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 of the City of Glendale, California (the City), as of and for the year ended June 30, 2014, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric Enterprise Fund of the City, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Enterprise Fund of the City and do not purport to, and do not, present fairly the financial position of the City of Glendale, California, as of June 30, 2014 and 2013, 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.

Other Matters

Prior Period Financial Statements

The financial statements of Electric Enterprise Fund of the City as of June 30, 2013, were audited by other auditors whose report dated February 19, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, 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 Electric Enterprise 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 25, 2014, on our consideration of the Electric Enterprise 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 Electric Enterprise Fund's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 25, 2014

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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 Enterprise for the fiscal years ended June 30, 2014 and June 30, 2013. 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 2014, the Electric Utility's retail operating revenues increased $8,888 or 6% from the prior year level. The increase in retail revenues was attributable to an increase in the rates charged to customers. The increase in operating revenues offset increases in production and distribution expenses which resulted in a net retail operating revenues of $5,150 on revenues of $181,133 less $175,983 in expenses. The wholesale sector experienced lower net revenues of $2,049 on revenues of $15,130 less $13,081 in expenses. The total net position decreased by $10,315 after adding net non-operating revenues of $3,093 and subtracting $20,607 in Transfers to the City.

During fiscal year 2013, the Electric Utility's retail operating revenues increased $5,081 or 3% from the prior year level. The increase in retail revenues was attributable to a 3% increase in retail sales volume. The increase in operating revenues offset increases in distribution and depreciation expenses which resulted in a net retail operating loss of $52 on revenues of $160,898 less $160,950 in expenses. The wholesale sector experienced lower net revenues of $2,846 on revenues of $12,803 less $9,957 in expenses. The total net position decreased by $18,001 after adding net non-operating revenues of $62 and subtracting $20,857 in Transfers to the City.

The assets of the Electric Utility exceeded its liabilities at the close of fiscal years 2014 and 2013 by $306,494 and $316,809 respectively. Of these amounts, $120,355 and $101,626 respectively was unrestricted and may be used to meet the Fund's ongoing obligations to creditors and customers. These unrestricted net position balances represented 64% and 59% of annual operating expenses for fiscal years 2014 and 2013 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 and provide comparative information for the last two fiscal years. 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 ***Statements of Net Position*** presents information on assets and deferred outflows of resources less 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 ***Statements 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 ***Statements 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 24 to 44 of this report.

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 by $306,494 and $316,809 as of June 30, 2014 and 2013, respectively. A portion of the Utility's net position (59% and 66% as of June 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, the net position restricted for SCAQMD emission controls is $5,669 and $5,669, respectively.

The unrestricted portion of the Utility's net position (39% and 32% as of June 30, 2014 and 2013 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, 2014, 2013, 2012 are as follows:

	2014	2013	2012 (As restated)
Current and noncurrent assets	$ 197,104	$ 115,227	$ 114,648
Capital assets	304,468	326,677	348,478
Total assets	501,572	441,904	463,126
Loss on refunding	1,291	1,443	1,423
Total assets and deferred outflows of resources	502,863	443,347	464,549
Current liabilities	18,693	10,923	12,858
Long-term debt	177,676	115,615	116,881
Total liabilities	196,369	126,538	129,739
Net position:			
Net Investment in capital assets	180,470	209,514	230,710
Restricted for SCAQMD emission controls	5,669	5,669	5,669
Unrestricted	120,355	101,626	98,431
Total net position	$ 306,494	$ 316,809	$ 334,810

Net position decreased by $10,315 (or 3%) and by $18,001 (or 5%) during fiscal years 2014 and 2013, respectively. In fiscal year 2014, the decrease in net position was primarily the result of increases in operating expenses and the interest expenses from bonds issuance.

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 annual net income by fiscal year ending June 30, 2016.

In fiscal year 2013, the decrease in net position was primarily the result of increases in operating expenses.

Changes in Net Position – Electric Utility
The Electric Utility's changes in net position for the years ended June 30, 2014, 2013, 2012 are as follows:

	2014	2013	2012 (As restated)
Revenues:			
Retail sales, net	$ 168,100	$ 159,212	$ 154,131
Wholesale sales	15,130	12,803	18,827
Sale to other utilities	13,033	1,686	23,049
Interest income	1,393	263	811
Other revenues and grants	7,531	4,192	8,067
Capital contributions	-	-	830
Total revenues	205,187	178,156	205,715
Expenses:			
Production	128,775	111,400	140,440
Transmission and distribution	28,083	27,084	25,288
Customer accounting and sales	4,521	4,629	7,073
Depreciation	26,264	26,262	22,226
Gas depletion	1,421	1,532	1,199
Interest on Bonds	5,831	4,393	4,388
Total expenses	194,895	175,300	200,614
Transfers to the City's General Fund	20,607	20,857	21,107
Total expenses and transfers	215,502	196,157	221,721
Changes in net position	(10,315)	(18,001)	(16,006)
Total net position, beginning of year	316,809	334,810	350,816
Total net position, end of year	$ 306,494	$ 316,809	$ 334,810

