outflows of resources	388	2,865	1,311	740	5,304

Continued

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	11	1,149	15	132	1,307
Unearned revenue	5	1	1,195	-	1,201
Due to other funds	-	-	-	307	307
Notes payable - current	-	-	-	1,014	1,014
Landfill capping - current	-	250	-	-	250
Compensated absences - current	37	321	119	40	517
Total current liabilities	53	1,721	1,329	1,493	4,596
Non-current liabilities:					
Notes payables	-	-	-	18,257	18,257
Advances from other funds	245	1,050	498	389	2,182
Landfill capping	-	5,140	-	-	5,140
Compensated absences	3	26	9	3	41
OPEB obligation	126	1,099	525	256	2,006
Net pension liability	970	7,446	3,416	1,986	13,818
Total non-current liabilities	1,344	14,761	4,448	20,891	41,444
Total liabilities	1,397	16,482	5,777	22,384	46,040
Deferred Inflows of Resources					
Pension contributions, changes in assumptions and differences in experience	176	1,472	679	418	2,745
Total deferred inflows of resources	176	1,472	679	418	2,745
Net Position					
Net investment in capital assets	22,743	4,855	4,260	20,874	52,732
Restricted for landfill capping	-	1,738	-	-	1,738
Unrestricted	(287)	(1,964)	(3,976)	(1,863)	(8,090)
Total net position	\$ 22,456	\$ 4,629	\$ 284	\$ 19,011	\$ 46,380

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Transportation</u>	<u>Public Parking</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 1,578	\$ 22,567	\$ 359	\$ 5,009	\$ 29,513
Operating expenses:					
Personnel services	618	4,809	2,328	1,152	8,907
Contractual services	58	4,613	38	1,645	6,354
Maintenance and operation	285	5,812	501	686	7,284
General	267	3,656	521	89	4,533
Materials and supplies	22	1,195	228	17	1,462
Insurance	32	89	49	88	258
Depreciation and amortization	707	1,730	530	992	3,959
Total operating expenses	1,989	21,904	4,195	4,669	32,757
Operating Income (loss)	(411)	663	(3,836)	340	(3,244)
Nonoperating revenues (expenses):					
Operating grants	-	-	3,751	-	3,751
Interest income	5	17	-	4	26
Other	39	514	82	735	1,370
Gain (loss) on retirement of capital assets	19	(328)	-	-	(309)
Interest expense and fiscal charges	(9)	(49)	(26)	(779)	(863)
Total non-operating revenues	54	154	3,807	(40)	3,975
Income (loss) before capital contributions and transfers	(357)	817	(29)	300	731
Cash capital contributions	106	-	781	-	887
Noncash capital contributions	55	-	-	-	55
Transfers in	-	-	-	825	825
Transfers out	-	-	-	(738)	(738)
Change in net position	(196)	817	752	387	1,760
Net position - beginning	22,652	3,812	(468)	18,624	44,620
Net position - ending	\$ 22,456	\$ 4,629	\$ 284	\$ 19,011	\$ 46,380

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

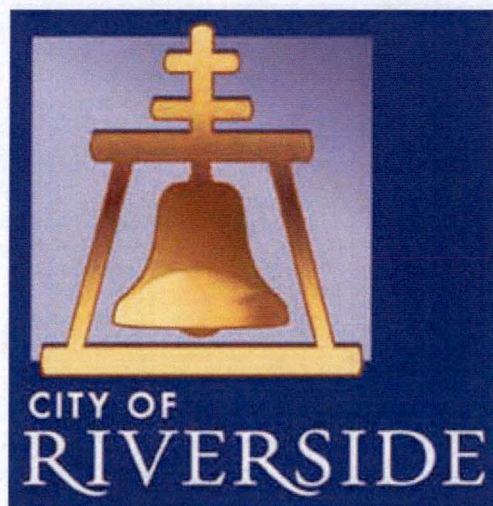
	Airport	Refuse	Transportation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,566	\$ 22,416	\$ -	\$ 4,771	\$ 28,753
Cash paid to employees for services	(598)	(4,737)	(2,280)	(1,139)	(8,754)
Cash paid to other suppliers of goods or services	(670)	(15,257)	(1,554)	(2,451)	(19,932)
Other nonoperating items	39	920	82	735	1,776
Net cash (used) provided by operating activities	337	3,342	(3,752)	1,916	1,843
Cash flows from noncapital financing activities:					
Transfers in	-	-	-	825	825
Transfers out	-	-	-	(738)	(738)
Operating grants	-	-	3,751	-	3,751
Receipts on interfund advances	55	13	-	32	100
Payments on interfund advances	-	-	(1)	(275)	(276)
Net cash (used) provided by noncapital financing activities	55	13	3,750	(156)	3,662
Cash flows from capital and related financing activities:					
Purchase of capital assets	(119)	(847)	(1,247)	-	(2,213)
Proceeds from the sale of capital assets	19	-	-	-	19
Principal paid on long-term obligations	-	-	-	(976)	(976)
Interest paid on long-term obligations	(9)	(49)	(26)	(779)	(863)
Capital contributions	106	-	781	-	887
Net cash (used) provided for capital and related financing activities	(3)	(896)	(492)	(1,755)	(3,146)
Cash flows from investing activities:					
Sale and (purchase) of investments	(2)	(9)	(1)	(1)	(13)
Interest from investments	5	17	-	4	26
Net cash (used) provided by investing activities	3	8	(1)	3	13
Net change in cash and cash equivalents	392	2,467	(495)	8	2,372
Cash and cash equivalents, beginning	422	4,508	864	-	5,794
Cash and cash equivalents, ending	\$ 814	\$ 6,975	\$ 369	\$ 8	\$ 8,166

Continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Continued

	Airport	Refuse	Transportation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:					
Operating Income (loss)	\$ (411)	\$ 663	\$ (3,836)	\$ 340	\$ (3,244)
Other nonoperating items	39	514	82	735	1,370
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	707	1,730	530	992	3,959
Changes in assets, liabilities and deferred inflows/outflows of resources:					
Utility billed receivable	-	(11)	-	-	(11)
Utility unbilled receivable	-	(27)	-	-	(27)
Accounts receivable	(12)	(113)	1	(236)	(360)
Intergovernmental receivable	-	-	(492)	(2)	(494)
Regulatory assets	-	406	-	-	406
Accounts payable	(11)	404	8	74	475
Other payables	29	89	(36)	17	99
Landfill capping	-	(296)	-	-	(296)
Net pension liability and related charges in deferred outflows and inflows of resources	(4)	(17)	(9)	(4)	(34)
Net cash (used) provided by operating activities	<u>\$ 337</u>	<u>\$ 3,342</u>	<u>\$ (3,752)</u>	<u>\$ 1,916</u>	<u>\$ 1,843</u>
Schedule of noncash financing and investing activities:					
Capital Contributions - capital assets	\$ 55	\$ -	\$ -	\$ -	\$ 55
Loss on retirement of capital assets	-	(328)	-	-	(328)



Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Total
Current assets:				
Cash and investments	\$ 13,900	\$ -	\$ 4,621	\$ 18,521
Receivables (net of allowance for uncollectibles)				
Interest	28	-	15	43
Accounts	17	-	6	23
Intergovernmental	27	-	566	593
Inventory	-	5,670	330	6,000
Total current assets	13,972	5,670	5,538	25,180
Non-current assets:				
Advances to other funds	774	-	2,764	3,538
Capital assets:				
Land			458	458
Intangible assets, depreciable	219	-	-	219
Accumulated depreciation - intangible assets, depreciable	(88)	-	-	(88)
Buildings	-	-	4,065	4,065
Accumulated depreciation-buildings	-	-	(597)	(597)
Improvements other than buildings	-	-	1,315	1,315
Accumulated depreciation - improvements other than buildings	-	-	(369)	(369)
Machinery and equipment	5	139	11,163	11,307
Accumulated depreciation-machinery and equipment	(3)	(139)	(8,534)	(8,676)
Total non-current assets:	907	-	10,265	11,172
Total assets	14,879	5,670	15,803	36,352
Deferred Outflows of Resources				
Pension contributions, changes in assumptions and differences in experience	392	420	2,124	2,936
Total deferred outflows of resources	392	420	2,124	2,936
Liabilities				
Current liabilities:				
Accounts payable	646	422	276	1,344
Due to other funds	-	261	-	261
Claims and judgments - current	10,765	-	-	10,765
Compensated absences - current	26	56	220	302
Total current liabilities	11,437	739	496	12,672
Non-current liabilities:				
Advances from other funds	107	149	1,306	1,562
Claims and judgments	34,180	-	-	34,180
Compensated absences	12	25	97	134
OPEB obligation	121	147	636	904
Net pension liability	924	1,052	5,414	7,390
Total non-current liabilities	35,344	1,373	7,453	44,170
Total liabilities	46,781	2,112	7,949	56,842
Deferred Inflows of Resources				
Pension contributions, changes in assumptions and differences in experience	143	191	1,026	1,360
Total deferred inflows of resources	143	191	1,026	1,360
Net Position				
Net investment in capital assets	133	-	7,501	7,634
Unrestricted	(31,786)	3,787	1,451	(26,548)
Total net position	\$ (31,653)	\$ 3,787	\$ 8,952	\$ (18,914)

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Totals
Operating revenues:				
Charges for services	\$ 13,600	\$ 1,394	\$ 9,387	\$ 24,381
Operating expenses:				
Personnel services	557	674	3,286	4,517
Contractual services	1,379	-	95	1,474
Maintenance and operation	4	30	2,581	2,615
General	1,366	340	738	2,444
Materials and supplies	2	13	288	303
Claims/Insurance	10,151	6	74	10,231
Depreciation and amortization	45	-	870	915
Total operating expenses	13,504	1,063	7,932	22,499
Operating income (loss)	96	331	1,455	1,882
Non-operating revenues (expenses):				
Interest income	18	-	58	76
Other	5	-	-	5
Gain (loss) on retirement of capital assets	-	-	29	29
Interest expense and fiscal charges	(9)	(9)	(51)	(69)
Total non-operating revenue (expenses)	14	(9)	36	41
Change in net position	110	322	1,491	1,923
Net position - beginning	(31,763)	3,465	7,461	(20,837)
Net position - ending	\$ (31,653)	\$ 3,787	\$ 8,952	\$ (18,914)

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

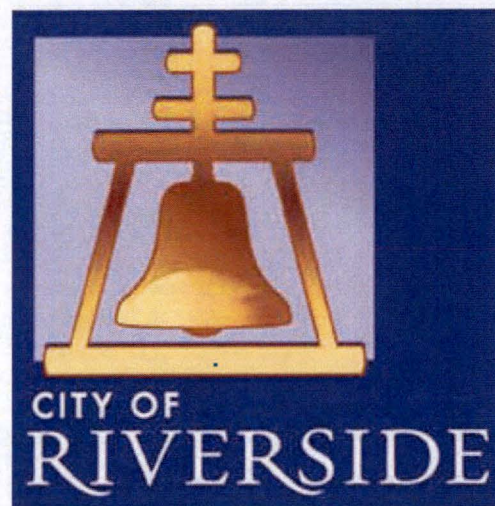
	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 13,605	\$ 1,394	\$ 8,819	\$ 23,818
Cash paid to employees for services	1,128	(659)	(3,274)	(2,805)
Cash paid to other suppliers of goods or services	(13,108)	(348)	(3,921)	(17,377)
Other receipts	5	-	-	5
Net cash provided by operating activities	1,630	387	1,624	3,641
Cash flows from noncapital financing activities:				
Receipts on interfund advances	4,698	-	696	5,394
Payments on interfund advances	(75)	(378)	(568)	(1,021)
Net cash (used) provided by noncapital financing activities	4,623	(378)	128	4,373
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(1,493)	(1,493)
Proceeds from the sale of capital assets	-	-	29	29
Interest paid on long-term obligation	(9)	(9)	(51)	(69)
Net cash (used) for capital and related financing activities	(9)	(9)	(1,515)	(1,533)
Cash flows from investing activities:				
Sale and (purchase) of investments	(5)	-	(5)	(10)
Interest from investments	18	-	58	76
Net cash provided by investing activities	13	-	53	66
Net change in cash and cash equivalents	6,257	-	290	6,547
Cash and cash equivalents, beginning	7,643	-	4,331	11,974
Cash and cash equivalents, ending	\$ 13,900	\$ -	\$ 4,621	\$ 18,521

Continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

Continued

	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	\$ 96	\$ 331	\$ 1,455	\$ 1,882
Other nonoperating items	5	-	-	5
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Depreciation and amortization	45	-	870	915
Changes in assets, liabilities and deferred inflows/outflows of resources:				
Accounts receivable	-	-	(2)	(2)
Intergovernmental receivable	5	-	(566)	(561)
Inventory	-	(33)	(53)	(86)
Accounts payable	(206)	74	(92)	(224)
Other payables	12	18	25	55
Claims and judgments	1,676	-	-	1,676
Net pension liability and related charges in deferred outflows and inflows of resources	(3)	(3)	(13)	(19)
Net cash (used) provided by operating activities	<u>\$ 1,630</u>	<u>\$ 387</u>	<u>\$ 1,624</u>	<u>\$ 3,641</u>

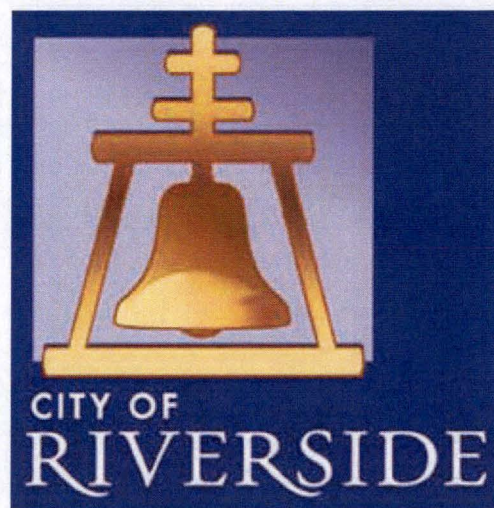


Agency Fund

The City's Agency Fund is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
Assets				
Cash and investments	\$ 3,085	\$ 3,901	\$ 3,805	\$ 3,181
Cash and investments at fiscal agent	5,156	3,924	4,012	5,068
Interest receivable	6	58	56	8
Property taxes receivable	52	36	54	34
Total assets	<u>\$ 8,299</u>	<u>\$ 7,919</u>	<u>\$ 7,927</u>	<u>\$ 8,291</u>
Liabilities				
Accounts payable	\$ 35	\$ 66	\$ 101	-
Held for bond holders	8,264	7,853	7,826	8,291
Total liabilities	<u>\$ 8,299</u>	<u>\$ 7,919</u>	<u>\$ 7,927</u>	<u>\$ 8,291</u>



**COMBINING GENERAL FUND SCHEDULE WITH
MEASURE Z FUND ACTIVITY**

City of Riverside
Balance Sheet
Combining General Fund Schedule
June 30, 2017
(amounts expressed in thousands)

