CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Financial Statements

June 30, 2015

(With Independent Auditors' Report Thereon)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

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KPMG LLP
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Independent Auditors' Report

The Honorable City Council
City of Anaheim, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric Utility Fund of the City of Anaheim, California (the Fund), as of and for the year ended June 30, 2015, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Utility Fund of the City of Anaheim, California, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of the City of Anaheim, California (City) as of June 30, 2015, and the changes in its financial position and its cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 14, the schedule of changes in net pension liabilities and related ratios and the schedule of pension plan contributions on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
December 18, 2015

As management of Anaheim Public Utilities, a department of the City of Anaheim (City), we offer the readers of the City of Anaheim Electric Utility Fund (Electric Utility) financial statements a narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

Financial Highlights

- The Electric Utility's total net position for fiscal year 2015 was $326,305. An increase of $44,395 (15.7%), which represents a sound and competitive financial position of the Electric Utility.
- Net investment in capital assets increased by $20,648 (8.1%) as a result of improvements made to the Electric Utility's distribution system as one of the nation's most reliable electric utilities.
- Interest expense for fiscal year 2015 was $24,060. A 12.0% decrease reflects improved debt management conditions. The Electric Utility will continue to seek prudent bond refinancing opportunities to help reduce debt service costs.
- The Electric Utility's Public Benefit Program expended $4,720 in community service-related programs for the 2015 fiscal year. The program has provided public benefits in the areas of energy efficiency incentives, low income rate discounts, lighting incentives, and renewable energy for residential and business customers.
- The Electric Utility completed installation of a 2.4 MW solar panel system, which was dedicated on October 7, 2014. It is the largest city-owned and roof-mounted, solar panel system on the Anaheim Convention Center. The system will generate enough energy to power 600 homes for a year and is included in the Electric Utility's renewable energy portfolio. It shows Anaheim's commitment to renewable energy initiatives and clean energy environment.
- Purchased power for fiscal year 2015 was $264,870. A decrease of $10,143 reflects the Electric Utility's strategies to procure lower power costs and to comply with Renewable Portfolio Standards (RPS) requirements.
- During fiscal year 2015, the Electric Utility adopted two accounting pronouncements issued by the Governmental Accounting Standard Board (GASB) related to Pension. These Statements established accounting, financial reporting, and disclosure requirements for pension but not established for funding or budgetary standards:

    1. GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, and

    2. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The implementation of these two Statements has significant impacts to the financial reporting of the Electric Utility's defined benefit plans. The accounting changes are as follows:

1. Net unfunded pension liability – this liability is now required to report on a full accrual basis in the Electric Utility's financial statements.

2. Measurement Date – the net pension liability as reported in the June 30, 2015 financial statements has a measurement date of June 30, 2014 which reflects a one year lag in reporting the liability;

3. Contributions made subsequent to the measurement date – contributions made during fiscal year 2015 are reflected as deferred outflows of resources for pension and will be applied as a reduction in pension liability in the next fiscal year;

4. Changes in assumptions, projected to actual, and other plan amendments – will be reflected as deferred inflows of resources or deferred outflows of resources depending on the nature of the changes. The amount will be amortized and reflected as a component in pension expense calculation in the period incurred and future fiscal years.

To implement these changes, the Electric Utility is required to make prior period adjustments to its July 1, 2014 net position in the financial statements. The adjustments decrease the beginning fiscal year net position by $75,985, which represents the unfunded pension liability at June 30, 2013. This amount was partially offset by $5,990 in pension contributions made by the Electric Utility during fiscal year 2014 for a total of $69,995. The prior period adjustments are reflected in the unrestricted net position on the statement of net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Electric Utility's financial statements. Because the Electric Utility is a business-type activity of the City, an enterprise fund is used to account for its operations. These financial statements include only the activities of the Electric Utility and provide information for fiscal year 2015. Information on citywide financial results is available in the City's Comprehensive Annual Financial Report as of June 30, 2015.

The Electric Utility's financial statements comprise two components: (1) financial statements and (2) notes to financial statements. Included as part of the financial statements are the statement of net position, statements of revenue, expenses, and changes in net position, and statements of cash flows.

The statements of net position present information on assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between the two 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 Electric Utility is improving or deteriorating.

(In thousands)

The statements of revenue, expenses, *and changes in net position* present the Electric Utility's revenue and expenses during this fiscal year. The statements provide information showing how the Electric Utility's net position changed.

The statements of cash flows present the flows of cash and cash equivalents provided by and used for operating activities, other cash sources, and uses in capital as well as investing activities during this fiscal year.

The notes to financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements.

Financial Analysis

The Electric Utility's condensed statements of net position at June 30 are as follows:

Condensed Statements of Net Position

		2015	2014 (as restated*)
Current and other assets	$	476,532	426,126
Net utility plant		879,566	855,077
Deferred outflows of resources		7,956	8,746
Total assets and deferred outflows or resources		1,364,054	1,289,949
Long-term liabilities, net of current portion		831,150	843,746
Current liabilities		117,890	75,195
Deferred inflows of resources		88,709	89,098
Total liabilities and deferred inflows of resources		1,037,749	1,008,039
Net investment in capital assets		276,145	255,497
Restricted		45,483	40,283
Unrestricted		4,677	(13,870)
Total net position	$	326,305	281,910

* Restatement due to implementation of GASB Statement No. 68.

