Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Glendale
City of Glendale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric Enterprise Fund (the Fund) of the City of Glendale, California (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Individual Fund Financial Statements

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Glendale, California, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Implementation of New Accounting Standards

As discussed in Note 1 to the financial statements, the Fund implemented Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, and No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73,* effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previous audited the Fund's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Schedule of the Fund's Proportionate Share of the City's Net Pension Liability and Schedule of Contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Fund. The introductory and operating statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and operating statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the Fund'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 Fund's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2016

MANAGEMENT DISCUSSION AND ANALYSIS – ELECTRIC UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Electric Enterprise Fund (Electric Utility) financial statements a narrative overview and analysis of the financial activities of the Electric Utility for the fiscal year ended June 30, 2016. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2016, the Electric Utility's retail revenues increased $12,324 or 7% from the 2015 level. The increase in retail revenues was attributable to an increase in the rates charged to the retail customers. Total operating revenues increased by $1,037 or 0.5% and total operating expenses decreased by $10,777 or 6% from fiscal year 2015. After adding the net decrease of $1,739 from non-operating expenses and capital contributions and subtracting $20,107 transfer to the General Fund of the City to operating income of $50,611, total net position increased by $28,765 in fiscal year 2016.

During fiscal year 2015, the Electric Utility's retail revenues increased $21,030 or 13% from the 2014 level. The increase in retail revenues was attributable to an increase in the rates charged to the retail customers. Total operating revenues increased by $16,945 or 8% and total operating expenses decreased by $7,283 or 4% from fiscal year 2014. After adding the net decrease of $5,954 from non-operating expenses and capital contributions and subtracting $20,357 transfer to the General Fund of the City to operating income of $38,797, total net position decreased by $12,486 in fiscal year 2015.

The assets and deferred outflows of the Electric Utility exceeded its liabilities and deferred inflows at the close of fiscal years 2016 and 2015 by $297,839 and $269,074 respectively. Of these amounts, $156,279 and $106,939 respectively was unrestricted and may be used to meet the Electric Utility's ongoing obligations to creditors and customers. Unrestricted net position balances represented 91% and 59% of annual operating expenses for fiscal years 2016 and 2015 respectively.

Overview of The Financial Statements

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

The City of Glendale Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other information to provide our readers additional information about the Electric Utility including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Electric Utility's financial health.

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

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

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

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 18 to 46 of this report.

The required supplementary information are presented immediately following the notes to financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Electric Utility's financial position. In the case of the Electric Utility, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $297,839 and $269,074 as of June 30, 2016 and 2015, respectively. A portion of the Electric Utility's net position (46% and 58% as of June 30, 2016 and 2015, respectively) reflects its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Electric Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities.

An additional portion of the Electric Utility's net position (2% and 2% as of June 30, 2016 and 2015, respectively) represents resources that are subject to external restrictions on how they may be used. This line item historically included net position restricted for SCAQMD emission controls and debt repayment. For fiscal year ended June 30, 2016 and 2015, the net position restricted for SCAQMD emission controls is $5,669 and $5,669, respectively.

The unrestricted portion of the Utility's net position (52% and 40% as of June 30, 2016 and 2015 respectively) may be used to meet the Electric Utility's ongoing obligations to creditors and customers.

Net Position – Electric Utility

The Electric Utility's net position as of June 30, 2016, 2015, 2014 is as follows:

	2016	2015	2014
Current and other assets	$ 238,889	$ 214,754	$ 197,104
Capital assets	292,983	291,625	304,468
Total assets	531,872	506,379	501,572
Deferred outflows of resources	8,677	4,140	1,291
Current liabilities	18,871	14,236	18,693
Long-term liabilities	218,701	215,934	177,676
Total liabilities	237,572	230,170	196,369
Deferred inflows of resources	5,138	11,275	-
Net position:			
Net Investment in capital assets	135,891	156,466	180,470
Restricted for SCAQMD emission controls	5,669	5,669	5,669
Unrestricted	156,279	106,939	120,355
Total net position	$ 297,839	$ 269,074	$ 306,494

Net position increased by $28,765 (or 11%) and decreased by $37,420 (or 12%) during fiscal years 2016 and 2015, respectively. In fiscal year 2016, the increase in net position was primarily the result of the increase in retail revenues and a decrease in operating expenses. In fiscal year 2015, the decrease in net position was primarily the result of the increased in retail revenues and a decrease in operating expenses offset by a prior period adjustment of ($49,906). The prior period adjustment was made to decrease the beginning net position of the Electric Utility in fiscal year 2015 to record the beginning net pension liability and deferred outflows of resources for contributions subsequent to the measurement date as a result of the implementation of GASB 68.

On August 13, 2013, the City Council approved an 8% system average rate increase effective September 13, 2013. The City Council also approved electric rates to become effective July 1 of each of the 4 successive years in the amounts of 7%, 5%, 2%, and 2%. The rate plan puts the Electric Utility on the path to restored financial health by generating positive net income in the fiscal year ending June 30, 2016.

Changes in Net Position – Electric Utility

The Electric Utility's changes in net position for the years ended June 30, 2016, 2015, 2014 is as follows:

	2016	2015	2014
Revenues:			
Retail sales	$ 201,454	$ 189,130	$ 168,100
Sale to other utilities	16,013	26,826	28,163
Miscellaneous revenues	4,148	4,622	7,370
Non-operating revenues	3,259	1,043	1,528
Total revenues	224,874	221,621	205,161
Expenses:			
Production	113,964	121,593	128,775
Transmission and distribution	26,552	27,830	28,083
Customer accounting and sales	3,399	4,663	4,521
Depreciation	26,156	26,691	26,264
Gas depletion	933	1,004	1,421
Interest expense	4,998	7,322	5,831
Total expenses	176,002	189,103	194,895
Excess (deficiency) before transfers and contributions	48,872	32,518	10,266
Capital contributions	-	325	26
Transfers to the City's General Fund	(20,107)	(20,357)	(20,607)
Change in net position	28,765	12,486	(10,315)
Net position, beginning of year	269,074	256,588	316,809
Net position, end of year	$ 297,839	$ 269,074	$ 306,494

Revenue by Source – Electric Utility

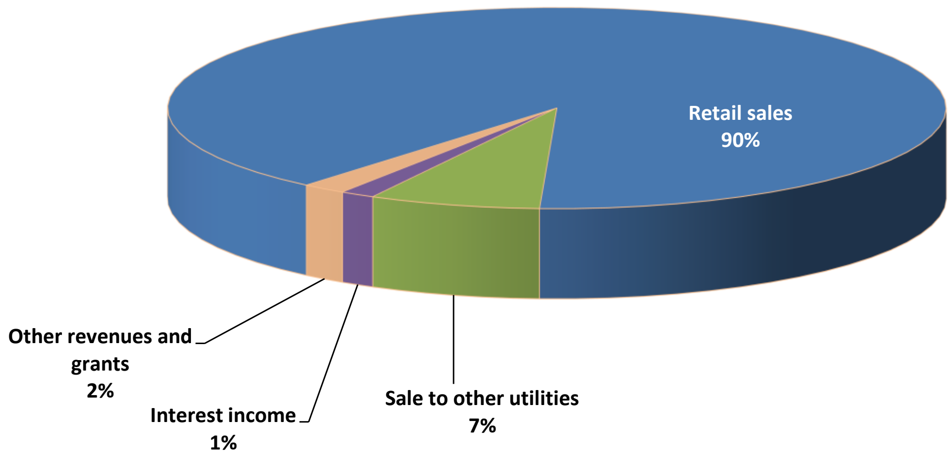
Year ended June 30, 2016

Retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up approximately 90% of total revenue. Retail revenues showed an increase of 7% from the prior year due to a 5% system average rate increase beginning July 1, 2015 and an approximately 1% increase in sales volume. Wholesale and sales to other utilities have been combined into one account in 2016. Sales to other utilities accounts for the sales other than the retail sales. Sales to other utilities decreased 16% from the prior year due to lower volumes.