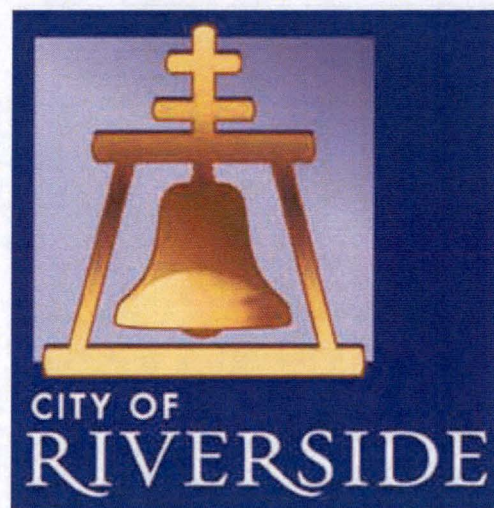
Assets	General Fund	Measure Z Fund	Total General Fund
Cash and investments	\$ 59,347	\$ -	\$ 59,347
Cash and investments at fiscal agent	1,943	-	1,943
Receivables (net of allowance for uncollectibles)			
Interest	22	1	23
Property taxes	4,274	-	4,274
Sales tax	11,196	9,164	20,360
Utility billed	1,210	-	1,210
Accounts	6,525	-	6,525
Intergovernmental	4,050	-	4,050
Notes	1	-	1
Prepaid items	2,599	-	2,599
Deposits	300	-	300
Due from other funds	1,722	-	1,722
Due from Measure Z Fund *	6,519	-	6,519
Advances to other funds	22,715	-	22,715
Advances to Successor Agency Trust Fund	554	-	554
Land & improvements held for resale	175	-	175
Total assets	<u>\$ 123,152</u>	<u>\$ 9,165</u>	<u>\$ 132,317</u>
Liabilities			
Accounts payable	\$ 9,286	\$ 5	\$ 9,291
Accrued payroll	19,072	-	19,072
Retainage payable	1	-	1
Intergovernmental	149	-	149
Unearned revenue	273	-	273
Deposits	7,750	-	7,750
Due to General Fund *	-	6,519	6,519
Total liabilities	<u>36,531</u>	<u>6,524</u>	<u>43,055</u>
Deferred Inflows of Resources			
Unavailable revenue	6,192	-	6,192
Total deferred inflows of resources	<u>6,192</u>	<u>-</u>	<u>6,192</u>
Fund Balances			
Nonspendable:			
Inventories, prepaids and deposits	2,899	-	2,899
Advances	23,269	-	23,269
Restricted for:			
Housing and redevelopment	175	-	175
Debt service	1,884	-	1,884
Other purposes	592	-	592
Assigned to:			
General government	2,387	-	2,387
Public safety	2,357	-	2,357
Highways and streets	1,032	-	1,032
Culture and recreation	728	-	728
Continuing projects	7,977	487	8,464
Unassigned	37,129	2,154	39,283
Total fund balances	<u>80,429</u>	<u>2,641</u>	<u>83,070</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 123,152</u>	<u>\$ 9,165</u>	<u>\$ 132,317</u>

* Per accounting standards, Due To/From within the same fund are not reflected in the Balance Sheet; however, they are reflected in this schedule for transparency purposes.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining General Fund Schedule
For the fiscal year ended June 30, 2017
(amounts expressed in thousands)

	General Fund	Measure Z Fund	Total General Fund
Revenues			
Taxes	\$ 162,198	\$ 12,605	\$ 174,803
Licenses and permits	9,815	-	9,815
Intergovernmental	7,318	-	7,318
Charges for services	31,384	-	31,384
Fines and forfeitures	1,975	-	1,975
Special assessments	4,443	-	4,443
Rental and investment income	2,767	1	2,768
Miscellaneous	5,512	-	5,512
Total revenues	225,412	12,606	238,018
Expenditures			
Current:			
General government	16,424	27	16,451
Public safety	162,419	449	162,868
Highways and streets	17,504	-	17,504
Culture and recreation	40,440	-	40,440
Capital outlay	3,361	-	3,361
Debt service:			
Principal	44,225	-	44,225
Interest	5,209	-	5,209
Bond issuance costs	29	-	29
Total expenditures	289,611	476	290,087
Excess (deficiency) of revenues over (under) expenditures	(64,199)	12,130	(52,069)
Other financing sources (uses)			
Transfers in	76,948	-	76,948
Transfers out	(13,497)	-	(13,497)
Transfers in from Measure Z Fund *	9,489	-	9,489
Transfers out to General Fund *	-	(9,489)	(9,489)
Capital lease financings	2,109	-	2,109
Proceeds from the sale of capital assets	4,001	-	4,001
Total other financing sources (uses)	79,050	(9,489)	69,561
Net change in fund balances	14,851	2,641	17,492
Fund balances - beginning	65,578	-	65,578
Fund balances - ending	\$ 80,429	\$ 2,641	\$ 83,070

* Per accounting standards, Transfers within the same fund are not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances; however, they are reflected in this schedule for transparency purposes.



Statistical Section
(Unaudited)

This part of the City'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 These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	95
Revenue Capacity These schedules contain informat property and sales taxes.	101
Debt Capacity 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.	111
Demographic and Economic Information 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.	117
Operating Information 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.	120

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

Table 1
City of Riverside
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012 ¹	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 850,740	\$ 950,496	\$ 976,614	\$ 1,019,892	\$ 1,076,485	\$ 1,083,485	\$ 1,106,384	\$ 1,126,220	\$ 1,123,910	\$ 1,102,409
Restricted	102,677	98,903	108,932	80,820	86,325	80,712	96,587	105,847	106,488	104,853
Unrestricted	(31,429)	(41,861)	(80,947)	(90,159)	23,145	17,989	(2,049)	(406,388)	(389,278)	(362,146)
Total governmental activities net position	<u>\$ 921,988</u>	<u>\$ 1,007,538</u>	<u>\$ 1,004,599</u>	<u>\$ 1,010,553</u>	<u>\$ 1,185,955</u>	<u>\$ 1,182,186</u>	<u>\$ 1,200,922</u>	<u>\$ 825,679</u>	<u>\$ 841,120</u>	<u>\$ 845,116</u>
Business-type activities										
Net investment in capital assets	\$ 601,999	\$ 659,904	\$ 660,619	\$ 654,974	\$ 666,919	\$ 609,691	\$ 616,844	\$ 626,166	\$ 654,870	\$ 702,844
Restricted	43,341	38,621	59,863	56,397	54,923	69,068	68,507	75,660	85,526	93,570
Unrestricted	225,281	207,405	219,720	256,038	285,062	330,833	359,698	209,469	235,144	245,116
Total business-type activities net position	<u>\$ 870,621</u>	<u>\$ 905,930</u>	<u>\$ 940,202</u>	<u>\$ 967,409</u>	<u>\$ 1,006,904</u>	<u>\$ 1,009,592</u>	<u>\$ 1,045,049</u>	<u>\$ 911,295</u>	<u>\$ 975,540</u>	<u>\$ 1,041,530</u>
Primary government										
Net investment in capital assets	\$ 1,452,739	\$ 1,610,400	\$ 1,637,233	\$ 1,674,866	\$ 1,743,404	\$ 1,693,176	\$ 1,723,228	\$ 1,752,386	\$ 1,778,780	\$ 1,805,253
Restricted	146,018	137,524	168,795	137,217	141,248	149,780	165,094	181,507	192,014	198,423
Unrestricted	193,852	165,544	138,773	165,879	308,207	348,822	357,649	(196,919)	(154,134)	(117,030)
Total primary government net position	<u>\$ 1,792,609</u>	<u>\$ 1,913,468</u>	<u>\$ 1,944,801</u>	<u>\$ 1,977,962</u>	<u>\$ 2,192,859</u>	<u>\$ 2,191,778</u>	<u>\$ 2,245,971</u>	<u>\$ 1,736,974</u>	<u>\$ 1,816,660</u>	<u>\$ 1,886,646</u>