Revenue by Source – Electric Utility

Year ended June 30, 2014

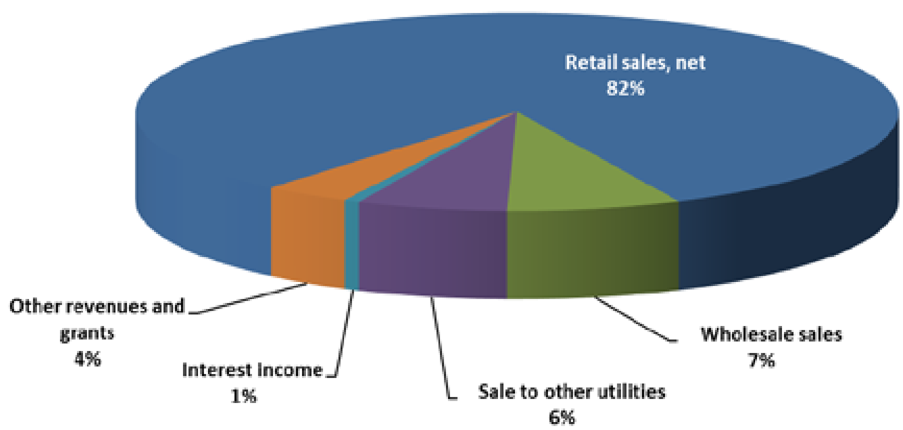
Retail sales (residential, commercial, industrial and other sales) continued to be the primary revenue source for the Electric Utility, making up 82% of total revenue. Retail sales showed an increase of 6% from the prior year reflecting an average 8% rate increase beginning September 13, 2013. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities increased 673% from the prior year due to higher volumes and higher prices.

Wholesale sales increased 18% from the prior year due to a favorable market condition.

Interest income increased 430% from the prior year. The increase was attributed to higher cash reserves from a new bond issuance and increases in customer deposits.

Other revenues and grants increased 80% from the prior year due to the disbursement of the remaining surplus funds from the Southern California Public Power Authority issued Multiple Project Revenue Bonds with the final outstanding maturity paid on July 1, 2013.

2014 Revenues



Year ended June 30, 2013

Retail sales (residential, commercial, industrial and other sales) were the primary revenue source for the Electric Utility, making up 89% of total revenue. Retail sales showed an increase of 3% from the prior year reflecting a 3% increase in retail sales volume. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities decreased 93% from the prior year due to changes in market conditions and in accounting to more accurately distinguish between wholesale and retail sales.

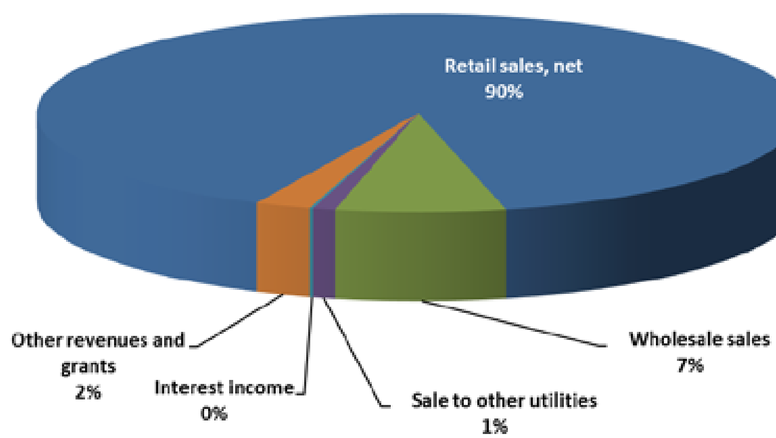
Wholesale sales decreased 32% from the prior year due to changes in market conditions and the introduction of California's cap-and-trade system for carbon emissions.

Interest income decreased 68% from the prior year. The decrease was attributed to a combination of lower cash reserves and lower yields for the Electric Utility's investment portfolio.

Other revenues and grants decreased 48% from the prior year due to the Federal Smart Grid Investment Grant from the U.S. Department of Energy under the American Recovery and Reinvestment Act reaching its closing stages in the prior period.

Historically, capital contributions represented construction projects funded primarily by retail customers. As of fiscal year ended June 30, 2013, capital contributions are included in the other revenues and grants portion of the financial statements.

2013 Revenues



Expenses by Source – Electric Utility

Year ended June 30, 2014

Total expenses for the Electric Utility increased $19,595 (or 11%) from the prior year level. Production expenses increased 16% from the prior year as a result of increased wholesale and retail activity. Transmission and distribution expenses increased 4% from the prior year as a result of increased operation and maintenance expenses. Customer service expense and depreciation expense remained relatively unchanged. The depletion of gas decreased 7% due to lower gas delivery from the Project.