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources as of June 30, 2015 were $1,364,054 reflecting an increase of $74,105 (5.7%) mainly due to the following:

- Current and other assets, comprising restricted and unrestricted assets, had a net increase of $50,406 (11.8%).
  - Restricted assets increased by $22,084 mainly due to $24,212 of unspent bond proceeds from the new bond issue of 2015-A.
  - Unrestricted assets increased by $28,322 mainly due to an increase of $8,471 in prepaid power costs related to the Cap & Trade program, and an increase of $8,160 in accounts receivable mainly due from Water fund, California Independent System Operator (CAISO), and grants from Department of Energy. In addition, unrestricted cash and investments increased by $7,867 resulting from the sale of excess retail allowances related to the Cap & Trade program and an increase of $4,476 in materials and supplies for upcoming undergrounding projects.
- Net utility plant increased by $24,489 (2.9%) mainly due to the implementation of a new solar energy system and continued improvements in the distribution system to keep Anaheim as one of the nation's most reliable electric utilities.
- Deferred outflows of resources, consisting of deferred charge on refunding bonds and deferred pension decreased by $790 (9.0%), mainly due to a decrease of $1,375 from current year amortization of deferred charge on refunding bonds, offset by an increase of $585 from deferred pension.

Liabilities and Deferred Inflows of Resources

Total liabilities and deferred inflows of resources as of June 30, 2015 were $1,037,749 reflecting an increase of $29,710 (2.9%) due to the following:

- Long-term liabilities, including the current portion of $44,134 in current liabilities, increased a total of $8,183 (0.9%).
  - The long-term debt increased of $20,668 (3.1%) is mainly due to a total increase of $30,375 from refunding 2014 bond and a new 2015-A bond, offset by scheduled principal payments of $24,150, and a net increase of bond premium cost of $14,443 from the 2014 refunding bonds offset by current year's amortization costs. The Electric Utility is continually strengthening its financial position through refunding old bonds and issuing new bonds at lower rates. (See note 7 of the notes to financial statements for additional information regarding long-term liabilities.)

(Continued)

  - Long-term pension obligation decreased a total of $13,235 (17.4%) mainly due to an adjustment to deferred inflows of resources of the unamortized balance between the projected and actual investment gain from the pension plan in the amount of $13,366.
  - Long-term provision for decommissioning costs increased a total of $750 (0.6%) mainly due to current year's $2,373 contributions from SONGS and San Juan generation station, Unit 4, offset by payments of $1,623.

- Current liabilities, excluding the above current portion debt, pension obligation and decommissioning liabilities, increased by $21,916 (42.3%) mainly due to a $16,208 increase in retail allowance obligation and $4,381 in wholesales compliance obligation in the Cap & Trade program.
- Deferred inflow of resources, consisting of regulatory credits and deferred pension decreased by $389 (0.4%) due to a decrease in regulatory credits of $13,755 offset by an increase in deferred pension of $13,366. (See notes 1 and 9 of the notes to financial statements for additional information regarding regulatory credits and pension.)

Net Position

The Electric Utility's net position, which represents the difference between the Electric Utility's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, may serve over time as a useful indicator of the Electric Utility's financial position. This net position at June 30, 2015, totaled $326,305, an increase of $44,395 (15.7%) mainly due to the following:

- The net investment in capital assets of $276,145 reflects the investment in the Electric Utility's capital assets, less any related outstanding debt used to acquire those assets. This portion increased by $20,648 (8.1%) due to the Electric Utility investing in more capital assets to provide reliable and efficient services to customers. Resources needed to repay the outstanding debt must come from other sources such as operations revenue.
- The restricted net position total of $45,483 represents resources reserved for external restrictions on how they may be used, such as debt service payments, the Public Benefit Program, and other legally restricted purposes. This portion increased by $5,200 (12.9%) primarily due to a $3,067 resource required for Public Benefit programs.
- The unrestricted net position of $4,677 increased by $18,547 primarily attributed to positive operating results. This portion may be used for ongoing operational needs and obligations to our creditors and customers.

(Continued)

(In thousands)

The Electric Utility's statements of revenue, expenses, and changes in net position for the years ended June 30 are summarized as follows:

Condensed Statements of Revenue,
Expenses, and Changes in Net Position

		2015	2014
Revenue:			
Retail sales, net	$	324,207	316,916
Wholesale sales		27,800	42,374
Rate Stabilization Account revenues		65,000	26,500
Surplus natural gas sales		937	1,107
Transmission revenue		31,874	34,912
Other revenue		3,879	4,242
Interest income		4,514	4,731
Capital contributions		6,055	4,362
Total revenue		464,266	435,144
Expenses:			
Purchased power		264,870	275,013
Fuel and generation		23,171	23,643
Operations, maintenance, and administration		47,902	43,079
Depreciation		41,568	41,770
Interest expense		24,060	27,340
Total expenses		401,571	410,845
Transfers:			
Transfer to the General Fund of the City		(17,151)	(17,127)
Transfer of right-of-way fee to the City		(5,263)	(5,555)
Transfers from other funds of the City		4,114	297
Total transfers		(18,300)	(22,385)
Changes in net position		44,395	1,914
Net position at beginning of year, as restated *		281,910	279,996
Net position at end of year	$	326,305	281,910