¹ The increase in total governmental activities net position (and related unrestricted net position) is primarily due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 113,897	\$ 71,391	\$ 85,110	\$ 72,606	\$ 48,731	\$ 54,808	\$ 39,331	\$ 26,587	\$ 24,483	\$ 44,510
Public safety	122,783	142,353	137,338	139,364	148,605	147,652	149,555	154,123	161,284	160,665
Highways and streets	26,986	29,700	31,492	32,131	35,342	35,072	36,564	36,563	38,836	38,585
Culture and recreation	31,659	29,423	44,319	50,017	54,594	40,077	42,252	45,594	47,762	49,406
Interest on long-term debt	34,075	34,361	32,049	33,638	25,087	16,627	17,741	17,025	16,387	16,028
Total governmental activities expenses	329,400	307,228	330,308	327,756	312,359	294,236	285,443	279,892	288,752	309,194
Business-type activities:										
Electric	271,412	269,209	256,860	275,922	288,799	292,175	304,416	309,874	307,925	317,335
Water	47,570	53,931	55,402	56,390	56,715	58,768	60,030	62,792	57,769	62,189
Sewer	31,209	34,853	41,248	42,276	43,702	43,945	40,385	35,593	39,978	38,305
Airport	1,418	1,734	2,206	2,320	2,646	2,029	1,662	1,809	1,799	1,998
Refuse	18,430	18,425	20,527	20,046	19,979	20,581	20,831	20,007	21,652	21,953
Transportation	3,190	3,194	3,368	3,493	3,667	3,745	4,067	4,385	4,113	4,221
Public parking	4,093	5,095	4,024	4,401	4,984	5,051	4,610	5,604	5,141	5,448
Total business-type activities expenses	377,322	386,441	383,635	404,848	420,492	426,294	436,001	440,064	438,377	451,449
Total primary government expenses	\$ 706,722	\$ 693,669	\$ 713,943	\$ 732,604	\$ 732,851	\$ 720,530	\$ 721,444	\$ 719,956	\$ 727,129	\$ 760,643
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 23,969	\$ 13,691	\$ 12,933	\$ 14,241	\$ 14,662	\$ 13,338	\$ 13,775	\$ 17,600	\$ 24,944	\$ 27,441
Public safety	9,924	8,414	8,177	8,075	7,837	7,793	7,444	7,256	3,243	1,167
Highways and streets	19,695	14,391	17,847	16,985	16,532	15,825	17,487	13,868	5,709	5,930
Culture and recreation	4,370	3,168	2,367	3,180	4,622	5,237	7,406	16,319	12,458	22,802
Operating grants and contributions	15,024	23,313	32,853	21,127	31,581	21,485	14,341	12,869	16,321	19,374
Capital grants and contributions	115,982	69,745	23,395	38,138	54,476	32,202	48,433	43,904	31,216	7,617
Total governmental activities program revenues	188,964	132,722	97,572	101,746	129,710	95,880	108,886	111,816	93,891	84,331
Business-type activities:										
Charges for services:										
Electric	305,299	314,164	309,910	313,703	333,029	347,933	344,037	347,621	354,530	366,066
Water	49,855	54,923	57,534	62,084	65,206	68,489	68,691	66,051	57,250	62,627
Sewer	22,525	23,247	27,342	32,769	37,747	43,772	46,162	50,336	52,664	59,735
Airport	1,423	1,232	1,315	1,342	1,524	1,396	1,100	1,260	1,549	1,578
Refuse	16,289	18,394	18,712	19,134	19,588	20,829	20,677	21,360	21,806	22,567
Transportation	313	336	328	344	352	344	413	385	377	359
Public parking	3,717	4,332	4,876	5,205	4,803	4,777	4,382	4,609	4,918	5,009
Operating grants and contributions	3,308	1,929	2,487	2,159	2,738	2,718	2,524	3,869	2,322	3,751
Capital grants and contributions	29,215	17,288	6,838	7,337	21,164	11,734	11,486	8,027	18,868	24,151
Total business-type activities program revenues	431,944	435,845	429,342	444,077	486,151	501,992	499,472	503,518	514,284	545,843
Total primary government program revenues	\$ 620,908	\$ 568,567	\$ 526,914	\$ 545,823	\$ 615,861	\$ 597,872	\$ 608,358	\$ 615,334	\$ 608,175	\$ 630,174

(continued)

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2008	2009	2010	2011	2012 ¹	2013 ²	2014	2015	2016	2017
Net Revenues (Expense)										
Governmental activities	\$ (140,436)	\$ (174,506)	\$ (232,736)	\$ (226,010)	\$ (182,649)	\$ (198,356)	\$ (176,557)	\$ (168,076)	\$ (194,861)	\$ (224,863)
Business-type activities	54,622	49,404	45,707	39,229	65,659	75,698	63,471	63,454	75,907	94,394
Total primary government net expense	\$ (85,814)	\$ (125,102)	\$ (187,029)	\$ (186,781)	\$ (116,990)	\$ (122,658)	\$ (113,086)	\$ (104,622)	\$ (118,954)	\$ (130,469)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales	\$ 50,526	\$ 41,882	\$ 39,645	\$ 44,157	\$ 47,701	\$ 50,222	\$ 55,096	\$ 59,437	\$ 60,976	\$ 75,883
Property	114,176	116,420	104,087	100,802	74,179	52,904	51,323	54,864	55,545	59,526
Utility users	26,267	25,964	25,975	26,691	27,320	28,206	28,092	28,076	27,828	27,958
Franchise	4,972	5,144	4,477	4,937	4,883	4,959	5,046	5,543	5,730	4,814
Transient occupancy	3,795	2,912	2,488	2,731	2,995	3,703	4,189	5,280	6,093	6,622
Intergovernmental, unrestricted	2,074	4,569	1,339	1,285	351	337	263	3,153	477	145
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	25,670	15,941	8,289	7,439	4,440	2,786	2,759	3,233	729	6,145
Miscellaneous	9,480	5,137	3,344	9,544	9,273	9,208	5,425	12,395	11,708	2,050
Transfers	32,326	42,087	40,153	34,378	40,679	42,262	43,100	42,681	41,216	45,716
Extraordinary items	-	-	-	-	149,617	-	-	-	-	-
Total governmental activities	269,286	260,056	229,797	231,964	361,438	194,587	195,293	214,662	210,302	228,859
Business-type activities:										
Investment income	22,756	23,402	21,271	17,548	11,405	4,744	8,005	5,319	6,888	2,650
Miscellaneous	4,931	4,590	7,447	4,808	3,110	5,767	7,081	7,652	22,666	14,662
Transfers	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)	(42,262)	(43,100)	(42,681)	(41,216)	(45,716)
Extraordinary items	-	-	-	-	-	(41,259)	-	-	-	-
Total business-type activities	(4,639)	(14,095)	(11,435)	(12,022)	(26,164)	(73,010)	(28,014)	(29,710)	(11,662)	(28,404)
Total primary government	264,647	245,961	218,362	219,942	335,274	121,577	167,279	184,952	198,640	200,455
Change in Net Position										
Governmental activities	\$ 128,850	\$ 85,550	\$ (2,939)	\$ 5,954	\$ 178,789	\$ (3,769)	\$ 18,736	\$ 46,586	\$ 15,441	\$ 3,996
Business-type activities	49,983	35,309	34,272	27,207	39,495	2,688	35,457	33,744	64,245	65,990
Total primary government	\$ 178,833	\$ 120,859	\$ 31,333	\$ 33,161	\$ 218,284	\$ (1,081)	\$ 54,193	\$ 80,330	\$ 79,686	\$ 69,986

¹ The increase in total governmental activities net position is primarily due to the dissolution of the Redevelopment Agency.