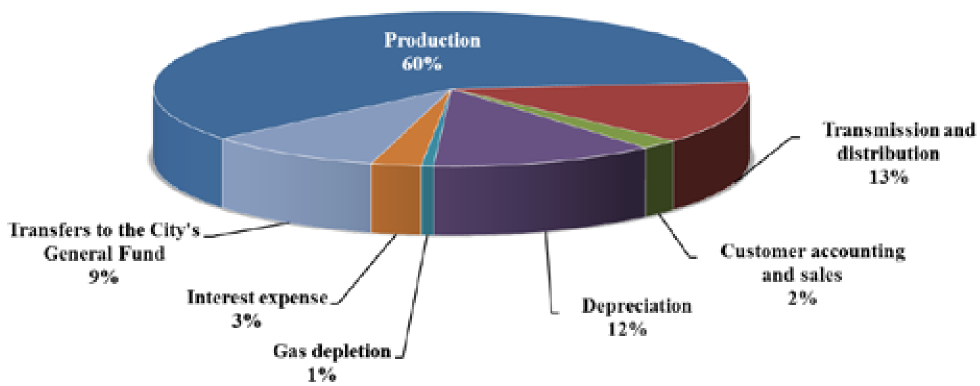
The Gas Depletion account was established to record the use of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds increased 33% from the prior year due to the issuance of the Electric Revenue Bonds, Series 2013.

The City Charter provides at the end of each Fiscal Year, up to 25% of the operating revenues of the Department 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 Department. Transfers to the City's General Fund decreased 1% from the prior year.

2014 Expenses



Year ended June 30, 2013

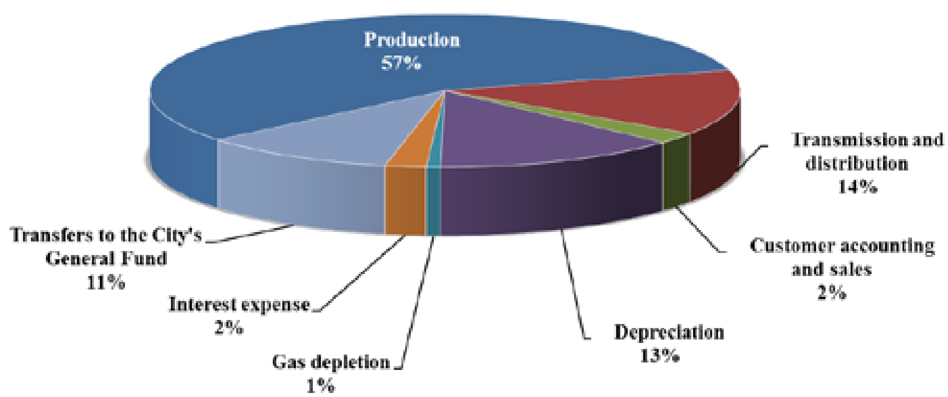
Total expenses for the Electric Utility decreased $25,314 (or 13%) from the prior year level. Production expenses decreased 21% from the prior year as a result of decreased wholesale activity, reduced SCPPA related transmission expenses as well as the conclusion of a long-term purchase power contract with Portland General Electric (PGE). Transmission and distribution expenses increased 7% from the prior year as a result of increased operation and maintenance expenses for Advanced Metering Infrastructure (AMI) and increased administrative & general overhead expense offsetting decreased expenses due to a non-recurring meter write-off in the prior year. Customer service expense decreased 35% from the prior year level due to a change in the administrative and general expense allocation method. The administrative and general expenses are no longer allocated to customer service, the administrative and general expenses are allocated directly to the Electric Utility's capital, operation and maintenance funds. Despite reduced capital spending from the prior year, depreciation expense increased 18% due to the construction of generation, transmission and distribution projects that had previously been accounted for as construction in progress being capitalized. The depletion of gas increased 28% due to increased drilling.

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 was on par with the prior year level.

The City Charter provides at the end of each Fiscal Year, up to 25% of the operating revenues of the Department for such Fiscal Year, excluding receipts from water or 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 Department. Transfers to the City's General Fund decreased 1% from the prior year.

2013 Expenses



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2014 and 2013 was $304,468 and $326,677 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 7% and 1% decrease as of June 30, 2014 and 2013, respectively,

The Electric Utility's capital assets as of June 30, 2014, 2013, 2012 are as follows:

	2014	2013	2012
Production	$ 100,680	$ 104,553	$ 118,188
Transmission and distribution	426,562	425,224	426,227
Natural Gas Reserve	22,148	22,129	21,824
General	62,401	63,033	63,916
Less: accumulated depreciation	(307,323)	(288,262)	(281,677)
Total	$ 304,468	$ 326,677	$ 348,478

Long-Term Debt
As of June 30, 2014, 2013, and 2012, the Electric Utility had outstanding long-term debt of $177,676, $115,615, and $116,881, respectively.