Interest income increased 209% from the prior year. The increase was attributed to higher cash reserves and better rate of return.

Other revenues and grants decreased 16% from the prior year due to fewer customer paid jobs and no grants funding project.

2016 Revenues



Year ended June 30, 2015

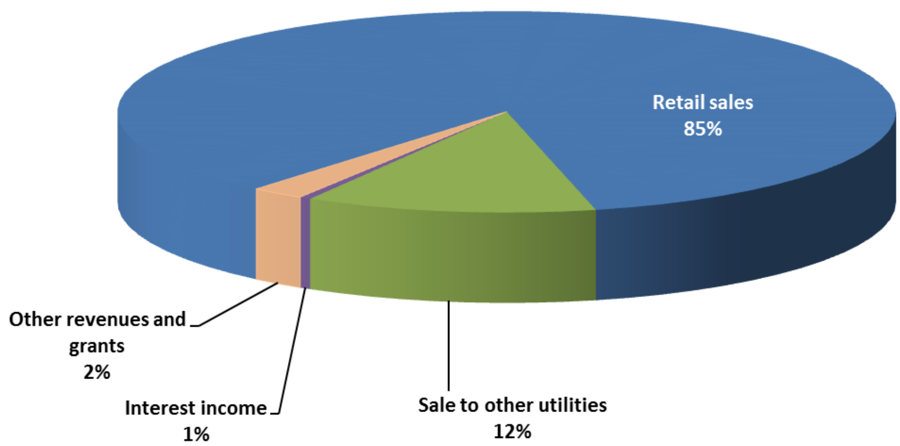
Retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up 85% of total revenues. Retail revenues showed an increase of 13% from the prior year due to a 7% system average rate increase beginning July 1, 2014 and an approximately 2% increase in sales volume. Sales to other utilities accounts for the sales other than the retail sales. Sales to other utilities decreased 5% from the prior year due to lower volumes.

Wholesale sales decreased 49% from the prior year due to lack of a favorable market conditions that meet the City's risk criteria.

Interest income decreased 25% from the prior year. In spite of better return on investment and overall increase in the market value of the portfolio investments during the current fiscal year, the investment income showed a decrease as a result of the reversal of the GASB 31 adjustment.

Other revenues and grants decreased 34% from the prior year due to a one time disbursement of the remaining surplus funds from the Southern California Public Power Authority issued Multiple Project Revenue Bonds in FY 2013-14.

2015 Revenues



Expenses by Source – Electric Utility

Year ended June 30, 2016

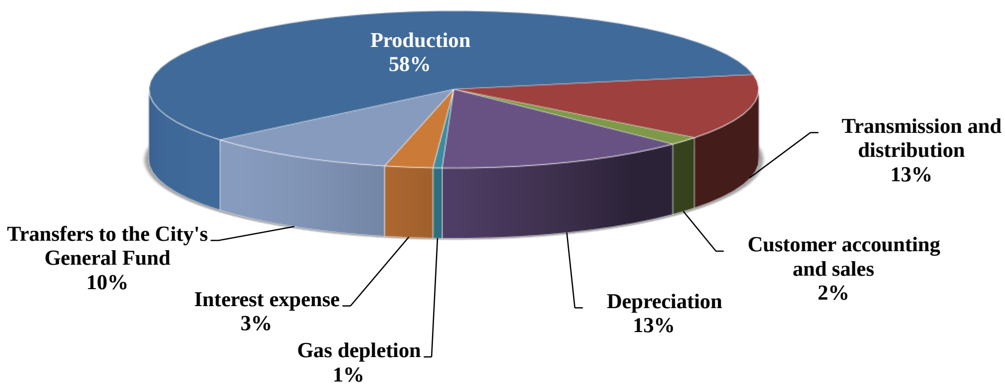
Total expenses for the Electric Utility decreased $13,101 (or 7%) from the prior year level. Production expenses decreased 6% from the prior year as a result of lower natural gas prices and a decrease in the volume of purchased power. Transmission and distribution expenses decreased 5% from the prior year as a result of decreased operation and maintenance expenses. Customer accounting and sales expense decreased 27% and depreciation expense decreased 2%. The depletion of gas decreased 7% due to lower gas delivery from the Natural Gas Reserve Project.

The Gas Depletion account was established to record the use of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds decreased 32% from the prior year due to the defeasance of Electric Revenue Bonds, 2006 Series and partially defeasance of Electric Revenue Bonds, 2008 Series on May 2016, as well as an increase in capitalized interest.

The City Charter provides at the end of each fiscal year, up to 25% of the operating revenues of the Electric Utility for such fiscal year, excluding receipts from power supplied to other cities or utilities at wholesale rates, shall be transferred from the Public Services Surplus Fund to the City's general reserve fund of the General Fund; provided, however, that the City Council, on an annual basis, may reduce or eliminate the amount to be transferred if the City Council determines that such reduction or elimination is necessary to assure the sound financial position of the utility. Transfers to the City's General Fund decreased 1% from the prior year.

2016 Expenses and Transfers



Year ended June 30, 2015

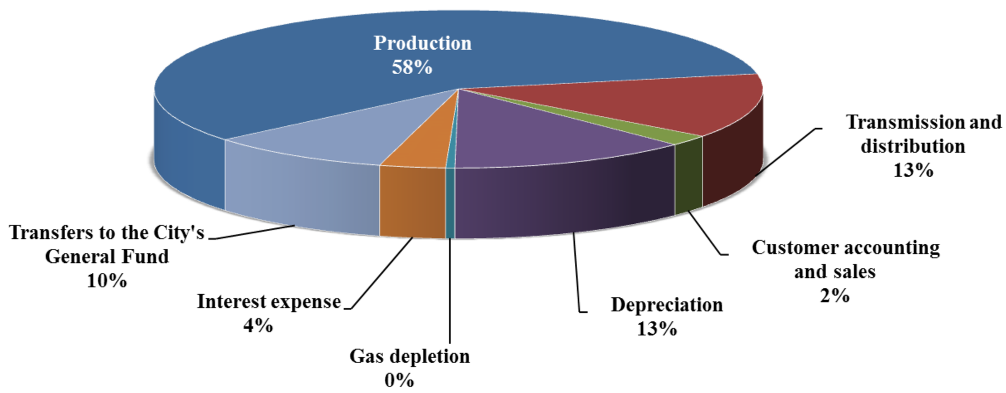
Total expenses for the Electric Utility decreased $5,792 (or 3%) from the prior year level. Production expenses decreased 6% from the prior year as a result of lower natural gas prices. Transmission and distribution expenses decreased 1% from the prior year as a result of decreased operation and maintenance expenses. Customer accounting and sales expense increased 3% and depreciation expense increased 2%. The depletion of gas decreased 29% due to lower gas delivery from the Natural Gas Reserve Project.