² The decrease in total business-type activities net position is primarily due to the power plant closure.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting, in thousands)

	2012 ^{1,2}	2013	2014	2015	2016	2017
General fund						
Nonspendable	\$ 25,720	\$ 26,421	\$ 24,419	\$ 23,642	\$ 23,094	\$ 26,168
Restricted	2,803	2,196	2,204	2,985	3,067	2,651
Assigned	6,380	10,711	14,505	13,965	9,922	14,968
Unassigned	39,347	37,763	37,732	39,059	29,495	39,283
Total general fund	\$ 74,250	\$ 77,091	\$ 78,860	\$ 79,651	\$ 65,578	\$ 83,070
All other governmental funds						
Nonspendable	\$ 1,539	\$ 1,441	\$ 1,460	\$ 1,625	\$ 1,619	\$ 1,601
Restricted for:						
Housing and redevelopment	26,911	26,410	26,223	25,523	24,746	24,098
Debt service	29,080	25,884	26,177	26,203	26,221	6,455
Transportation and public works	31,075	16,487	54,876	36,347	36,876	34,178
Other purposes	1,401	2,003	321	2,326	3,628	4,145
Unassigned	-	-	-	-	-	(24)
Total all other governmental funds	\$ 90,006	\$ 72,225	\$ 109,057	\$ 92,024	\$ 93,090	\$ 70,453

¹ The decrease in fund balance of the General Fund primarily relates to the transfer of land held for resale (in the amount of \$76.3 million) to the Redevelopment Agency Capital Projects Fund, which had been transferred to the General Fund during the fiscal year ended June 30, 2011.

² The decrease in fund balance of all other governmental funds relates to the dissolution of the Redevelopment Agency.

Note: Certain reclassifications have been made to prior year balances to conform with current year's presentation.

*The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011.
The City has elected to show six years of data for this schedule.*

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 1 of 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 200,438	\$ 192,322	\$ 177,255	\$ 179,318	\$ 156,593	\$ 139,994	\$ 143,748	\$ 153,200	\$ 156,172	\$ 174,803
Licenses and permits	10,027	7,368	6,899	7,657	9,292	10,173	9,244	11,168	11,611	14,455
Intergovernmental	79,423	86,873	60,550	61,082	66,618	50,734	59,348	49,892	51,896	31,440
Charges for services	11,325	9,099	9,570	10,720	11,774	12,062	15,734	24,737	26,443	31,384
Fines and forfeitures	4,573	6,213	7,512	8,928	6,293	6,234	7,283	3,957	1,941	1,976
Special assessments	5,245	5,431	5,464	6,014	6,276	6,669	6,272	6,757	7,039	7,578
Use of money and property	27,970	18,620	11,173	10,173	8,095	3,878	4,315	5,112	4,370	4,718
Miscellaneous	12,796	7,596	7,082	16,605	10,611	14,933	6,957	6,939	12,578	7,252
Total revenues	\$ 351,797	\$ 333,522	\$ 285,505	\$ 300,497	\$ 275,552	\$ 244,677	\$ 252,901	\$ 261,762	\$ 272,050	\$ 273,606
Expenditures:										
General government	\$ 26,177	\$ 25,995	\$ 23,835	\$ 26,090	\$ 18,835	\$ 15,713	\$ 13,558	\$ 17,799	\$ 19,900	\$ 20,650
Public safety	151,773	145,802	138,594	140,994	150,878	150,290	151,721	157,660	164,800	163,712
Highways and streets	25,209	18,452	14,987	14,587	16,651	16,294	16,944	16,594	17,416	17,504
Culture and recreation	30,622	26,859	40,373	44,345	57,538	45,356	34,275	37,527	39,583	40,643
Capital outlay	171,952	180,394	131,908	105,689	75,482	73,581	72,365	60,060	53,208	31,000
Debt Service:										
Principal	11,257	44,349	48,078	89,264	83,378	45,006	45,500	49,101	51,987	72,700
Interest	31,239	33,033	31,267	32,611	24,133	15,116	16,787	17,048	16,451	16,115
Debt issuance costs	697	259	231	174	169	581	843	172	180	29
Payment for advance refunding	-	-	-	-	-	3,521	-	-	-	-
Total expenditures	\$ 448,926	\$ 475,143	\$ 429,273	\$ 453,754	\$ 427,064	\$ 365,458	\$ 351,993	\$ 355,961	\$ 363,525	\$ 362,353
Excess of revenues										
 over (under) expenditures	\$ (97,129)	\$ (141,621)	\$ (143,768)	\$ (153,257)	\$ (151,512)	\$ (120,781)	\$ (99,092)	\$ (94,199)	\$ (91,475)	\$ (88,747)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 2 of 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses):										
Transfers in	\$ 62,841	\$ 100,797	\$ 88,303	\$ 214,631	\$ 196,859	\$ 56,572	\$ 58,469	\$ 61,510	\$ 61,384	\$ 94,521
Transfers out	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)	(14,178)	(15,369)	(18,829)	(20,168)	(48,805)
Issuance of long term debt	164,408	30,425	51,821	104,875	34,940	99,753	87,037	30,940	31,145	31,578
Capital lease financings	-	-	3,116	2,000	-	7,203	6,625	4,450	5,846	2,109
Sales of capital assets	8,931	(5,798)	529	(1,629)	156	82	931	(114)	261	4,199
Payments to refunded bond agent	(148,975)	-	-	-	-	(43,591)	-	-	-	-
Total other financing sources (uses)	56,690	66,714	95,619	139,597	75,650	105,841	137,693	77,957	78,468	83,602
Extraordinary items:										
Dissolution of Riverside Redevelopment Agency:										
Transfer of assets and liabilities to										
Successor Agency	-	-	-	-	(130,174)	-	-	-	-	-
Transfer of assets from Successor Agency	-	-	-	-	28,121	-	-	-	-	-
Assumption of obligation	-	-	-	-	(4,927)	-	-	-	-	-
Total extraordinary items	-	-	-	-	(106,980)	-	-	-	-	-
Net change in fund balances	\$ (40,439)	\$ (74,907)	\$ (48,149)	\$ (13,660)	\$ (182,842)	\$ (14,940)	\$ 38,601	\$ (16,242)	\$ (13,007)	\$ (5,145)
Debt service as a percentage of noncapital expenditures	16.947%	26.058%	23.211%	32.757%	32.507%	21.039%	21.803%	22.360%	21.714%	26.625%
	(1)	(2)		(3)	(4)					

(1) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.

(2) Increase relates to \$30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The \$30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011, 2012, 2013 and 2014.

(3) Increase in debt service related to one-time early redemption of \$31.7 million of 2011 Redevelopment Tax Allocation Bonds and \$9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.