The Electric Utility's outstanding debt as of June 30, 2014, 2013, 2012 is as follows:

	2014	2013	2012
Electric Revenue Bonds	$ 170,790	$ 112,080	$ 117,280
Less: current portion	(2,302)	(1,548)	(2,182)
Unamortized bond premium	9,188	5,083	1,783
Total long-term debt	$ 177,676	$ 115,615	$ 116,881

During fiscal year 2014, 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 34 to 37 of this report.

Economic Factors and Rates

In 2014, the City continued its effort to minimize exposure to market spikes in power and natural gas by adopting retail rate adjustment clauses that allow retail rates to adjust to market conditions and regulatory changes. In addition, the Electric Utility updated the Energy Risk Management Policy, which was approved by City Council in June 2014. These revisions will help stabilize rates and assure cost recovery given market volatility.

The Electric Utility advanced its commitment to environmental improvement by soliciting long-term renewable resources through SCPPA and the bilateral market, and by evaluating opportunities for short-term and local renewable energy resources, as well as energy storage. In September 2014, City Council approved a new 25-year purchase of firmed solar power, starting in late 2015.

In late 2012, the City Council adopted a Renewable Portfolio Standard (RPS) Procurement Plan that focused on compliance with state mandates through 2013. The 2012 Procurement Plan, and the 2011 RPS Enforcement Plan, will be modified over time depending on market conditions and changes in state regulations. The current RPS target is 20 percent renewable resources through 2015, 25 percent in 2016, 27 percent in 2017, 29 percent in 2018, 31 percent in 2019, and 33 percent in 2020. GWP boasts a diversified energy portfolio, which currently includes about 20 percent renewable (excluding large hydroelectric power from Hoover Dam) and with the most recent long-term purchase is well situated to meet state mandates for renewable energy through 2020. GWP is also considering 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.

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 annual net income by fiscal year ending June 30, 2016, supporting a bond issue of $60 million.

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 FUND
Statements of Net Position
June 30, 2014 and 2013 (in thousands)

	2014	2013
Assets and Deferred Outflow of Resources		
Current assets:		
Pooled cash and investments	$ 53,770	$ 23,692
Cash with fiscal agent	8,025	2,308
Investments with fiscal agent	2,464	2,398
Interest receivable	282	201
Investment-gas/electric commodity	1,088	1,794
Accounts receivable, net	10,722	9,370
Unbilled receivable	17,053	15,016
Due from other agencies	28	26
Inventories	5,756	6,274
Prepaid items and other	3,817	5,482
Total current assets	103,005	66,561
Noncurrent assets:		
Capital assets:		
Land	6,239	6,239
Natural gas reserve	22,148	22,129
Buildings and improvements	65,493	64,710
Machinery and equipment	515,362	509,620
Accumulated depreciation	(300,341)	(282,701)
Gas depletion	(6,982)	(5,561)
Construction in progress	2,549	12,241
Total capital assets	304,468	326,677
Pooled designated & invested cash	33,644	42,050
Restricted cash	60,358	5,669
Prepaid energy	97	947
Total noncurrent assets	398,567	375,343
Total assets	501,572	441,904
Deferred outflow of resources:		
Loss on refunding	1,291	1,443
Total assets and deferred outflow of resources	502,863	443,347

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Net Position
June 30, 2014 and 2013 (in thousands)

	2014	2013
Liabilities and Net Position		
Current liabilities:		
Accounts payable	7,159	4,666
Contracts-retained amount due	50	49
Interest payable	3,813	2,394
Bonds payable, due in one year	2,302	1,548
Deposits	5,369	2,266
Total current liabilities	18,693	10,923
Noncurrent liabilities:		
Long term debt	177,676	115,615
Total liabilities	196,369	126,538
Net position:		
Net investment in capital assets	180,470	209,514
Restricted		
SCAQMD emission controls	5,669	5,669
Unrestricted	120,355	101,626
Total net position	$ 306,494	$ 316,809

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Operating revenues:		
Electric domestic sales	$ 61,396	$ 59,946
Electric commercial sale	103,794	99,260
Electric street light sales	2,910	6
Wholesale sales	15,130	12,803
Sale to other utilities	13,033	1,686
Miscellaneous revenues	7,370	3,864
Total operating revenues	203,633	177,565
Operating expenses:		
Production	128,775	111,400
Transmission	28,083	27,084
Customer accounting and sales	4,521	4,629
Depreciation	26,264	26,262
Gas depletion	1,421	1,532
Total operating expenses	189,064	170,907
Operating income	14,569	6,658
Non operating revenues (expenses):		
Interest revenue	1,393	263
Sales of property	122	277
Grant revenue	13	51
Interest on Bonds	(5,831)	(4,393)
Total non operating revenues, net	(4,303)	(3,802)
Income before contribution in aid and transfers	10,266	2,856
Contribution in aid	26	-
Transfer out:		
Transfer-General Fund of the City	(20,607)	(20,857)
Change in net position	(10,315)	(18,001)
Net position at beginning of year, as restated	316,809	334,810
Net position at end of year	$ 306,494	$ 316,809