The Gas Depletion account was established to record the use of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds increased 26% from the prior year due to the issuance of the Electric Revenue Bonds, Series 2013 in 2014. 2015 was the first full year of interest on the 2013 Bonds.

The City Charter provides at the end of each fiscal year, up to 25% of the operating revenues of the Electric Utility for such fiscal year, excluding receipts from power supplied to other cities or utilities at wholesale rates, shall be transferred from the Public Services Surplus Fund to the City's general reserve fund of the General Fund; provided, however, that the City Council, on an annual basis, may reduce or eliminate the amount to be transferred if the City Council determines that such reduction or elimination is necessary to assure the sound financial position of the utility. Transfers to the City's General Fund decreased 1% from the prior year.

2015 Expenses and Transfers



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2016 and 2015 was $292,983 and $291,625 respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as in general items such as office equipment, furniture, etc. Capital assets showed a 0.5% increase and 4% decrease as of June 30, 2016 and 2015, respectively,

The Electric Utility's capital assets as of June 30, 2016, 2015, 2014 are as follows:

	2016	2015	2014
Production	$ 100,831	$ 102,350	$ 100,680
Transmission and distribution	454,885	437,996	426,562
Natural Gas Reserve	22,144	22,276	22,148
General	51,269	51,102	62,401
Less: accumulated depreciation and depletion	(336,146)	(322,099)	(307,323)
Total	$ 292,983	$ 291,625	$ 304,468

Additional information on the Electric Utility's capital assets can be found in Note 3 on pages 29 to 30 of this report.

Long-Term Debt
As of June 30, 2016, 2015, and 2014, the Electric Utility had outstanding long-term debt of $172,811, $174,747, and $177,676, respectively.

The Electric Utility's outstanding debt as of June 30, 2016, 2015, 2014 is as follows:

	2016	2015	2014
Electric Revenue Bonds	$ 153,390	$ 168,870	$ 170,790
Less: current portion	(4,577)	(2,870)	(2,302)
Unamortized bond premium	23,998	8,747	9,188
Total long-term debt	$ 172,811	$ 174,747	$ 177,676

During fiscal year 2016, the Electric Utility maintained an "AA-" credit rating from Standard & Poor's, "A+" credit rating from Fitch, Inc., and "Aa3" credit rating from Moody's Investors Service for its revenue bonds.

Additional information on the Electric Utility's long-term debt can be found in Note 4 on pages 30 to 34 of this report.

Economic Factors and Rates

In 2016, the City continued its effort to minimize exposure to market spikes in power and natural gas by implementing retail rate adjustment clauses that allow retail rates to adjust to market conditions and regulatory changes.

The Electric Utility advanced its commitment to environmental improvement by executing a 25-year purchase of firmed solar power, with deliveries starting in December 2015. In addition, the City Council approved agreements that will terminate the Electric Utility's purchase of coal-fired energy from the San Juan Power Plant in New Mexico at the end of 2017, and the Utility is actively engaged in negotiations to replace the energy currently purchased from the coal-fired Intermountain Power Plant by mid-2025.

In late 2012, the City Council adopted a Renewable Portfolio Standard (RPS) Procurement Plan that focused on compliance with state mandates at that time; this Plan will be modified over time as necessary to reflect new state mandates. Currently, contracts and ownership rights are in place to assure compliance with state renewable energy mandates through 2020. Additional opportunities for renewable energy in the 2020s are being evaluated in light of California's recently enacted SB350, which requires that 50% of retail loads be served with renewable energy by 2030.

GWP has completed a long-term Integrated Resource Plan and is actively developing alternatives for upgrading the Scholl Canyon landfill gas available within the City of Glendale to allow the production of additional renewable energy, and has adopted a Feed-In Tariff for the purchase of energy from local renewable sources within the City, and is preparing for expected increases in local solar capacity.

The City Council approved rate increases effective September 13, 2013, of 8%, 7%, 5%, 2%, and 2%, with the 5% rate increase beginning in fiscal year 2016, have improved the Electric Utility's financial health evidenced by the increase in net income over prior years and the increase in unrestricted cash reserve balances.

The City is currently engaged in litigation regarding the City's transfer from the Electric Utility to the General Fund. The court concluded that the amount of the "hidden" tax is the amount of the General Fund transfer (GFT) in the years since the new electric rate plan was imposed in August 2013. The court intends to order a remedy requiring the Electric Utility to credit ratepayers the amount of the GFT since the electric rates were increased. The court will also issue a writ of mandate commanding the Electric Utility to cease to include the GFT in the electric rates charged to consumers unless and until a majority of Glendale electorate approves the tax in the rates. The City has a motion for new trial that will be heard on January 19, 2017, and then the City will appeal. As such, status quo will remain in effect during the pendency of the appeal.

Requests for Information

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

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND
Statement of Net Position
June 30, 2016 (in thousands)
(with comparative amounts for 2015)

	2016	2015
Assets		
Current assets:		
Pooled cash and investments	$ 91,048	$ 59,759
Cash with fiscal agent	4,640	4,610
Investments with fiscal agent	1,473	2,464
Interest receivable	402	237
Investment-gas/electric commodity	2,386	1,989
Accounts receivable, net	22,609	21,892
Unbilled receivable	17,065	17,056
Due from other agencies	32	383
Due from other funds of the City	-	6,375
Inventories	5,695	5,929
Prepaid items and other	6,206	5,093
Total current assets	151,556	125,787
Noncurrent assets:		
Capital assets:		
Land	6,239	6,239
Natural gas reserve	22,144	22,276
Buildings and improvements	65,503	65,503
Machinery and equipment	496,926	505,984
Accumulated depreciation	(327,227)	(314,113)
Gas depletion	(8,919)	(7,986)
Construction in progress	38,317	13,722
Total capital assets	292,983	291,625
Pooled designated & invested cash	66,400	41,900
Restricted cash	20,922	46,970
Prepaid energy	11	97
Total noncurrent assets	380,316	380,592
Total assets	531,872	506,379
Deferred outflow of resources:		
Deferred outflow of resources related to pensions	3,634	2,982
Loss on refunding	5,043	1,158
Total deferred outflows of resources	8,677	4,140

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

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND
Statement of Net Position
June 30, 2016 (in thousands)
(with comparative amounts for 2015)