(4) Includes one-time early redemption of \$33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2008	\$ 99,981	\$ 60,768	\$ 92,697	\$ 14,805	\$ 5,425	\$ 19,211	\$ 12,405	\$ 305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029
2013	118,173	66,632	110,680	638	5,712	32,688	13,410	347,933
2014	111,880	67,063	111,260	115	5,600	32,630	15,489	344,037
2015	114,112	68,572	112,283	60	5,654	30,587	16,353	347,621
2016	116,997	69,759	113,756	3	4,737	32,924	16,354	354,530
2017	117,662	71,456	115,432	9	4,782	35,497	21,779	366,617

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax¹	Property Tax²	Utility Users Tax	Franchise Tax	Transient Occupancy Tax	Total Taxes
2008	\$ 50,526	\$ 114,176	\$ 26,267	\$ 4,972	\$ 3,795	\$ 199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078
2013	50,222	52,904	28,206	4,959	3,703	139,994
2014	55,096	51,323	28,092	5,046	4,189	143,746
2015	59,437	54,864	28,076	5,543	5,280	153,200
2016	60,976	55,545	27,828	5,730	6,093	156,172
2017	75,883	59,526	27,958	4,814	6,622	174,803

¹ Increase in sales tax in fiscal year 2017 is due to Measure Z which was passed by the voters November 2016 and became effective April 1, 2017. Measure Z is a one percent transaction and use tax.

² Decrease in property taxes in fiscal years 2012 and 2013 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Taxable Sales by Category
Last Ten Calendar Years

(in thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Apparel Stores	\$ 167,869	\$ 154,899	\$ 152,564	\$ 161,802	\$ 168,352	\$ 175,320	\$ 178,349	\$ 188,670	\$ 203,001	\$ 214,852
General Merchandise	530,900	466,096	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538
Food Stores	171,998	172,195	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854
Eating and Drinking Places	382,582	383,596	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262
Building Materials	549,124	374,161	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415
Auto Dealers and Supplies	1,250,136	949,747	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231
Service Stations	417,086	424,252	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762
Other Retail Stores	626,737	564,633	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375
All Other Outlets	1,227,944	1,104,611	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160
Total	\$ 5,324,376	\$ 4,594,190	\$ 3,899,529	\$ 4,102,609	\$ 4,501,800	\$ 4,699,571	\$ 5,140,773	\$ 5,653,990	\$ 6,013,625	\$ 6,194,449

Source: State of California Board of Equalization and the HdI Companies.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Table 8
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency ¹				Total Direct Rate ²
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.350
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348
2013	22,313,665	1,244,448	(7,142,401)	16,415,712	N/A	N/A	N/A	N/A	0.348
2014	23,045,134	1,201,634	(7,394,982)	16,851,786	N/A	N/A	N/A	N/A	0.125
2015	24,482,621	1,329,391	(7,945,000)	17,867,012	N/A	N/A	N/A	N/A	0.124
2016	25,710,122	1,225,375	(8,432,984)	18,502,513	N/A	N/A	N/A	N/A	0.124
2017	26,927,989	1,311,356	(9,029,817)	19,209,528	N/A	N/A	N/A	N/A	0.124

Notes:

In 1978, the voters of the State of California passed Proposition 13 which limited property 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 increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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. Assessed valuations are based on 100 percent of estimated actual value.

¹ In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

² Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

Source: Riverside County Auditor-Controller

Table 9
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Assessed Valuation)
Last Ten Fiscal Years

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017
Basic Levy ¹	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service ²	0.185	0.259	0.284	0.301	0.332	0.325	0.390	0.377	0.487	0.495
City of Riverside Debt Service	0.006	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006
Metropolitan Water District Original Area	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	0.013	0.013	0.012	0.015	0.017	0.017	0.018	0.018	0.017	0.016
Total Direct & Overlapping³ Tax Rates	1.209	1.283	1.307	1.325	1.358	1.352	1.418	1.405	1.514	1.521
City's Share of 1% Levy Per Prop 13⁴	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	0.006	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006
Redevelopment Rate^{5,7}	1.005	1.004	1.004	1.004	1.004	-	-	-	-	-
Total Direct Rate⁶	0.334	0.343	0.350	0.347	0.348	0.348	0.125	0.124	0.124	0.124

¹ In 1978, California voters passed Proposition 13 which sets 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 voter approved bonds.

² Includes: Alvorad Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, and Riverside Unified School District.

³ Overlapping 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.

⁴ City'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 within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁵ RDA 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. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁶ Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

⁷ In accordance with the timeline set forth in Assembly Bill X1 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Note: Amounts presented in this table have been restated for prior years to reflect the most current information available.

Source: Riverside County Assessor 2006/07 - 2015/16 Tax Rate Table.

Table 10
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tyler Mall	\$ 202,716	1	0.8%	\$ 154,056	3	0.6%
Riverside Healthcare System	160,948	2	0.6%	100,062	4	0.4%
Rohr Inc	147,335	3	0.5%	66,894	7	0.3%
State Street Bank and Trust Co	130,757	4	0.5%	81,756	5	0.3%
La Sierra University	127,172	5	0.5%	176,685	1	0.7%
Corona Pointe Apartments	100,004	6	0.4%	-	-	-
Cole ID	97,085	7	0.3%	-	-	-
CPT Riverside Plaza LLC	88,099	8	0.3%	-	-	-
Northrop Drive Apartments	79,399	9	0.3%	-	-	-
Canyon Springs Marketplace Corp	74,561	10	0.3%	60,269	9	0.3%
BRE Properties	-	-	-	175,841	2	0.7%
Mission Grove Plaza	-	-	-	70,457	6	0.3%
Press Enterprise Company	-	-	-	61,540	8	0.3%
Bottling Group	-	-	-	59,201	10	0.3%
Totals	<u>\$ 1,208,076</u>		<u>4.5%</u>	<u>\$ 1,006,761</u>		<u>4.2%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Successor Agency.

Source: Riverside County Assessor 2016/17 and 2007/08 Combined Tax Rolls

Table 11
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 83,996	\$ 82,345	98.03%	\$ 1,651	\$ 83,996	100.00%
2009	86,251	84,134	97.55%	2,117	86,251	100.00%
2010	77,228	74,491	96.46%	2,737	77,228	100.00%
2011	74,608	72,327	96.94%	2,281	74,608	100.00%
2012	41,020	40,340	98.34%	680	41,020	100.00%
2013	43,333	42,447	97.96%	886	43,333	100.00%
2014	45,138	44,684	98.99%	454	45,138	100.00%
2015	48,846	48,427	99.14%	419	48,846	100.00%
2016	50,023	49,585	99.12%	-	49,585	99.12%
2017	53,655	53,252	99.25%	-	53,252	99.25%

Note:

The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

The City adopted the Teeter plan available with the County of Riverside effective Fiscal year 2014. Under the Teeter plan the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

Table 12
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Type of Customer:										
Residential	734	733	701	666	688	726	700	711	726	730
Commercial	441	433	406	400	413	419	421	428	438	448
Industrial	960	946	906	912	969	1,003	997	995	983	996
Wholesale sales	357	137	44	7	2	14	4	2	-	1
Other	34	33	32	31	31	31	30	31	23	23
Total	2,526	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,198
Total direct rate										
Monthly Base Rate ¹	11.35	13.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06

¹ Monthly Base Rate includes a Reliability Charge of \$5.00 (small residence 100 amp) implemented in January 2008. In January 2010 the Reliability Charge increased to \$10.00 (small residence 100 amp).