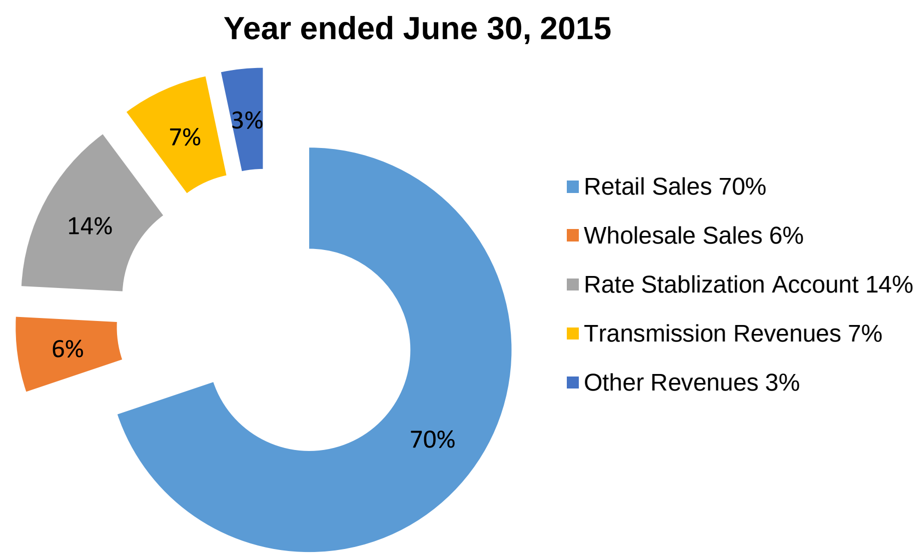
* Restatement due to implementation of GASB Statement No. 68.

Revenue

Total revenue for the year ended June 30, 2015 was $464,266, an increase in total revenue of $29,122 (6.7%) mainly due to the following:

- Retail sales, net of bad debt, totaled $324,207. An increase of $7,291 (2.3%) was due to an increase of 5.2% in retail sales volume resulting from warmer weather during the fiscal year 2015. Retail sales are the primary revenue source for Electric Utility, which represents 69.8% of total revenue. The Electric Utility continues to provide competitive rates for its customers.
- Wholesale sales totaled $27,800. A decrease of $14,574 (34.4%) was mainly due to the increase in retail sales volume, less surplus energy available in the wholesale market.
- Rate Stabilization Account (RSA) revenue of $65,000 was recognized in this fiscal year in order to maintain at least a $50 million reserve balance, and to retain a sound debt service coverage ratio of 2.85 for the Electric Utility. An increase of $38,500 (145.3%) in the rate stabilization account was needed to maintain the Electric Utility Funds high-credit ratings.
- Transmission revenue was $31,874. A decrease of $3,038 (8.7%) was due to lower revenue derived from Congestion Revenue Rights (CRR) in the market and lower transmission demand. Transmission revenue is based upon the Electric Utility providing use of its transmission entitlements to CAISO as a participating transmission owner. These revenue is based upon transmission rates charged by CAISO and demand in the participants market.

Revenue by Source



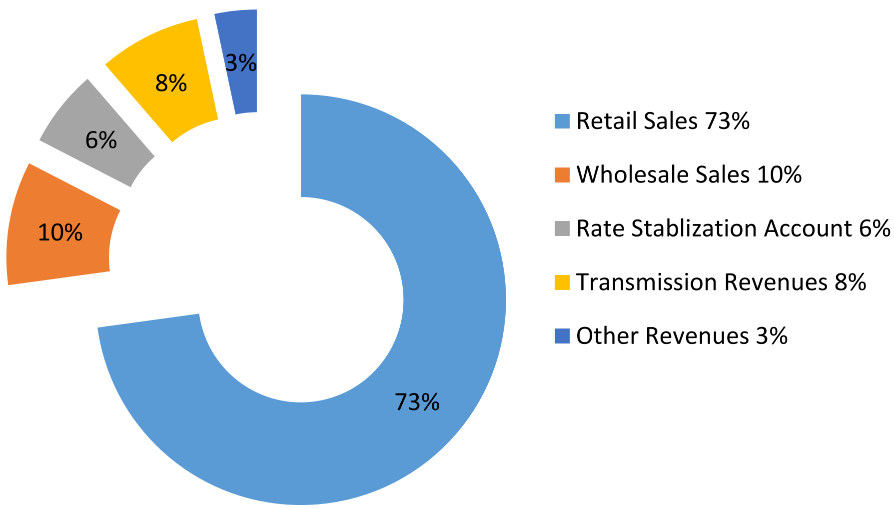
CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Management's Discussion and Analysis
(Unaudited)

June 30, 2015

(In thousands)

Year ended June 30, 2014



Expenses

Total expenses for the year ended June 30, 2015 were $401,571, a decrease in total expenses of $9,274 (2.3%) mainly due to the following:

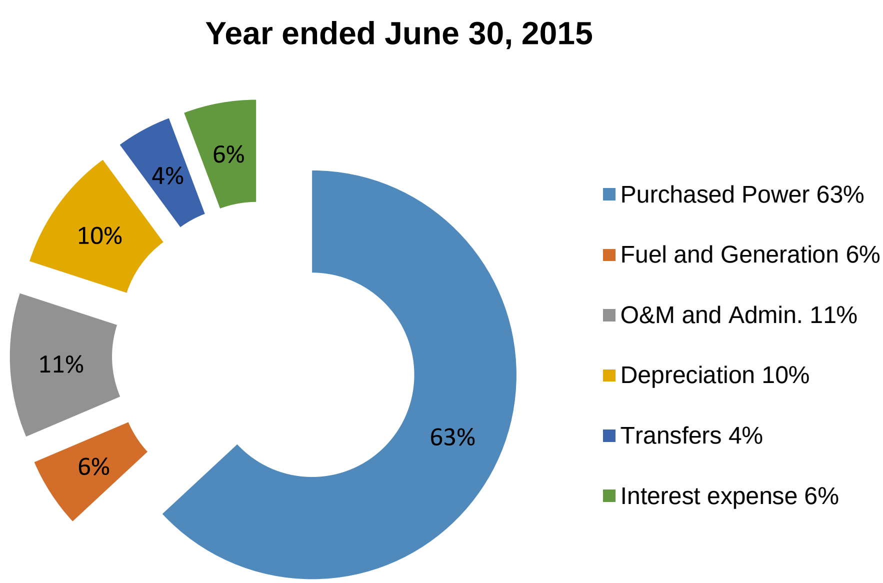
- Power costs totaled $264,870. A decrease of $10,143 (3.7%) was due primarily to the combination of strategies to procure lower power costs from renewable resource to comply with RPS requirements, long-term commitments with conventional power supplies and internal power generation.
- Operation, maintenance, and administration totaled $47,902, an increase of $4,823 (11.2%) mainly due to higher maintenance expenses to ensure reliability of the electric system.
- Interest expense was $24,060, a decrease of $3,280 (12.0%) mainly reflecting lower interest rates from continually reviewing and improving the debt management strategy.

Transfers

- Transfers to the City's General Fund, as defined by City Charter, are equal to a maximum of 4% of total operating revenue. The transfer to the City's General Fund was $17,151 for fiscal year 2015, which is based on the current year's total operating revenue and true-up adjustments on prior year's total operating revenue. There were no significant changes in the amount of transferred to the City during fiscal year 2015 when compared with prior fiscal year.

- The transfer of the right-of-way fee to the City is equal to 1.5% of retail electric revenue of the prior fiscal year. The right-of-way fee transferred to the City was $5,263 for fiscal year 2015. There were no significant changes in the amount of right-of-way fee transferred to the City during fiscal year 2015 when compared with prior fiscal year.
- Transfers from other funds of the City in fiscal year 2015 were $4,114 as compared with transfers from other funds of $297 in the prior fiscal year. The $4,042 was related to joint capital assets with the Water Utility, which transferred its share to Electric Utility upon completion.

Expenses and Transfers



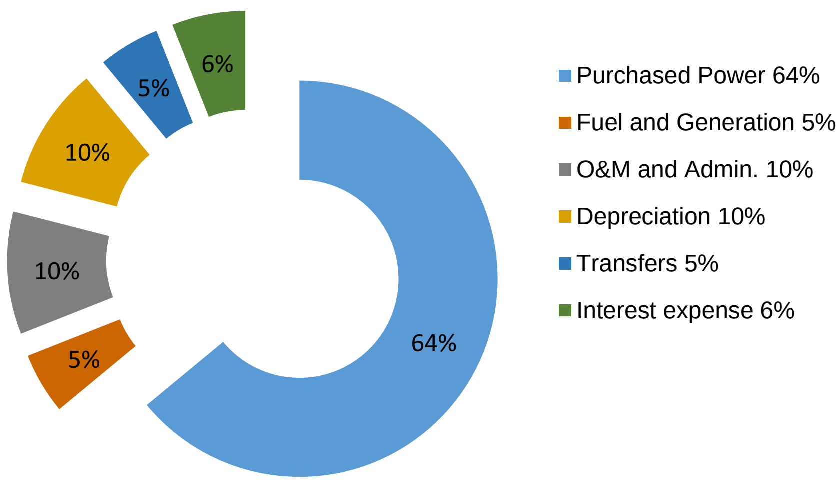
CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Management's Discussion and Analysis
(Unaudited)

June 30, 2015

(In thousands)

Year ended June 30, 2014



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's capital assets as of June 30 are as follows:

		2015	2014
Production	$	130,719	123,622
Transmission		96,400	94,220
Distribution		919,288	877,903
General plant		133,883	127,752
Land		35,671	35,671
Construction in progress		60,646	55,001
Total utility plant		1,376,607	1,314,169
Less accumulated depreciation		(497,041)	(459,092)
Net utility plant	$	879,566	855,077

Additional information on the Electric Utility's capital assets can be found in note 3 of the notes to the financial statements.