	2016	**2015**
Liabilities		
Current liabilities:		
Accounts payable	7,658	4,716
Contracts-retained amount due	1,225	298
Interest payable	1,649	3,316
Bonds payable, due in one year	4,577	2,870
Deposits	3,762	3,036
Total current liabilities	18,871	14,236
Noncurrent liabilities:		
Net pension liability	45,890	41,187
Bonds payable	172,811	174,747
Total noncurrent liabilities	218,701	215,934
Total liabilities	237,572	230,170
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	5,138	11,275
Net position:		
Net investment in capital assets	135,891	156,466
Restricted for		
SCAQMD emission controls	5,669	5,669
Unrestricted	156,279	106,939
Total net position	$ 297,839	$ 269,074

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

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016 (in thousands)
(with comparative amounts for 2015)

	2016	2015
Operating revenues:		
Retail:		
Electric residential sales	$ 77,247	$ 70,687
Electric commercial sales	121,297	115,533
Electric street light sales	2,910	2,910
Sales to other utilities	16,013	26,826
Miscellaneous revenues	4,148	4,622
Total operating revenues	221,615	220,578
Operating expenses:		
Production	113,964	121,593
Transmission & distribution	26,552	27,830
Customer accounting and sales	3,399	4,663
Depreciation	26,156	26,691
Gas depletion	933	1,004
Total operating expenses	171,004	181,781
Operating income	50,611	38,797
Non operating revenues (expenses):		
Interest Income	3,228	1,043
Sales of property	31	-
Interest expense	(4,998)	(7,322)
Total non operating expenses, net	(1,739)	(6,279)
Income before capital contributions and transfers	48,872	32,518
Capital contributions	-	325
Transfer to the General Fund of the City	(20,107)	(20,357)
Change in net position	28,765	12,486
Net position at beginning of year	269,074	256,588
Net position at end of year	$ 297,839	$ 269,074

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

CITY OF GLENDALE
ELECTRIC ENTERPRISE FUND
Statement of Cash Flows
Year Ended June 30, 2016 (in thousands)
(with comparative amounts for 2015)

	2016	2015
Cash flows from operating activities:		
Cash from customers	$ 221,240	$ 209,050
Cash paid to employees	(31,925)	(31,184)
Cash paid to suppliers	(114,159)	(129,172)
Net cash provided by operating activities	75,156	48,694
Cash flows from noncapital financing activities:		
Amounts received from (paid) to other funds	6,375	(6,375)
Operating transfers out	(20,107)	(20,357)
Investment with fiscal agent	991	-
Net cash used by noncapital financing activities	(12,741)	(26,732)
Cash flows from capital and related financing activities:		
Interest on long term debt	(6,665)	(7,819)
Principal payments and premiums	(229)	(2,361)
Capital grants and contributions	-	325
Acquisition of property, plant, gas and equipment	(28,447)	(14,852)
Net cash (used) by capital and related financing activities	(35,341)	(24,707)
Cash flows from investing activities		
Investment - gas/electric commodity	(397)	(901)
Interest received	3,094	1,088
Net cash provided by investing activities	2,697	187
Net increase (decrease) in cash and cash equivalents	29,771	(2,558)
Cash and cash equivalents at beginning of year	153,239	155,797
Cash and cash equivalents at end of year	$ 183,010	$ 153,239
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 50,611	$ 38,797
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,156	26,691
Gas depletion	933	1,004
Pension expense (credit)	(2,086)	(426)
(Increase) Accounts receivable net	(717)	(11,170)
(Increase) Unbilled Services	(9)	(3)
(Increase) Decrease Due from other agencies	351	(355)
(Increase) Decrease Inventories	234	(173)
(Increase) Prepaid expenses	(1,113)	(1,276)
(Increase) Decrease Deferred charges	(3,799)	133
Increase (Decrease) Accounts payable	2,942	(2,443)
Increase Contracts - retention	927	248
Increase (Decrease) Deposits	726	(2,333)
Total adjustments	24,545	9,897
Net cash provided by operating activities	$ 75,156	$ 48,694
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	1,433	147

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Fund

The accounts of the City are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pooled Cash and Investment

The Electric Utility pools its cash with the City. The Electric Utility values its cash and investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. As of July 1, 2015, the City retrospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. *GASB* Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

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

Investment-gas/electric commodity represents the Electric Utility's implementation of a program to purchase and sell options (calls and puts) in natural gas futures contracts at strike prices. These transactions allow the Electric Utility to stabilize the ultimate purchase price of natural gas for the Electric Utility's power plant. They, and other transactions, also give the Electric Utility the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value. As of June 30, 2016 and 2015, the investment-gas/electric commodity was $2,386 and $1,989, respectively.

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Electric Utility was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2016, established a target of $66,400 of designated cash in the following categories: $40,400 for contingency reserve; $10,000 for rate stabilization reserve; and $16,000 for Reserve for Gas Reserve Project. As of June 30, 2016 and 2015, $66,400 and $41,900 was designated, respectively.

Capital Assets

The Electric Utility's capital assets include land, building, improvements and equipments that are reported in the Electric Utility's financial statements. The Electric Utility follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of $5 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the City by independent contractors, are recorded at acquisition cost. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. As of June 30, 2016 and 2015, total interest incurred is $6,005 and $7,561, respectively. For fiscal year ended June 30, 2016 and 2015, the total interest capitalized is $1,007 and $239, respectively.

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

Assets	Years
Building and Improvements	10-50
General Structure & Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	6-10
Passenger Cars, Pickup	6
Cargo Vans	7
Dump/Tractor/Trailer Trucks	10

Inventories

Inventories, consisting primarily of construction and maintenance materials and tools for the production and distribution system of the Electric Utility are stated at cost, using the weighted average cost method or disposal value.

Long-Term Debt

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

Compensated Absences

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

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

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

Post-Employment Benefits

The Electric Utility participates in the City's Retiree Healthcare Plan which is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established by and may be amended by the City. The City does not have a separate audited GAAP-basis postemployment benefit plan report for this defined benefit plan. No separate obligations are calculated for the Electric Utility, and no obligation is presented herein. The City's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. This pay-as-you-go method is recorded in the Electric Utility based on the Electric Utility's share of current employees to total city employees. For fiscal year 2016 and 2015, the City's contribution in benefit payments was $2,991 and $3,133, respectively.

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

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 Glendale's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounts Receivable

The Electric Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities and government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year end based on the amount equal to the annual uncollectible accounts. As of June 30, 2016 and 2015, the Electric Utility's allowance for doubtful accounts were $242 and $260, respectively.

Unbilled Receivable

The Electric Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2016 and 2015, the Electric Utility's unbilled receivable was $17,065 and $17,056, respectively.

Due to/from Other Funds

These accounts are used when a fund has a temporary cash overdraft. It is also used to record receivables for advances made to other funds of the City. As of June 30, 2016 and 2015, the Electric Utility's due from other funds were $0 and $6,375, respectively.

Deposits

The Electric Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Electric Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Electric Utility. As of June 30, 2016 and 2015, the Electric Utility's deposits were $3,762 and $3,036, respectively.

Prepaid Items and other

Certain payments to the vendors reflect costs applicable to future accounting period and are recorded as prepaid, which are then recognized as expense as benefits are received. As of June 30, 2016 and 2015, prepaids were $6,206 and $5,093, respectively.