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Cash Flows
Years ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash flows from operating activities:		
Cash from customers	$ 200,242	$ 176,908
Cash paid to employees	(29,292)	(35,720)
Cash paid to suppliers	(123,305)	(105,029)
Net cash provided by operating activities	47,645	36,159
Cash flows from noncapital financing activities:		
Amounts paid to other funds	-	1,331
Operating transfers out	(20,607)	(20,857)
Investment - gas/electric commodity	706	1,114
Investment with fiscal agent	(66)	-
Operating grant received	13	51
Net cash used by noncapital financing activities	(19,954)	(18,361)
Cash flows from capital and related financing activities:		
Interest on long term debt	(4,412)	(4,847)
Bond principal	62,815	(477)
Contribution in aid	26	-
Acquisition of property, plant, and equipment	(5,476)	(5,993)
Net cash provided (used) by capital and related financing activities	52,953	(11,317)
Cash flows from investing activities - interest received	1,434	589
Net increase in cash and cash equivalents	82,078	7,070
Cash and cash equivalents at beginning of year	73,719	66,649
Cash and cash equivalents at end of year	155,797	73,719
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	14,569	6,658
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,264	26,262
Gas depletion	1,421	1,532
(Increase)Decrease Accounts receivable net	(1,352)	693
(Increase) Unbilled Services	(2,037)	(1,799)
(Increase)Decrease Due from other agencies	(2)	449
(Increase)Decrease Inventories	518	(424)
Decrease Prepaid expenses	1,665	178
Decrease Prepaid energy	1,002	3,457
Increase Accounts payable	2,493	941
Increase(Decrease) Contracts - retention	1	(1,691)
Increase(Decrease) Deposits	3,103	(97)
Total adjustments	33,076	29,501
Net cash provided by operating activities	$ 47,645	$ 36,159
Noncash investing, capital, and financing activities:		
Increase(Decrease) in fair value of investments	97	(373)

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. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The basic accounting and reporting entity of the City is a "fund." A fund is defined as 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 Enterprise Fund (the Fund) 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 Fund, where revenues are recorded when earned and expenses are recorded when incurred. The Fund 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 Fund pools its cash with the City. The City values its cash and investments in accordance with the provisions of Government Accounting Standard Board (GASB) Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investments Pools* (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net position/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee 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 Fund on a monthly basis based upon the prior month end cash balance of the Fund 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 Fund, cash and cash equivalents include all pooled cash and investments, restricted cash and cash with fiscal agents with an original maturity of three months or less. The City considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Investment-gas/electric commodity represents the City's implementation of a program to purchase and sell options (calls and puts) in natural gas futures contracts at strike prices. These transactions allow the City to stabilize the ultimate purchase price of natural gas for the City's power plant. They, and other transactions, also give the City the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value. As of June 30, 2014 and 2013, the investment-gas/electric commodity was $1,088 and $1,794, respectively.

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Electric Fund 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, 2014, 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, 2014 and 2013, $33,644 and $42,050 was designated, respectively.

Capital Assets

The Fund's capital assets include land, building, improvements and equipments that are reported in the Fund's financial statements. The Fund 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 estimated fair market value at the date of donation. 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. For fiscal year ended June 30, 2014 and 2013, the total interest capitalized is $293 and $701, respectively.

A summary of the useful lives of the capital assets of the Fund 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 Fund records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Fund 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 Fund 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 Fund 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 Fund, 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 Fund based on the Fund's share of current employees to total city employees. For fiscal year 2014 and 2013, the City's contribution in benefit payments was $2,817 and $2,657, respectively.

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

Accounts Receivable

The Fund 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, 2014 and 2013, the Fund's allowance for doubtful accounts were $184 and $216, respectively.

Unbilled Receivable

The Fund records revenues for utility services delivered to customers but not billed. As of June 30, 2014 and 2013, the Fund's unbilled receivable was $17,053 and $15,016, 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, 2014 and 2013, the Fund's due from other funds were $0 and $0, respectively.

Deposits

The Fund requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Fund to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Fund. As of June 30, 2014 and 2013, the Fund's deposits were $5,369 and $2,266, respectively.