(In thousands)

The Electric Utility's investment in utility plant, net of accumulated depreciation, was $879,566 as of June 30, 2015. An increase of $24,489 (2.9%) was due to total utility plant increasing by $62,438 (4.8%), and partially offset by $37,949 (8.3%) in accumulated depreciation mainly due to the following:

- Production assets totaled $130,719, an increase of $7,097 (5.7%) mainly due to the installation of 2.4 MW solar panel system on top of the Anaheim Convention Center. It is the largest solar panel system in North America and covering 300,000 square feet of roof space.
- Distribution assets totaled $919,288, and increase of $41,385 (4.7%) mainly due to the completion of 1.8 circuit miles of underground conversion on Brookhurst Street and Miraloma Way, replacement of transformer at Clair Substation, as well as replacement of six 220kv circuit breakers and twelve 220kv disconnects at Lewis Substation, installation of 25,700 feet of direct buried cable and the purchase of 317 new transformers.
- General assets totaled $133,883, an increase of $6,131 (4.8%) mainly due to installation of fiber optic equipment, upgrading communication equipment, and improvements to general facilities. This updated system will provide more efficient and functional services to Anaheim's customers.
- Construction in progress totaled $60,646, an increase of 5,645, (10.3%) mainly due to the replacement of aging overhead electrical lines with state-of-the-art underground projects on West Street, Lincoln Ave and Dale Avenue, the ongoing replacement of aging circuit breakers, and improvements at substations.
- Accumulated depreciation of $497,041 increased by $37,949 (8.3%) mainly due to the current year's depreciation expense of $41,568 offset by $3,619 from retired assets.

Long-Term Debt

The Electric Utility's outstanding long-term debt as of June 30 is as follows:

		2015	2014
Revenue bonds	$	624,310	606,885
Electric system notes		24,400	35,600
Long-term debt		648,710	642,485
Less:			
Current portion		(25,240)	(23,355)
Unamortized bond premium		29,410	14,967
Total noncurrent long-term debt outstanding	$	652,880	634,097

- The Utility's bond indentures require the Utility to maintain a minimum debt service coverage ratio of 1.25. The Utility's debt service coverage ratio was as strong as 2.85 at June 30, 2015. The revenue of the Electric Utility have been pledged to pay the outstanding long-term debt.
- The credit rating of the Electric Utility was AA-by Fitch Ratings, and AA-by Standard & Poor's Corporation. These ratings reflect the Utility's good debt service coverage levels, strong liquidity position, stable financial performance, and mature and diverse customers in an economy growth area. Additional information on the Electric Utility's long-term liabilities can be found in note 7 of the notes to financial statements.

Total long-term debt increased by $6,225 (1.0%) due to $50,000 of 2015-A bond issue offset by $19,625 reduction of principal as a result of the issuance of 2014 refunding bond, a $12,950 of scheduled principal payments for current fiscal year, and a $11,200 decrease in Electric system notes.

Economic Factors and Rates

California Senate Bill 1X 2 (California Renewable Energy resources Act) signed into law in April 2011 mandated that all California utilities are required to reach 25% renewable power in their power portfolios by 2016, and 33% by 2020. The higher renewable power costs will increase future power supply costs, but the Electric Utility has a number of strategies to mitigate the potential cost impacts.

There have not been any base rate increases since fiscal year 2012.

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 Assistant General Manager – Finance and Administration, Anaheim Public Utilities, 201 South Anaheim Boulevard, Suite 1101, Anaheim, California 92805.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statement of Net Position

June 30, 2015

(In thousands)

Assets and Deferred Outflows of Resources

Utility plant:		
Production	$	130,719
Transmission		96,400
Distribution		919,288
General plant		133,883
Total depreciable utility plant		1,280,290
Less accumulated depreciation		(497,041)
Net depreciable utility plant		783,249
Land		35,671
Construction in progress		60,646
Net utility plant		879,566
Restricted assets:		
Cash and cash equivalents		30,718
Investments		191,370
Total restricted assets		222,088
Other assets:		
Prepaid purchased power		65,497
Unamortized prepaid bond insurance		529
Total other assets		66,026
Total noncurrent assets		1,167,680
Current assets:		
Cash and cash equivalents		10,831
Investments		35,591
Restricted cash and cash equivalents		7,229
Restricted investments		31,537
Accounts receivable, net		49,365
Accrued interest receivable		973
Materials and supplies inventory		16,444
Prepaid purchased power		36,448
Total current assets		188,418
Total assets		1,356,098
Deferred outflows of resources:		
Deferred charge of refunding bonds		1,381
Deferred pension - current year contributions		6,575
Total deferred outflows of resources		7,956
Total assets and deferred outflows of resources	$	1,364,054

(Continued)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statement of Net Position

June 30, 2015

(In thousands)