Contracts - Retained Amount Due

The Electric Utility withholds 10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2016 and 2015, the Electric Utility's contracts – retained amount due were $1,225 and $298, respectively.

Transfers to the City

The City's charter provides for certain percentages (up to a maximum of 25%) of operating revenues in the Electric Utility to be transferred to the City's General Fund as based on City Council approval and have been reflected in the financial statements as transfers out. As of June 30, 2016 and 2015, the Electric Utility's transfers to the City were $20,107 and $20,357, respectively.

Net Position

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

The Electric Utility first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

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

Budgets and Budgetary Accounting

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

Pronouncements Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Electric Utility.

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016.

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement replaces the requirements of Statements No. 45 and No. 57. The Statement is effective for periods beginning after June 15, 2017.

- GASB Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The Statement is effective for periods beginning after December 15, 2015.

- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. The Statement is effective for periods beginning after December 15, 2015.

- GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The Statement is effective for periods beginning after June 15, 2016.

- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement is effective for periods beginning after December 15, 2016.

Implementation of Pronouncement

The Electric Utility has adopted and implemented the following GASB Statements during the year ended June 30, 2016:

- GASB Statement No. 72 – *Fair Value Measurement and Application*. The objective of the Statement is to address accounting and financial reporting issues related to fair value measurements. This statement was implemented effective July 1, 2015.

- GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The principal objectives of this Statement is to improve the information provided in the general purpose external financial reports of state and local governments about pensions and related assets that are not within the scope of Statement No. 68. This statement did not have a material effect on the financial statements.

- GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This statement did not have a material effect on the financial statements.

- GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement is effective for periods beginning after June 15, 2015. This statement did not have a material effect on the financial statements.

- GASB Statement No. 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement 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 Statement. This statement was implemented effective July 1, 2015.

Deferred Outflows and Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. This category consists of loss on debt refunding and deferred outflows of resources related to pension for reporting in the statements of net position. As of June 30, 2016 and 2015, the Electric Utility's deferred outflows of resources were $8,677 and $4,140, respectively.

The statement of net position reports a separate section for deferred inflows of resources, in addition to liabilities. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or revenues, until then. The Electric Utility records deferred inflows of resources related to pension. As of June 30, 2016 and 2015, the Electric Utility's deferred inflows of resources were $5,138 and $11,275, respectively.

2. Pooled Cash and Investments

Cash resources of the Electric Utility are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Electric Utility on a monthly basis, based upon the month-end cash balance of the Electric Utility as a percent of the month-end total pooled cash balance. Of this total pooled cash and investments, $186,869 and $157,692 pertains to the Electric Utility for fiscal year 2016 and 2015, respectively. Pooled cash and investments are stated at the fair value.

As of July 1, 2015, the City retrospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash and investments at fiscal yearend consist of the following:

	2016	2015
Pooled cash and investments	$ 91,048	$ 59,759
Cash and investments with fiscal agent	6,113	7,074
Restricted cash	20,922	46,970
Pooled designated and invested cash	66,400	41,900
Investment-gas/electric commodity	2,386	1,989
Total	$ 186,869	$ 157,692

For additional details on the City investment pool including disclosure relating to Interest Rate Risk, Credit Risk, Custodial Credit Risk, Investment in State Investment Pool and Fair Value Measurement, please refer to Note 3 of the City of Glendale Comprehensive Annual Financial Report.

Restricted Cash

A separate fund in the City Treasury is established to deposit the proceeds of the Electric Revenue Bonds, 2013 Series and Southern California Air Quality Management District environmental compliance funds. As of June 30, 2016 and 2015 there is $20,922 and $46,970 recorded. The amounts set aside in this account shall remain therein until from time to time expended for the projects and purposes of paying for the costs of acquisition and construction of certain improvements to the Electric System of the City. Any remaining unspent bond proceeds once the purposes of the Electric Revenue Bonds, 2013 Series are accomplished will be transferred into the Parity Obligation Payment Fund, held with bond fiscal agent.

The restricted cash is in governmental investment pools, such as LAIF and LACPIF are made on the basis of $1 and not fair value. Accordingly, the City's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

For additional details on the Investment in State Investment Pool and Fair Value Measurement, please refer to Note 3 of the City of Glendale Comprehensive Annual Financial Report.

Cash and investment with Fiscal Agent

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

As of June 30, 2016, the Electric Utility had $6,113 on deposit with fiscal agent as required by the bond documents; the Electric Utility had the following underlying investments:

Cash and investments with fiscal agents	Fair Value	Maturity	Moody's Rating
Guaranteed Investment Contracts	$ 2,398	More than 5 yr	Unrated
Money Market	3,715	Less than 1 yr	Aaa
	$ 6,113		

As of June 30, 2015, the Electric Utility had $7,074 on deposit with fiscal agent as required by the bond documents; the Electric Utility had the following underlying investments:

Cash and investments with fiscal agents	Fair Value	Maturity	Moody's Rating
Guaranteed Investment Contracts	$ 2,398	More than 5 yr	Aa2
U.S. Treasury Notes	2,241	Less than 1 yr	Aaa
Money Market	2,435	Less than 1 yr	Aaa
	$ 7,074		

For additional details on the Fair Value Measurement, please refer to Note 3 of the City of Glendale Comprehensive Annual Financial Report.

3. Capital Assets

A summary of the changes in Electric Utility June 30, 2016 Capital Assets is as follows:

	Balance at June 30, 2015	Increases	Decreases	Reclass/Transfers	Balance at June 30, 2016
Capital assets not being depreciated/depleted:					
Land	$ 6,239	-	-	-	6,239
Construction in progress	13,722	25,263	-	(668)	38,317
Drilling in progress	-	295	(295)	-	-
Total assets not being depreciated/depleted	19,961	25,558	(295)	(668)	44,556
Depreciable capital assets:					
Building and improvements	65,503	-	-	-	65,503
Machinery and equipment	505,984	3,390	(12,891)	443	496,926
Total other capital assets at cost	571,487	3,390	(12,891)	443	562,429
Depletable capital assets:					
Natural Gas Reserve	22,276	2	(134)	-	22,144
Less accumulated depreciation:					
Building and improvements	39,155	1,856	-	-	41,011
Machinery and equipment	274,958	24,300	(12,891)	(151)	286,216
Total accumulated depreciation	314,113	26,156	(12,891)	(151)	327,227
Less allowance for gas depletion:					
Natural Gas Reserve	7,986	933	-	-	8,919
Total assets being depreciated	271,664	(23,697)	(134)	594	248,427
Electric Fund capital assets, net	$ 291,625	1,861	(429)	(74)	292,983

A summary of the changes in Electric Utility June 30, 2015 Capital Assets is as follows:

	Balance at June 30, 2014	Increases	Decreases	Reclass/Transfers	Balance at June 30, 2015
Capital assets not being depreciated/depleted:					
Land	$ 6,239	-	-	-	6,239
Construction in progress	2,549	10,837	-	336	13,722
Drilling in progress	-	511	(511)	-	-
Total assets not being depreciated/depleted	8,788	11,348	(511)	336	19,961
Depreciable capital assets:					
Building and improvements	65,493	10	-	-	65,503
Machinery and equipment	515,362	3,877	(12,919)	(336)	505,984
Total other capital assets at cost	580,855	3,887	(12,919)	(336)	571,487
Depletable capital assets:					
Natural Gas Reserve	22,148	128	-	-	22,276
Less accumulated depreciation:					
Building and improvements	37,172	1,983	-	-	39,155
Machinery and equipment	263,169	24,708	(12,919)	-	274,958
Total accumulated depreciation	300,341	26,691	(12,919)	-	314,113
Less allowance for gas depletion:					
Natural Gas Reserve	6,982	1,004	-	-	7,986
Total assets being depreciated	295,680	(23,680)	-	(336)	271,664
Electric Fund capital assets, net	$ 304,468	(12,332)	(511)	-	291,625

Natural Gas Project

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005 with the total cost to the participants at $306.1 million. The City's share in the project is $13.1 million or 4.2553%, with estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2016, the net balance for Natural Gas Reserve Project was $13,225.

4. Long-Term Debt

The Electric Utility's outstanding principal as of June 30, 2016 and 2015 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2016	Outstanding June 30, 2015
Electric Revenue Bonds, 2006 Refunding Series	4.00%-5.00%	$38,830	$0	$28,930
Electric Revenue Bonds, 2008 Series	4.00%-5.00%	$60,000	$1,880	$60,000
Electric Revenue Bonds, 2013 Refunding Series	4.00%-5.00%	$20,510	$20,510	$20,510
Electric Revenue Bonds, 2013 Series	3.00%-5.00%	$60,000	$58,385	$59,430
Electric Revenue Bonds, 2016 Refunding Series	4.00%-5.00%	$72,615	$72,615	$0
Total			$153,390	$168,870

Electric Revenue Bonds, 2006 Refunding Series

The Electric Utility issued $38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all the outstanding Electric Revenue Bonds, 2000 Series.

The Electric Revenue Bonds, 2006 Refunding Series were refunded in May 2016 with the Electric Revenue Bonds, 2016 Refunding Series. Accordingly, the liability for the defeased

2006 Bonds has been removed from the long-term debt of the City. As of June 30, 2016, a final principal payment of $1,415 was issued on February 1, 2016 and the remaining $27,515 aggregate principal amount was fully refunded and redeemed on June 3, 2016 at a redemption price of 100% of the principal amount plus accrued interest through an Escrow Fund established pursuant to an Escrow Agreement dated May 1, 2016.

Electric Revenue Bonds, 2008 Series

The Electric Utility issued $60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The Electric Revenue Bonds, 2008 Series were partially refunded in May 2016 with the Electric Revenue Bonds, 2016 Refunding Series. After the issuance of the Electric Revenue Bonds, 2016 Refunding Series, $1,880 of the partially defeased 2008 Bonds remains outstanding as of June 30, 2016 and will mature at its redemption date on February 1, 2018. $58,120 of the 2008 Bonds were refunded and deposited into an Escrow Fund established pursuant to an Escrow Agreement dated May 1, 2016 and will be fully redeemed on February 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest.

Electric Revenue Bonds, 2013 Refunding Series

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

The current refunding resulted in the recognition of a deferred outflow of resources of $128 as of June 30, 2016 and is being amortized through year 2032. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $6,113 on parity with other Electric revenue bonds. The bonds mature in regularly increasing amounts ranging from $900 to $1,805 annually from 2017 to 2032.

Electric Revenue Bonds, 2013 Series

The Electric Utility issued $60,000 in revenue bonds in December 2013 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The terms of the 2013 Electric Revenue Bonds' (2013 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement. The bonds mature in regularly increasing amounts ranging from $1,045 to $3,795 annually from 2017 to 2043.

Electric Revenue Bonds, 2016 Refunding Series

The Electric utility of Glendale Water & Power issued $72,615 in revenue bonds in May 2016 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2006 Refunding Series, a portion of the City's outstanding Electric Revenue Bonds, 2008 Series, and paying the costs of issuance of the 2016 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2006 Refunding Series and a portion of the outstanding Electric Revenue Bonds, 2008 Series through a legal defeasance. The advance refunding resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds is recorded as a deferred loss on refunding of $4,915. The amount is being amortized through February 1, 2038. The advance refunding also resulted in a cash flow savings of $16,348 which is the difference between the cash flows required to service the old 2006 and 2008 Bonds and the cash flows required to service the new 2016 Bonds. The present value of the cash flow savings net of any available refunding funds and reserve funds from the old debt created an economic gain of $13,026.

The terms of the Electric Revenue Bonds, 2016 Refunding Series' (2016 Refunding Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account.

The bonds mature in regularly increasing amounts ranging from $1,445 to $4,715 annually from 2017 to 2038. The 2016 Refunding Bonds maturing on or prior to February 1, 2026 are not subject to redemption prior to maturity. The 2016 Refunding Bonds maturing on and after February 1, 2027 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2026, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2016 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

	Amount outstanding at June 30, 2015	Additions	Retirements	Amount outstanding at June 30, 2016	Due within one year
Electric Revenue Bonds, 2006 Refunding Series	$ 28,930	-	28,930	-	-
Electric Revenue Bonds, 2008 Series	60,000	-	58,120	1,880	-
Electric Revenue Bonds, 2013 Refunding Series	20,510	-	-	20,510	900
Electric Revenue Bonds, 2013 Series	59,430	-	1,045	58,385	1,100
Electric Revenue Bonds, 2016 Refunding Series	-	72,615	-	72,615	1,445
Net Discount/Premium	8,747	16,688	1,437	23,998	1,132
Total bonds payable	177,617	89,303	89,532	177,388	4,577

	Amount outstanding at June 30, 2014	Additions	Retirements	Amount outstanding at June 30, 2015	Due within one year
Electric Revenue Bonds, 2006 Refunding Series	$ 30,280	-	1,350	28,930	1,415
Electric Revenue Bonds, 2008 Series	60,000	-	-	60,000	-
Electric Revenue Bonds, 2013 Refunding Series	20,510	-	-	20,510	-
Electric Revenue Bonds, 2013 Series	60,000	-	570	59,430	1,045
Net Discount/Premium	9,188	-	442	8,747	410
Total bonds payable	179,978	-	2,362	177,617	2,870

The annual debt service requirements to amortize long-term bonded debt at June 30, 2016 are as follows:

	Revenue Bonds		
Fiscal year	Interest	Principal	Total
2017	$ 7,962	3,445	11,407
2018	7,348	5,130	12,478
2019	7,110	4,995	12,105
2020	6,866	5,205	12,071
2021	6,611	5,460	12,071
2022-2026	28,630	31,535	60,165
2027-2031	19,802	37,785	57,587
2032-2036	11,342	29,525	40,867
2037-2041	4,347	22,900	27,247
2042-2045	406	7,410	7,816
	$ 100,424	153,390	253,814

Rate Covenants

The Electric Utility has covenanted in the Indenture of Trust that Net Income of the Electric System for each fiscal year will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such fiscal year. The Electric Utility is in compliance with this requirement. For the year ended June 30, 2016, net income as defined in the indenture, was $79,404 and the debt service requirement was $10,420. For the year ended June 30, 2015, net income as defined in the indenture, was $65,775 and the debt service requirement was $9,924.