Contracts - Retained Amount Due

The Fund 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, 2014 and 2013, the Fund's contracts – retained amount due were $50 and $49, 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 Fund 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, 2014 and 2013, the Fund's transfers to the City were $20,607 and $20,857, 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 Fund 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 Adopted

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 Fund, except that GASB Statement No. 68 and No. 71 will have an effect on the Fund's net position:

- Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*

- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.*

- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Implementation of Pronouncement

The Fund has adopted and implemented the following GASB Statements during the year ended June 30, 2014:

- Governmental Accounting Standards Board Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*

- Governmental Accounting Standards Board Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

The implementation of GASB Statements No. 66 and No. 70 did not impact the financial statements of the Fund during the year ended June 30, 2014 and 2013.

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. The Fund only has one item, deferred loss on debt refunding, which qualifies for reporting in this category in the statements of net position. As of June 30, 2014 and 2013, the Fund's deferred outflows of resources were $1,291 and $1,443, 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 Fund had no deferred inflows of resources as of June 30, 2014.

2. Pooled Cash and Investments

Cash resources of the Fund 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 Fund on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total pooled cash and investment, $159,349 and $77,911 pertains to the Fund for fiscal year 2014 and 2013, respectively. Pooled cash and investments are stated at the fair value.

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

	2014	2013
Pooled cash and investments	$ 114,128	$ 29,361
Cash with fiscal agents	10,489	4,706
Restricted investment	1,088	1,794
Pooled designated cash and invested cash	33,644	42,050
Total	$ 159,349	$ 77,911

For additional details on the City investment pool including disclosure relating to Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Investment in State Investment Pool, please refer to 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, 2014 and 2013 there is $60,358 and $5,669 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.

Cash with Fiscal Agent

The Fund 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 ordinances are generally more restrictive than the City's general investment policy.

As of June 30, 2014, the Fund had $10,489 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	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	5,850	Less than 1 yr	Aaa
	10,489		

As of June 30, 2013, the Fund had $4,706 on deposit with fiscal agent as required by the bond documents; the Fund had the following underlying investments:

Investments	Fair Value	Maturity	Moody's Rating
Guaranteed Investment Contracts	2,465	More than 5 yr	Aa2
U.S. Treasury Notes	2,241	Less than 1 yr	Aaa
	4,706		

3. Capital Assets

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, 2014, the net balance for Natural Gas Reserve Project was $15,166.

A summary of the changes in Electric Fund 2013 - 2014 Capital Assets is as follows:

	Balance at June 30, 2013	Increases	Decreases	Reclass/Transfers	Balance at June 30, 2014
Capital assets not being depreciated/depleted:					
Land	$ 6,239	-	-	-	6,239
Construction in progress	12,241	116	-	(9,808)	2,549
Total assets not being depreciated/depleted	18,480	116	-	(9,808)	8,788
Depreciable capital assets:					
Building and improvements	64,710	49	-	734	65,493
Machinery and equipment	509,620	5,455	(8,787)	9,074	515,362
Total other capital assets at cost	574,330	5,504	(8,787)	9,808	580,855
Depletable capital assets:					
Natural Gas Reserve	22,129	19	-	-	22,148
Less accumulated depreciation:					
Building and improvements	35,249	1,923	-	-	37,172
Machinery and equipment	247,452	24,348	(8,631)	-	263,169
Total accumulated depreciation	282,701	26,271	(8,631)	-	300,341
Less allowance for gas depletion					
Natural Gas Reserve	5,561	1,421	-	-	6,982
Total assets being depreciated	308,197	(22,169)	(156)	9,808	295,680
Electric Fund capital assets, net	$ 326,677	(22,053)	(156)	-	304,468

A summary of the changes in Electric Fund 2012 - 2013 Capital Assets is as follows:

	Balance at June 30, 2012	Increases	Decreases	Reclass/Transfers	Balance at June 30, 2013
Capital assets not being depreciated/depleted:					
Land	$ 6,239	-	-	-	6,239
Construction in progress	19,561	1,504	(8,824)		12,241
Total assets not being depreciated/depleted	25,800	1,504	(8,824)	-	18,480
Depreciable capital assets:					
Building and improvements	62,937	1,773	-		64,710
Machinery and equipment	519,594	11,378	(20,910)	(442)	509,620
Total other capital assets at cost	582,531	13,151	(20,910)	(442)	574,330
Depletable capital assets:					
Natural Gas Reserve	21,824	305	-	-	22,129
Less accumulated depreciation:					
Building and improvements	33,576	1,673	-	-	35,249
Machinery and equipment	244,073	24,589	(20,863)	(347)	247,452
Total accumulated depreciation	277,649	26,262	(20,863)	(347)	282,701
Less allowance for gas depletion					
Natural Gas Reserve	4,028	1,533	-	-	5,561
Total assets being depreciated	322,678	(14,339)	(47)	(95)	308,197
Electric Fund capital assets, net	$ 348,478	(12,835)	(8,871)	(95)	326,677