Liabilities and Deferred Inflows of Resources

Long-term liabilities:	
Long-term liabilities, less current portion	$ 707,745
Provision for decommissioning costs	123,405
Total long-term liabilities	831,150
Current liabilities (payable from restricted assets):	
Current portion of long-term liabilities	27,139
Line of credit payable	1,623
Accounts payable	2,707
Wages payable	173
Arbitrage rebate liabilities	361
Accrued interest payable	6,763
Total current liabilities (payable from restricted assets)	38,766
Current liabilities (payable from unrestricted current assets):	
Current portion of long-term liabilities	16,995
Accounts payable and accrued expenses	57,851
Wages payable	557
Deposits	3,721
Total current liabilities (payable from unrestricted current assets)	79,124
Total liabilities	949,040
Deferred inflows of resources:	
Deferred regulatory credits	75,343
Deferred pension - changes in assumptions and projections	13,366
Total deferred inflows of resources	88,709
Total liabilities and deferred inflows of resources	1,037,749
Net position:	
Net investment in capital assets	276,145
Restricted for:	
Debt service	13,983
Renewal and replacement	16,378
Other purposes	15,122
Unrestricted	4,677
Total net position	326,305
Total liabilities, deferred inflows of resources, and net position	$ 1,364,054

See accompanying notes to financial statements.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statement of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2015

(In thousands)

Operating revenue:		
Retail sales of electricity, net	$	324,207
Wholesale sales of electricity		27,800
Rate stabilization account revenue		65,000
Surplus natural gas sales		937
Transmission revenue		31,874
Other operating revenue		3,879
Total operating revenue		453,697
Operating expenses:		
Purchased power		264,870
Fuel and generation		23,171
Operations, maintenance, and administration		47,902
Depreciation		41,568
Total operating expenses		377,511
Operating income		76,186
Nonoperating revenue (expenses):		
Interest income		4,514
Interest expense		(24,060)
Net nonoperating expenses		(19,546)
Income before capital contributions and transfers		56,640
Capital contributions		6,055
Transfer to the General Fund of the City		(17,151)
Transfer of right-of-way fee to the City		(5,263)
Transfers from other funds of the City		4,114
Change in net position		44,395
Net position at beginning of year, as restated		281,910
Net position at end of year	$	326,305

See accompanying notes to financial statements.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statement of Cash Flows

Year ended June 30, 2015

(In thousands)

Cash flows from operating activities:		
Receipts from customers and users	$	432,766
Receipts from services provided to other funds of the City		1,977
Payments to suppliers		(277,295)
Payments to employees		(41,054)
Payments for services provided by other funds of the City		(9,391)
Net cash provided by operating activities		107,003
Cash flows from noncapital financing activities:		
Proceeds from short-term borrowings of line of credit		1,623
Transfers to the General Fund and other funds of the City		(22,414)
Net cash used in noncapital financing activities		(20,791)
Cash flows from capital and related financing activities:		
Proceeds from borrowings		178,959
Principal payments on long-term debt		(24,150)
Transfer to escrow account		(129,632)
Proceeds from short-term borrowings on line-of-credit		11,200
Payments on short-term borrowings on line-of-credit		(11,200)
Capital purchases		(59,558)
Interest paid		(28,437)
Issuance costs		(814)
Transfers from other funds of the City for capital purposes		340
Capital contributions		2,439
Net cash used in capital and related financing activities		(60,853)
Cash flows from investing activities:		
Purchases of investment securities		(60,263)
Proceeds from sale and maturity of investment securities		39,322
Interest income received		4,520
Net cash used in investing activities		(16,421)
Increase in cash and cash equivalents		8,938
Cash and cash equivalents at beginning of year		39,840
Cash and cash equivalents at end of year	$	48,778

(Continued)

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Statement of Cash Flows

Year ended June 30, 2015

(In thousands)

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	76,186
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		41,568
Increase in provision for decommissioning costs		750
Changes in assets, liabilities and deferred inflows of resources that provided by (used in) cash:		
Accounts receivable, net		(5,074)
Materials and supplies inventory		(4,476)
Prepaid purchased power		(8,471)
Accounts payable and accrued expenses		20,899
Wages and other benefits payable		(499)
Regulatory credits		(13,755)
Deposits		(125)
Total adjustments		30,817
Net cash provided by operating activities	$	107,003
Schedule of noncash investing, capital, and financing activities:		
Capital contributions	$	3,616
Transfers from other funds of the City		3,774
Increase in fair value of investments		72
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$	10,831
Restricted cash and cash equivalents, current portion		7,229
Restricted cash and cash equivalents, noncurrent portion		30,718
Total cash and cash equivalents	$	48,778

See accompanying notes to financial statements.

(In thousands)

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Electric Utility Fund (Electric Utility) of the City of Anaheim, California (City) was established on June 30, 1971, at which time the portion of the City's General Fund net position related to electric system operations was transferred to the Electric Utility. The financial statements of the Electric Utility, an enterprise fund, are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Utility is not subject to the regulations of the FERC.

(b) New Accounting Pronouncements; Changes in Accounting Principles and Restatements

On July 1, 2014, the Electric Utility adopted the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, *Accounting and Financial Reporting for Pension; an amendment of GASB Statement No. 27*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, and amendment of GASB Statement No. 68*. This Statement should be applied simultaneously with GASB Statement No. 68.

Implementation of GASB Statement No. 69 has no material effect on amounts reported in the Electric Utility's financial statements. The requirements of GASB Statement No. 68 caused the Electric Utility to restate prior year net positions by reducing the beginning net positions by the amount of net pension obligation net of deferred outflows of resources for pension contribution.