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938
2013	0.16274	0.15913	0.11030	0.18375
2014	0.15995	0.15936	0.11156	0.18513
2015	0.16050	0.16022	0.11282	0.18291
2016*	0.16119	0.15915	0.11577	0.20908
2017	0.16116	0.15958	0.11586	0.21287

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2017			2008		
	Electricity Charges	Rank	Percent of Total Electric Revenues	Electricity Charges	Rank	Percent of Total Electric Revenues
Local University	\$13,046,213	1	4.22%	\$6,903,554	2	2.67%
Local Government	8,481,340	2	2.74%	7,328,364	1	2.83%
Local Government	7,737,210	3	2.50%	6,081,471	3	2.35%
Local School District	4,468,962	4	1.44%	4,299,987	4	1.66%
Corporation	4,179,049	5	1.35%	2,945,052	5	1.14%
Corporation	3,471,863	6	1.12%	2,346,808	6	0.91%
Corporation	3,069,783	7	0.99%	2,121,432	7	0.82%
Hospital	2,711,869	8	0.88%	-	-	-
Local University	2,492,966	9	0.81%	-	-	-
Local School District	2,088,299	10	0.68%	-	-	-
Corporation	-	-	-	1,828,885	7	0.71%
Corporation	-	-	-	1,726,147	9	0.67%
Hospital	-	-	-	1,684,620	10	0.65%
	<u>\$51,747,554</u>		<u>16.73%</u>	<u>\$37,266,320</u>		<u>14.400%</u>
Retail Sales Per Financial Statements	\$309,331,849			\$ 258,871,586		

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 15
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Governmental Activities						Notes/Loans Payable
	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	
2008	18,774	292,244	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	127,480	202,703	5,220	4,000
2013	15,314	-	43,762	122,005	158,697	8,424	28,652
2014	14,460	-	42,344	115,775	191,446	13,168	47,611
2015	13,546	-	40,891	108,725	187,212	14,966	45,574
2016	12,567	-	39,398	101,000	181,429	12,006	43,482
2017	11,513	-	37,854	92,592	156,516	17,193	41,325

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Revenue Bonds	Notes/Loans Payable	Capital Leases			
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01
2012	1,063,853	73,821	1,332	1,494,516	21.94%	4.84
2013	1,031,839	70,798	2,558	1,482,049	21.41%	4.75
2014	1,094,290	36,030	2,266	1,557,390	22.54%	4.96
2015	1,239,634	37,225	1,720	1,689,493	24.64%	5.38
2016	1,208,851	37,793	4,694	1,641,220	23.93%	5.22
2017	1,180,345	35,255	6,209	1,578,802	22.11%	4.83

¹ These ratios are calculated using personal income and population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Statistical Table 20.

Table 16
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Pension Bonds</u>	<u>Certificates of Participation</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value ¹</u>	<u>Per Capita ²</u>
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122
2013	15,314	122,005	158,697	-	296,016	1.80%	949
2014	14,460	115,775	191,446	-	321,681	1.91%	1,024
2015	13,546	108,725	187,212	-	309,483	1.73%	985
2016	12,567	101,000	181,429	-	294,996	1.65%	909
2017	11,513	92,592	156,516	-	260,621	1.36%	798

Notes:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (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 California.

² These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

Page 1 of 2

2016-17 Assessed Valuation:	\$ 25,457,848,060
Less Dissolved Redevelopment Agency Incremental Valuation:	6,955,334,879
Adjusted Assessed Valuation:	<u>\$ 18,502,513,181</u>

	<u>Total Debt</u>	<u>% Applicable</u>	<u>City's Share of Debt¹</u>
Overlapping debt repaid with property taxes²			
Metropolitan Water District	\$ 749,050	1.045%	\$ 782,757
Riverside County Flood Control and Water Conservation District Zone No. 4	18,729,995	2.127	\$ 398,387
Riverside City Community College District	262,164,714	28.966	75,938,631
Alvord Unified School District	217,965,523	71.518	155,884,583
Riverside Unified School District	129,220,000	86.409	111,657,710
Corona-Norco Unified School District	330,200,000	0.001	3,302
Jurupa Unified School District	131,766,667	0.003	3,953
Moreno Valley Unified School District	123,193,517	10.118	12,464,720
Alvord Unified School District Community District No.2006-1	7,777,248	82.333	6,403,242
Riverside Unified School District Community Facilities Districts	72,745,000	89.479-100.	72,626,108
City of Riverside Community Facilities Districts	14,255,000	100.	14,255,000
City of Riverside 1915 Act Bonds	23,215,000	100.	23,215,000
Total overlapping debt repaid with property taxes			<u>\$ 473,633,393</u>

(continued)

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

Page 2 of 2

Other overlapping debt²

Riverside County General Fund Obligations	\$ 864,838,109	10.790%	\$ 93,316,032
Riverside County Pension Obligations	286,535,000	10.790	30,917,127
Riverside County Board of Education Certificates of Participation	-	10.799	-
Alvord Unified School District Certificates of Participation	-	71.046	-
Corona-Norco Unified School District Certificates of Participation	25,600,000	0.001	256
Jurupa Unified School District Certificates of Participation	42,966,667	0.003	1,289
Moreno Valley Unified School District Certificates of Participation	10,784,997	10.118	1,091,226
Riverside Unified School District General Fund Obligations	18,788,785	86.409	16,235,201
Total other overlapping debt			141,561,131
Less: Riverside County supported obligations			599,374
			140,961,757
Overlapping tax Increment debt			228,427,799
Total overlapping debt			843,022,949
City direct debt			356,993,000
Combined total direct and overlapping debt			\$ 1,200,015,949

(1) Debt balances are as of March 1, 2017 (most recent available) for other agency debt, and June 30, 2017 for all City of Riverside direct debt.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, non-bonded capital lease obligations.
 Qualified Zone Academy bonds are included based on principal due at maturity.

Ratios to 2016-17 Assessed Valuation:

Total debt repaid with property taxes.....	1.86%
City direct debt (\$356,993,000).....	1.40%
Combined total direct and overlapping debt.....	4.71%

Ratios to Dissolved Redevelopment Incremental Valuation (\$6,955,334,879):

Total overlapping tax Increment debt.....	3.28%
-------------------------------------------	-------

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc., Riverside County Auditor-Controller and City Finance Department.

Table 18
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuation	\$17,950,082	\$18,243,019	\$ 16,840,575	\$ 16,396,996	\$ 16,342,830	\$ 16,415,712	\$ 16,851,786	\$ 17,867,012	\$ 18,502,513	\$ 19,209,528
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708	4,103,928	4,212,947	4,466,753	4,625,628	4,802,382
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	673,128	684,113	631,522	614,887	612,856	615,589	631,942	670,013	693,844	720,357
Total net debt applicable to limit:	18,774	18,171	17,533	16,845	16,107	15,314	14,460	13,546	12,567	11,513
Legal debt margin	654,354	665,942	613,989	598,042	596,749	600,275	617,482	656,467	681,277	708,844
Total net debt applicable to the limit as a percentage of debt limit	2.8%	2.7%	2.8%	2.7%	2.6%	2.5%	2.3%	2.0%	1.8%	1.6%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 7 and Notes to Financial Statements.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Electric Revenue Bonds							Water Revenue Bonds					
Fiscal Year	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
2012	340,098	221,876	118,222	25,174	27,630	2.24	73,557	35,309	38,248	4,708	8,872	2.82
2013	348,187	226,997	121,190	18,486	25,941	2.73	72,700	35,940	36,760	5,395	8,700	2.61
2014	347,541	241,136	106,405	21,632	27,575	2.16	71,317	37,698	33,619	4,574	8,536	2.56
2015	348,244	247,984	100,260	15,485	26,532	2.39	66,010	35,785	30,225	5,258	8,342	2.22
2016	371,029	244,571	126,458	16,460	25,780	2.99	60,047	33,802	26,245	5,533	8,063	1.93
2017	368,956	251,750	117,206	14,032	25,553	2.96	65,689	37,871	27,818	5,486	8,124	2.04

Sewer Revenue Bonds						
Fiscal Year	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10
2013	52,944	29,999	22,945	7,465	10,891	1.25
2014	52,098	28,930	23,168	7,753	10,781	1.25
2015	51,288	27,598	23,690	8,056	10,958	1.25
2016	68,412	31,864	36,548	8,405	20,786	1.25
2017	78,337	29,921	48,416	9,010	19,621	1.69

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

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation. Pledged revenue includes applicable cash set aside in a rate stabilization account in accordance with applicable bond covenants.