4. Long-Term Debt

The Electric Utility's long-term debt as of June 30, 2014 and 2013 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2014	Outstanding June 30, 2013
Electric Revenue Bonds, 2006 Refunding Series	4.00%-5.00%	$38,830	$30,280	$31,570
Electric Revenue Bonds, 2008 Series	4.00%-5.00%	$60,000	$60,000	$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	$60,000	$0

Electric Revenue Bonds, 2006 Refunding Series

The Electric utility of Glendale *Water & Power* issued $38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2000 Series. The bond proceeds were deposited in an escrow account and will be used to refund the Electric Revenue Bonds, 2000 Series through a legal defeasance. The advance refunding of Electric Revenue Bonds, 2000 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. Deferred loss on refunding as of June 30, 2014 for $1,147 is recognized and reported in the financial statements as a deferred outflow of resources and is being amortized through February 1, 2030. As of June 30, 2009, $37,000 of the 2000 series bonds outstanding are considered defeased. Liabilities for defeased bonds are not included in the City's financial statements.

The terms of the Electric Revenue Bonds, 2006 Refunding Series' (2006 Refunding Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $1,327.

The bonds mature in regularly increasing amounts ranging from $1,350 to $2,570 annually from 2015 to 2030. The 2006 Refunding Bonds maturing on or prior to February 1, 2016 are not subject to redemption prior to maturity. The 2006 Refunding Bonds maturing on and after February 1, 2017 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2016, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2006 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2008 Series

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

The terms of the 2008 Electric Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $2,241.

The bonds mature in regularly increasing amounts ranging from $1,880 to $4,195 annually from 2018 to 2038. The 2008 Bonds maturing on or prior to February 1, 2018 are not subject to redemption prior to maturity. The 2008 bonds maturing on and after February 1, 2019 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2018, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2008 Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2013 Refunding Series

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

The current refunding resulted in the recognition of a deferred outflow of resources of $155 and is being amortized through year 2032. The Fund in effect reduced its aggregate debt service payments by $4,070 over the next nineteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $3,695 (2.478%). The bonds mature in regularly increasing amounts ranging from $900 to $1,805 annually from 2017 to 2032.

Electric Revenue Bonds, 2013 Series

The Electric utility of Glendale Water & Power issued $60,000 in revenue bonds in December

2013 to finance 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 $570 to $3,795 annually from 2015 to 2043.

	Amount outstanding at June 30, 2013	Additions	Retirements	Amount outstanding at June 30, 2014	Due within one year
Electric Revenue Bonds, 2006 Refunding Series	$ 31,570	-	1,290	30,280	1,350
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	-	60,000	570
Electric Bond Premium	5,083	4,559	453	9,189	382
Total bonds payable	117,163	64,559	1,743	179,979	2,302

	Amount outstanding at June 30, 2012 (As restated)	Additions	Retirements	Amount outstanding at June 30, 2013	Due within one year
Electric Revenue Bonds, 2003 Series	$ 24,485	-	24,485	-	-
Electric Revenue Bonds, 2006 Refunding Series	32,795	-	1,225	31,570	1,290
Electric Revenue Bonds, 2008 Series	60,000	-	-	60,000	-
Electric Revenue Bonds, 2013 Refunding Series	-	20,510	-	20,510	-
Electric Bond Premium	1,783	3,816	516	5,083	258
Total bonds payable	119,063	24,326	26,226	117,163	1,548

The annual debt service requirements to amortize long-term bonded debt at June 30, 2014 are as follows:

	Revenue Bonds		
Fiscal year	Interest	Principal	Total
2015	$ 8,004	1,920	9,924
2016	7,924	2,460	10,384
2017	7,808	3,470	11,278
2018	7,641	5,475	13,116
2019	7,394	5,690	13,084
2020-2024	32,926	32,290	65,216
2025-2029	24,663	40,265	64,928
2030-2034	15,663	35,145	50,808
2035-2039	7,666	29,945	37,611
2040-2043	1,574	14,130	15,704
	$ 121,263	170,790	292,053

Rate Covenants

The City 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 Fund is in compliance with this requirement.

5. Pension Plan

Full-time employees of the Fund participate with other City employees in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Fund's contributions represent a pro rata share of the City's contribution, including the employees' contribution that is paid by the Fund, which is based on PERS's actuarial determination as of July 1 of the current fiscal year. Approximately 16% of full-time City workers are employed by the Fund.

PERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Fund's share of the actuarial computed pension benefit obligation, the plan's net assets available for benefit obligation and the plan's net assets available for benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Annual Pension Cost

Glendale *Water & Power* annual pension costs are as follows:

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012:	$ 5,023	100%	$0
6/30/2013:	$ 4,232	100%	$0
6/30/2014:	$ 3,864	100%	$0

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

6. Self-Insurance Program

The Fund is covered by the City's unemployment and workers' compensation insurance. For purposes of general liability, the Fund is self-insured through the City's self-insurance program which is accounted for in the 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 2014-15 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 Fund is charged a premium and the Internal Service Funds recognized the corresponding revenue. The Fund is not liable for amounts other than the premiums. Claims expenses are recorded in the Internal Service Funds. Premiums are evaluated periodically and increases are charged to the Fund to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2014 and 2013, premium charged by the Internal Service Funds for Glendale *Water & Power* were $1,475 and $1,442, 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 designated to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal years 2014 and 2013 was $5,669 and $5,669, respectively.