Net position at June 30, 2014, as previously reported	$	351,905
Reduction of net position from implementation of GASB 68:		
Deferred outflows of resources		5,990
Net pension liabilities		(75,985)
Net position at June 30, 2014, as restated	$	281,910

(In thousands)

The Electric Utility is currently reviewing its accounting practices to determine the potential impacts on the financial statements for the following GASB Statements.

- GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements reporting periods beginning after June 15, 2015.
- GASB Statement No. 73, Accounting and Financial Reporting for Pension and related assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statement No. 67 and No. 68. The provisions of this Statement are effective for fiscal year beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No 68, which are effective for fiscal years beginning after June 15, 2016.
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions of this statement are effective for benefit plans in fiscal years beginning after June 15, 2016.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The provisions of this statement are effective for employers in fiscal years beginning after June 15, 2017.
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for reporting periods beginning after June 15, 2015.

(c) Electric Utility Plant and Depreciation

The costs of additions to the Electric Utility plant in service and replacement of property units are capitalized. The Electric Utility plant is recorded at cost, including capitalized interest, or in the case of contributed plant, at fair market value at the date of the contribution. Cost includes labor, materials, allocated indirect charges such as engineering, supervision, construction, and transportation equipment, retirement plan contributions and other fringe benefits, and certain administrative and general expenses. The cost of minor replacements is included in maintenance expense. The net book value of assets retired or disposed of, related salvage value, and cost of removal are recorded in accumulated depreciation.

Depreciation of Electric Utility plant is provided by the straight-line method based on the following estimated service lives of the properties:

Production	30 years
Transmission and distribution	20 to 75 years
General plant	5 to 50 years

(d) Pooled Cash and Investments

The City pools available cash from all funds for the purpose of enhancing investment income through investment activities. Investments in U.S. Treasury obligations, U.S. agency securities, and corporate notes are carried at fair value based on quoted market prices. Participating guaranteed investment contracts and flexible repurchase agreements are carried at fair value. Money market mutual funds are carried at fair value based on the fund's share price. The City's investment in the State of California Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. LAIF is authorized by California Government Code (Government Code) Section 16429 under the oversight of the Treasurer of the State of California. Commercial paper, nonparticipating guaranteed investment contracts, and negotiable certificates of deposit are carried at amortized cost (which approximates fair value). Interest income, which includes changes in fair value, on investments is allocated to all funds on the basis of average daily cash and investment balances. The Electric Utility's cash and investments pooled with the City Treasurer (Treasurer) are carried at fair value based on the value of each participating dollar. Additional information pertinent to the value of these investments is provided in note 2.

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

(e) Restricted Assets

Certain proceeds of the Electric Utility bonds, as well as certain resources set aside for their repayment, are classified as restricted on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Additionally, resources set aside by the Electric Utility for future decommissioning of its former ownership share of the San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS), and the San Juan Generating Station, Unit 4 (SJ) are classified as restricted on the statement of net position. Generally, the Electric Utility would first apply restricted resources when expenses incurred for which both restricted and unrestricted resources are available.

(f) Deferred Outflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and so will not be recognized as an outflow of resources (expense) until then. In the statements of net position as of June 30, 2015, the Electric Utility reported deferred outflows of resources on this category of $7,956 that included $1,381 of deferred charge of refunding and $6,575 of deferred pension. A deferred charge on refunding results from the difference in the carrying value of debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred pension is the pension contribution made during the current fiscal year that will be applied as a reduction in pension liability in the next fiscal year.

(g) Deferred Inflows of Resources

Deferred inflows of resources represent acquisitions of net position that apply to future periods and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2015, the Electric Utility reported deferred inflow of resources of $88,709 that included $75,343 of regulatory credits and $13,366 of deferred pension. Regulatory credits represent amounts accumulated from collections, which provide recovery in the current period for costs to be incurred in future periods. Deferred pension arises from changes in pension plan assumptions. See note 1 (j) for further discussion of regulatory credits, and note 9 for pension.

(h) Operating Revenue

Operating revenue is revenue generally derived from activities that are billable in accordance with the Electric Utility's Rate, Rules, and Regulations.

Revenue is recorded in the period earned. The Electric Utility accrues estimated unbilled revenue for energy sold but not billed at the end of a fiscal period. Most residential and some smaller commercial accounts are billed bimonthly, and all other customers are billed monthly.

Unbilled electric service charges are included in accounts receivable at year-end. Unbilled accounts receivable totaled $22,323 at June 30, 2015.

Revenue is reported net of uncollectible amounts. Total uncollectible amounts written off are $733 for the year ended June 30, 2015. The applicable allowances for uncollectible accounts are $856 at June 30, 2015. See note 7 for discussion of pledged revenue.

(i) Operating Expenses

Purchased power includes all open market purchases of energy, firm contracts for the purchase of energy, and the costs of entitlements for energy and transmission, as discussed in note 11.

Fuel and generation include all costs associated with the City's ownership interest in SJ, the Combustion Turbine located in Anaheim, and the City's portion of SONGS spent fuel storage costs and insurance premiums until December 31, 2014. This includes the amortization of decommissioning costs for SONGS and SJ.

Operations, maintenance, and administration expenses include all costs associated with the distribution of energy, administration, operating, and maintaining the local facilities, customer service, and public benefit programs.