The City of Riverside does not have any pledged revenue related to Governmental Activities.

Table 20
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7
2012	311,955	6,923,217	22,193	9.7
2013	314,034	6,909,376	22,002	8.4
2014	314,221	6,857,559	21,824	7.9
2015	324,696	6,953,323	21,414	6.4
2016	326,792	7,139,080	21,845	5.8

Sources:

¹ California State Department of Finance.

² Demographic Estimates for 2005-2009 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. Demographic Estimates for 2010 and later are per the US Census Bureau, most recent American Community Survey.

³ State of California Employment Development Department.

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Riverside	11,865	1	8.1%			
University of California	8,686	2	6.0%	7,127	1	4.6%
Riverside Unified School District	4,000	3	2.7%	4,200	2	2.7%
Kaiser	3,484	4	2.4%	3,900	3	2.5%
City of Riverside	2,429	5	1.7%	2,749	4	1.8%
California Baptist University	2,285	6	1.6%			
Riverside Community Hospital	2,200	7	1.5%	1,600	8	1.0%
Alvord Unified School District	1,800	8	1.2%	2,000	5	1.3%
UTC Aerospace Systems	1,200	9	0.8%			
Parkview Community Hospital	897	10	0.6%	915	9	0.6%
Riverside Community College District				2,000	6	1.3%
Fleetwood Enterprises				1,963	7	1.3%
Riverside Medical Clinic				750	10	0.5%
Total	<u>38,846</u>		<u>26.6%</u>	<u>27,204</u>		<u>17.5%</u>

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014 ²	2015	2016	2017
General government	436.35	439.10	433.40	431.40	440.40	413.90	356.25	361.25	394.24	417.55
Public safety (sworn and non-sworn personnel)										
Police ¹	637.33	591.93	589.93	589.93	599.93	596.75	551.75	553.75	554.75	512.00
Fire	254.21	254.21	255.46	255.46	255.46	255.46	255.00	255.00	251.00	239.00
Highways and streets	318.35	369.65	349.50	348.11	357.11	362.11	333.48	308.00	308.00	272.00
Sanitation	64.29	58.60	59.00	56.00	56.00	57.00	59.00	57.00	59.00	59.00
Culture and recreation	339.52	340.71	328.07	328.07	341.22	351.48	269.98	274.45	286.75	276.23
Airport	7.00	7.00	7.00	9.50	9.50	9.50	6.00	6.00	6.00	7.00
Water	167.00	167.00	177.65	180.15	181.15	181.15	182.15	181.15	181.15	174.15
Electric	404.60	408.10	419.45	448.50	452.50	459.50	462.50	464.50	466.50	471.75
Total	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27	2,686.85	2,476.11	2,461.10	2,507.39	2,428.68

¹ In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

² In fiscal year 2013/14 the City Council deleted a number of long-term unfunded positions.

Source: City of Riverside, Finance Department

Table 23
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Arrests	9,367	10,150	8,690	8,118	7,736	8,362	9,321	10,310	9,242	8,358
Fire										
Number of calls answered	27,429	26,397	26,484	27,322	27,637	29,988	30,668	32,943	35,905	36,150
Inspections	10,812	7,638	7,234	6,505	10,074	10,151	12,476	8,770	6,636	6,482
Public works:										
Street resurfacing (miles)	26.27	18.90	20.00	21.25	18.43	16.50	35.38	38.75	39.01	27.09
Parks and recreation										
Number of recreation classes	22,146	21,884	27,762	37,303	43,318	41,364	45,707	43,007	53,907	53,308
Number of facility rentals	35,076	36,822	34,565	42,638	43,288	43,358	46,432	44,363	47,772	48,097
Water										
Number of accounts	63,494	64,062	64,231	64,349	64,367	64,591	64,829	65,102	65,094	65,428
Annual consumption (ccf)	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142	28,186,178	28,887,304	26,007,490	22,529,463	25,340,729
Electric										
Number of accounts	106,015	106,385	106,335	106,855	107,321	107,525	108,358	108,388	108,776	109,274
Annual consumption (kwh)	2,526	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,197
Sewer:										
New connections	16,412	18,765	16,971	17,746	18,166	17,607	17,274	17,553	17,669	17,654
Average daily sewage treatment (millions of gallons)	32.10	33.00	33.29	30.06	29.84	29.57	28.49	27.15	26.35	27.19

¹ Amounts expressed in millions

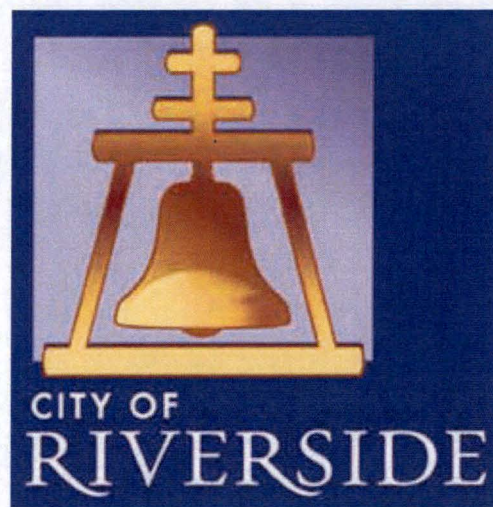
N/A - not available

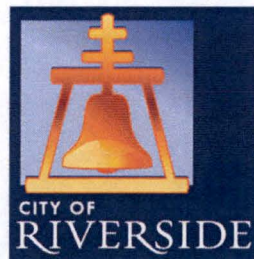
Source: City of Riverside, various departments

Table 24
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
Public Safety										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Substations	4	5	4	4	4	4	4	4	4	5
Helicopters	4	4	4	4	4	4	3	3	3	3
Fire										
Stations	14	14	14	14	14	14	14	14	14	14
Active apparatus	30	30	30	26	27	28	28	31	33	32
Reserve apparatus	6	7	7	9	9	11	11	8	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	864.68	866.89	867.96	868.39	868.70	868.89	871.19	872.16	872.22	872.01
Streetlights	29,312	29,675	29,757	29,868	29,933	29,949	29,968	29,986	30,427	30,467
Signalized intersections	363	365	362	362	365	365	367	386	381	382
Culture and recreation										
Parks acreage	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00	2,891.00	2,911.80	2,926.80	2,983.00	2,983.00
Community centers	11	11	11	11	11	11	11	11	11	11
Playgrounds	38	41	41	41	41	43	44	44	46	46
Swimming pools	7	7	7	7	7	7	7	7	7	7
Softball & baseball diamonds	44	44	44	49	51	54	54	54	54	54
Library branches	6	7	7	8	8	8	8	8	8	8
Museum exhibit-fixed	8	6	5	8	5	3	3	4	5	5
Museum exhibit-special	5	2	2	2	1	4	4	5	6	6
Water										
Fire hydrants	7,381	7,523	7,593	7,632	7,682	7,726	7,754	7,758	7,908	7,952
Sewer										
Sanitary sewers (miles)	794	794	820	823	829	829	829	820	829	827
Electric										
Miles of overhead distribution system	523.5	522.0	519.0	517.0	515.0	513.0	513.0	513.0	513.0	513.0
Miles of underground system	741.6	769.0	782.0	791.0	804.0	810.0	814.0	815.0	817.0	826.0

Source: City of Riverside, various departments





City of Arts & Innovation

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