8. "Take or Pay" Contracts

The City has entered into twelve "Take or Pay" contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City's share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for City residents. Through these contracts, the City purchased approximately 61% of its total energy requirements during fiscal year 2013-2014. With a few exceptions, the City 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 City 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 City through contract is obligated for 30 megawatts or 1.7040% of the generation. In addition, the City entered into an "Excess Power Sales Agreement" with the ICPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to additional shares that can vary from year to year. As of June 30, 2014, Glendale's Excess Entitlement share is 0.4610%. The total City's obligation from Intermountain Power Project (IPP) is between 35 and 38 megawatts.

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

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of 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 City receives 9.9 megawatts or 4.400% of SCPPA's entitlement. As of June 30, 2014, Glendale's share is 4.400% (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 rated at 1,920 megawatts. The City's share of the line is 2.2740% or approximately 44 megawatts. As of June 30, 2013, Glendale's share is 2.2740% (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, located in New Mexico. SCPPA members are entitled to 208 megawatts. The City is obligated for 20 megawatts or 9.8047% of the SCPPA entitlement. As of June 30, 2014, Glendale'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 City is obligated for 90 megawatts or 11.0430% of the SCPPA entitlement. As of June 30, 2014, Glendale's share is 11.0430% (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 City'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 City's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical energy is readily available. As of June 30, 2014, Glendale's share is 14.8000% (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 City is obligated for 40 megawatts or 16.5289% of the project's output. As of June 30, 2014, Glendale's share is 16.5289% (MPP).

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below spot market price. The delivery of natural gas started in July 2008. As of June 30, 2014, Glendale's share is 23.0000% (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 City has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 10.0000% (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 City is obligated for approximately 6.8 megawatts or 50% of the project's output. As of June 30, 2014, Glendale's share is 50.0000 % (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 7.6300% of the renewable energy output from the Project. The City has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 7.6300% (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 4.9020% of the Project's output. The City has sold its output entitlement share to Los Angeles Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 4.9020% (MIL2).

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

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.1648%
Palo Verde Project (PV)	2030	4.4000%
Southern Transmission System (STS)	2027	2.2740%
San Juan Project (SJ)	2030	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 City's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2014:

	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN	WP	THP	MIL2	TOTAL
2015	$ 4,207	176	525	1,512	2,246	892	2,746	2,726	684	2,273	1,044	444	19,475
2016	4,711	1,614	554	1,879	2,514	1,016	3,717	4,562	1,015	3,132	1,679	630	27,023
2017	3,316	1,612	556	1,846	2,450	982	3,718	4,561	1,016	3,131	1,679	631	25,498
2018	4,821	1,611	560	1,818	2,431	976	2,895	4,588	1,015	3,132	1,680	630	26,157
2019	5,263	1,610	-	1,798	2,410	966	2,895	4,715	1,016	3,132	1,679	631	26,115
2020-2024	13,717	1,563	-	9,113	4,179	1,672	14,545	26,281	5,078	15,658	8,401	3,153	103,360
2025-2029	-	-	-	3,280	-	-	16,433	31,297	5,077	15,658	9,185	3,153	84,083
2030-2034	-	-	-	-	-	-	16,980	36,774	5,029	6,264	8,338	1,892	75,277
2035-2039	-	-	-	-	-	-	18,399	8,906	1,914	-	8,337	-	37,556
2040-2044	-	-	-	-	-	-	-	-	-	-	5,019	-	5,019
Total	$ 36,035	8,186	2,195	21,246	16,230	6,504	82,328	124,410	21,844	52,380	47,041	11,164	429,563

In addition to debt service, the City'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 2014 and 2013 are as follows:

Fiscal Year	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN	WP	THP	MIL2	Total
2014	$ 8,588	7,568	2,760	676	266	224	4,236	1,923	-	-	505	-	26,746
2013	$ 8,578	6,804	2,336	486	257	143	4,238	13	-	-	611	-	23,466

9. Power Purchase Agreements

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

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

In January 1987, the City renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-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 City is entitled to 21 megawatts or 1.0251% of the capacity and 1.5874% of the firm energy.

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

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

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

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

9. Subsequent Events

In September 2014, the City Council approved a 25-year agreement with Skylar Resources L.P. for the purchase of solar-generated electric power for an amount not to exceed $731 million. The agreement will help Glendale Water and Power (GWP) Department to meet the Renewable Portfolio Standard (RPS) compliance requirement and to cover a portion of GWP's net short energy position.