5. Pension Plan

Plan Descriptions

All qualified permanent and probationary employees of the Electric Utility are eligible to participate in the City's Miscellaneous Plan, an agent multiple employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: 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 Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual 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 rates of employees.

For the year ended June 30, 2016, the Electric Utility contributions to the City's Miscellaneous Plan was $3,634.

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

As of June 30, 2016, the Electric Utility reported a liability of $45,890 for its proportionate share of the City's Miscellaneous Plan net pension liability. The net pension liability of the Miscellaneous Plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Electric Utility's proportion of the City's Miscellaneous Plan net pension liability was based on the Electric Utility's fiscal year 2015 contributions to the City's Miscellaneous Plan relative to the total City contributions to the Miscellaneous Plan. At June 30, 2015, Electric Utility's proportion was 21% for 2015 and 2016.

For the year ended June 30, 2016, the Electric Utility recognized pension expense of $1,548. At June 30, 2016, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,634	$ -
Changes of assumptions	-	2,620
Net differences between expected and actual experience	-	1,317
Net differences between projected and actual earnings on pension plan investments	-	1,201
	$ 3,634	$ 5,138

The amount of $3,634 reported as deferred outflows of resources related to pensions resulting from the Electric Utility's contributions to the City's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2017	$ (2,880)
2018	(2,880)
2019	(1,192)
2020	1,814
Total	$ (5,138)

Actuarial Assumptions

The Electric Utility's proportion of the City's total pension liability in the June 30, 2014 Miscellaneous Plan actuarial valuation was determined using the following actuarial assumptions:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Investment rate of return	7.65% Net of Pension Plan Investment, includes inflation
Mortality rate table	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

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

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

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

Asset Class	Target Allocation	Real Return Years 1 - 10 *	Real Return Years 11+ **
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	100%		

*an expected inflation rate of 2.5% used for this period.
** an expected inflation rate of 3.0% used for this period.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the Electric Utility's Proportionate share of the City's Miscellaneous Plan's Net Pension Liability to Changes in the Discount Rate

The following presents the Electric Utility's proportionate share of the net pension liability, calculated using the discount rate of 7.65%, as well as what the Electric Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	$ 73,812
Current Discount Rate	7.65%
Net Pension Liability	$ 45,890
1% Increase	8.65%
Net Pension Liability	$ 22,899

Pension Plan Fiduciary Net Position

Detailed information about the City's collective net pension liability is available in the City's separately issued Comprehensive Annual Financial Report (CAFR). The City's financial statements may be obtained by contacting the City of Glendale's Finance Department. The report may also be obtained on the internet at www.glendaleca.gov/government/departments/ finance/budget/annual-report.

6. Self-Insurance Program

The Electric Utility participates in City's unemployment and workers' compensation insurance.

For purposes of general liability, the Electric Utility participated in the City's self-insurance program which is accounted for in an internal service fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2016-17 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self insured retention)
Excess Liability Insurance	$20,000	$2,000 SIR per occurrence
D & O Employment Practices	$2,000	$250 SIR
Excess Workers' Comp Employer's Liability Insurance	Statutory	$2,000 SIR per occurrence
Property Insurance	$250,000	Various deductibles up to $250
Employee Dishonesty - Crime Policy	$1,000	$25

The annual premiums are based primarily on claims experience and are charged to expense when paid. Premiums are evaluated periodically and increases are charged to the Electric Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2016 and 2015, premiums charged for Glendale *Water & Power* were $1,362 and $1,532, respectively.

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

7. Net Position

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

Excess capital surcharge revenue restricted to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal years 2016 and 2015 was $5,669 and $5,669, respectively.

8. "Take or Pay" Contracts

The Electric Utility has entered into twelve "Take or Pay" contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the Electric Utility's share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for the City residents. Through these contracts, the Electric Utility purchased approximately 60% of its total energy requirements during fiscal year 2015-2016. With a few exceptions, the Electric Utility is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain "step-up" provisions obligating the Electric Utility to pay a share of the obligations of any defaulting participant.

The Intermountain Power Agency, a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project. The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts.

The Electric Utility through contract is obligated for 30 megawatts or 1.704% of the generation. In addition, the Electric Utility entered into an "Excess Power Sales Agreement" with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the Electric Utility to additional shares that can vary from year to year. As of June 30, 2016 Excess Entitlement share is 0.461%. The total Electric Utility's obligation from Intermountain Power Project (IPP) is between 35 and 38 megawatts.

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

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of three (3) units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.910% of total Palo Verde output), of which the Electric Utility receives 9.9 megawatts or 4.4% of SCPPA's entitlement. As of June 30, 2016, Electric Utility's share is 4.4% (PV).

A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The Electric Utility's share of the line is 2.274% or approximately 55 megawatts. As of June 30, 2016, Electric Utility's share is 2.274% (STS).

A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3 (SJ), located in New Mexico. SCPPA members are entitled to 208 megawatts.

In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that will collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The agreements address restructuring of rights and obligations at San Juan, including disposal of coal inventory, mine reclamation, and plant decommissioning. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Under the Mine Reclamation and Plant Decommissioning Agreements, Glendale shares the responsibility for any liability arising from operations before the December 2017 exit date. As such a liability for decommission the power plant can not be determined at this time.

The Electric Utility is obligated for 20 megawatts or 9.8047% of the SCPPA entitlement. As of June 30, 2016, Electric Utility's share is 9.8047% (SJ).

A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The Electric Utility is obligated for 90 megawatts or 11.043% of the SCPPA entitlement. As of June 30, 2016, Electric Utility's share is 11.043% (MA).

A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The Electric Utility's participation shares in the components range from 11.7647% to 22.7273%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the Electric Utility's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical energy is readily available. As of June 30, 2016, Electric Utility's share is 14.8% (MP).

A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in

Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The Electric Utility is obligated for 40 megawatts or 16.5289% of the project's output. As of June 30, 2016, Electric Utility's generation cost share is 16.5289% and indenture cost share is 17.2536%.

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the Electric Utility entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2016, Electric Utility's share is 23.0% (NGPP).

An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25 year purchase power agreement with SCPPA is for purchase of 10% (approximately 5 MW) of the capacity of the project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2016, Electric Utility's share is 10.0% (LIN).

A ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The Electric Utility is obligated for approximately 6.8 megawatts or 50% of the project's output. As of June 30, 2016, Electric Utility's share is 50.0% (THP).

A tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2016, Electric Utility's share is 7.63% (WP).

The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved 20 year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.902% of the Project's output. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2016, Electric Utility's share is 4.90% (MIL2).

Take-or-Pay commitments expire upon contract expiration date, or final maturity of outstanding bonds for each project, whichever is later.

Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.1648%
Palo Verde Project (PV)	2030	4.4000%
Southern Transmission System (STS)	2027	2.2740%
San Juan Project (SJ)	2018	9.8047%
Mead-Adelanto Project (MA)	2030	11.0430%
Mead-Phoenix Project (MP)	2030	14.8000%
Magnolia Power Project (MPP)	2036	17.2536%
Natural Gas Prepaid Project (NGPP)	2035	23.0000%
Linden Wind Energy Project (LIN)	2035	10.0000%
Tieton Hydropower Project (THP)	2040	50.0000%
Windy Point/Windy Flats Project (WP)	2030	7.6300%
Milford II Wind Project (MIL2)	2031	4.9020%

A summary of the Electric Utility's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2016:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	TOTAL
2017	$ 3,316	550	1,837	2,109	2,415	969	3,673	4,537	1,008	1,669	3,097	624	25,804
2018	4,842	552	1,801	-	2,380	955	2,867	4,562	1,006	1,670	3,095	623	24,353
2019	5,199	-	1,780	-	2,358	951	2,866	4,684	1,007	1,667	3,093	623	24,228
2020	4,534	-	1,561	-	2,339	941	2,866	4,858	1,005	1,668	3,090	622	23,484
2021	4,004	-	1,858	-	1,747	698	2,865	5,066	1,007	1,667	3,089	622	22,623
2022-2026	5,176	-	7,042	-	-	-	15,110	27,894	5,013	9,110	15,394	3,101	87,840
2027-2031	-	-	1,456	-	-	-	16,458	32,814	4,993	8,234	15,320	3,085	82,360
2032-2036	-	-	-	-	-	-	17,011	30,918	4,789	8,205	-	615	61,538
2037-2041	-	-	-	-	-	-	11,253	.	-	9,807	-	-	21,060
Total	$ 27,071	1,102	17,335	2,109	11,239	4,514	74,969	115,333	19,828	43,697	46,178	9,915	373,290

In addition to debt service, the Electric Utility's entitlement requires the payment for fuel costs, operation and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2016 and 2015 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2016	$ 7,950	3,368	743	6,422	275	203	4,842	1,427	-	1,119	-	-	26,349
2015	$ 7,535	3,027	696	6,493	240	456	2,959	1,632	-	733	-	-	23,771

9. Power Purchase Agreements

Boulder Canyon Project

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

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

In January 1987, the Electric Utility renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-year from 1987 to 2017. The Bureau of Reclamation also assumed control of operation and maintenance of the plant in 1987. Under this renewed contract, the Electric Utility is entitled to 21 megawatts or 1.0251% of the capacity and 1.5874% of the firm energy.

High Winds Energy Project

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

Ormat Geothermal Project

In June 2005, the Electric Utility entered into a 25-year power sales agreement with SCPPA for the Ormat Geothermal Energy Project for purchase of up to 3 megawatts of the project electric energy. The project began commercial operation in January 2006.

Southwest Wyoming Wind Project

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

Pebble Springs Wind Project

In November 2007, The Electric Utility entered into a 18-year contract with SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility. The project began commercial operation in January 2009.

Skylar Renewable Solar Power Purchase Agreement

In September 2014, the Electric Utility entered into a 25-year contract with Skylar Resources L.P. for the procurement of 50 megawatts of firmed renewable solar. At least fifty percent of 50 MW/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 renewable energy on an annual basis.

In November 2015, the transaction was bifurcated into 2 separate renewable energy transactions, one with a term of December 1, 2015 through December 31, 2019 and the other with a term of Jan 1, 2020 through Nov 20, 2040. The 4-year transaction was subsequently novated to Morgan Stanley Capital Group. The City began taking delivery of the energy on December 2015.

10. Subsequent Events

Power Purchase Agreement

In September 2016, the Electric Utility entered into a 50-year contract with the Western Area Power Administration for the Electric Service from the Boulder Canyon Project. The service will commence on October 2017.

Litigation

The City is currently engaged in litigation regarding the City's transfer from the Electric Utility to the General Fund. The Petitioners contend that the transfer from the Electric Utility to the General Fund violates Proposition 26. The Petitioners also challenge the City's fund and accounting procedures contending they violate the City Charter.

With respect to the City's accounting practices, the trial court concluded that specified accounting practices, while compliant with Generally Accepted Accounting Principles ("GAAP"), violate the City Charter. As of the writing of this Note, the trial court has stated its intent to issue a permanent injunction enjoining the City from merging some Charter mandated funds and splitting up others.

With respect to General Fund transfer (GFT), the trial court concluded that, although Proposition 26 expressly states it is not retroactive, the City's imposition of new rates in August of 2013 was a tax because the rate plan included the GFT and the court concludes the GFT is not a cost of service.

The court concluded that the amount of the unconstitutional tax is the amount of the GFT in the years since the new electric rate plan was imposed in August 2013. The court intends to order a remedy requiring the Electric Utility to credit ratepayers the amount of the GFT since the electric rates were increased. That number is preliminarily calculated at $56,950 plus interest for FY 2013-14, FY 2014-15, and FY 2015-16. As of the writing of this Note, the parties are meeting and conferring on the mechanics of the credits and will obtain court approval.

The court will also issue a writ of mandate commanding the Electric Utility to cease to include the GFT in the electric rates charged to consumers unless and until a majority of Glendale electorate approves the tax in the rates.

As of the writing of this Note, the City intends to file post-trial motions and will appeal. On October 27, 2016, Judge Chalfant determined that his judgments and orders – including cessation of the transfers and credits to ratepayers – will all be stayed during the City's appeal. The City has a motion for new trial that will be heard on January 19, 2017, and then the City will appeal. As such, status quo will remain in effect during the pendency of the appeal.

The City intends to vigorously prosecute an appeal of this matter. Management is of the opinion that the GFT, adopted by the voters and which pre-dates adoption of Proposition 26, is not thereby vitiated by Proposition 26. It is anticipated that an appeal will take 18-24 months.

For additional details on the General Fund transfer litigation, please refer to the City of Glendale Comprehensive Annual Financial Report.

ELECTRIC UTILITY
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Electric Utility's Proportionate Share of the City's Net Pension Liability
(Miscellaneous Plan)
Last 10 Years [1]

	2016	2015
Electric Utility's proportion of the net pension liability	21.00%	21.00%
Electric Utility's proportionate share of the net pension liability	$ 45,890	$ 41,187
Covered payroll	$ 17,697	$ 18,563
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	259.31%	221.88%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	77.94%	79.94%

(1) FY2015 is the first year of implementation of GASB 68; therefore, only two years of data are shown.
(2) The Electric Utility's implemented GASB 82 in FY2016, thus, covered payroll replaces covered-employee payroll for FY2015 and FY2016.

ELECTRIC UTILITY
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Last 10 Years [1]

	2016	2015
Actuarially determined contributions	$ 3,634	$ 2,982
Contributions in relation to the actuarially determined contribution	3,634	2,982
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 17,970	$ 17,697
Contributions as a percentage of covered payroll	20.22%	16.85%

(1) FY2015 is the first year of implementation of GASB 68; therefore, only two years of data are shown.