(Continued)

(j) Regulatory Credits

The Electric Utility's Rates, Rules, and Regulations provide for the Rate Stabilization Account (RSA), which contains two components: the Power Cost Adjustment (PCA) that was adopted by City Council on April 1, 2001, and the Environmental Mitigation Adjustment (EMA) that was adopted by the City Council on January 13, 2009. The PCA has mitigated variations in the power supply or fuel costs. The EMA will allow the recovery of environmental mitigation costs, such as greenhouse gas emissions costs, the marginal cost differential between renewable power and traditional-fuel-based power, and environmental mitigation costs. The RSA provides the City with operational and billing flexibility to mitigate material fluctuations in the cost of energy, loss of revenue, or unplanned costs including unexpected long-term loss of a generating facility, unplanned limits on the ability to transmit energy to the City, or major disasters. The RSA funded by PCA and EMA collections is billed to customers through standard rates. As permitted by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and approved by the City Council, amounts collected for the RSA are deferred and recorded as regulatory credits in the statement of net position.

As of May 5, 2015, the PCA rates were the same as $0.0200 per kWh for all domestic retail customers, excluding residential lifeline customers, and as $0.0150 per kWh for all commercial, industrial, municipal customers, and large Time-of-Use (TOU) customers. As of June 30, 2015, the Electric Utility recorded deferred inflows of resources for regulatory credits of $14,491. During fiscal year 2015, $54,692, was recognized as RSA revenue to mitigate the impact of energy costs and operation costs.

As of June 30, 2015, the EMA rates were the same as $0.0150 per kWh for all domestic customers and as $0.0100 per kWh for all other customers, including large TOU customers. As of June 30, 2015, the Electric Utility recorded deferred inflows of resources for regulatory credits of $60,852. During fiscal year 2015, $10,308 was recognized as RSA revenue to mitigate the impact of environmental mitigation costs.

(k) Provision for Decommissioning Costs

Federal regulations require the Electric Utility to provide for the future decommissioning costs of its former ownership share of SONGS. The Electric Utility has established a provision for decommissioning costs of SONGS and restoration of the beachfront at San Onofre. A separate irrevocable trust account was established for amounts funded, and these amounts are classified as restricted assets in the accompanying statement of net position. As of June 30, 2015, the Electric Utility has recorded a provision for decommissioning costs for SONGS of $129,574. For the year ended June 30, 2015, the Electric Utility has recorded decommissioning costs incurred for SONGS of $2,001, which are included in the fuel and generation component in operating expenses.

On June 7, 2013, Southern California Edison (SCE) announced the permanent retirement of the SONGS plant. The Electric Utility will continue to fund the reserve and recognize the expense until the end of the trust fund. SCE submitted a decommissioning cost analysis study to NRC on September 23, 2014. According to the new study for the decommissioning costs of SONGS, the Electric Utility's share of decommissioning costs is $111,581 for June 30, 2015. The Electric Utility currently has $131,197 in an irrevocable trust for the decommissioning costs, which is about 18% more than the study's requirement.

On April 7, 2015, the First Amendment to the Decommissioning Agreement was approved and signed by the City Council. This amendment allows the Electric Utility to access its Decommissioning Trust Fund to pay for SONGS decommissioning-related activities. As of June 30, 2015, the Electric Utility has paid $1,623 in decommissioning obligations. The City will begin to draw funds to cover its decommissioning related obligations incurred after June 7, 2013, which is when the SONGS plant was permanently retired.

The Electric Utility has a 10.04% ownership interest of SJ. The Electric Utility is providing for the future demolition and reclamation costs of its ownership share of SJ. As of June 30, 2015, the Electric Utility has recorded a provision for decommissioning costs for SJ of $4,840. The Electric Utility currently has $695 in irrevocable trust and $4,145 in the City restricted cash account. For the year ended June 30, 2015, the Electric Utility has recorded decommissioning costs incurred for SJ of $440, which are included in the fuel and generation component of operating expenses. Based on cost projections, it is estimated that $440 will be required per year until 2027 to fund this obligation.

(l) Debt Issuance Costs

Debt issuance costs, with the exception of prepaid insurance costs, are recognized as an expense in the period when the debt is issued, in accordance with the provisions of GASB 62. Prepaid insurance costs are capitalized and amortized over the lives of the related bond issues on a basis that approximates the effective-interest method.

(m) Bond Refunding Costs

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

(n) Vacation and Sick Pay

Vacation and sick pay for all City employees are paid by the General Benefits and Insurance Fund of the City. The General Benefits and Insurance Fund is reimbursed through payroll charges to the Electric Utility based on estimates of benefits to be earned during the year. Vested vacation and sick pay benefits are accrued in the General Benefits and Insurance Fund, and amounted to $1,814 for the Electric Utility at June 30, 2015.

(Continued)

(o) Pension plan

Full-time Electric Utility employees are members of the State of California Public Employees' Retirement System (CalPERS) through the City's participation. The City's policy is to fund all required actuarially determined contribution; such costs to be funded are determined annually as of July 1 by the CalPERS's actuary. The Electric Utility participates in the City's Miscellaneous Plan.

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

(p) Transfers (to) from Other Funds of the City

The City Charter provides that transfers to the General Fund of the City shall not exceed 4% of total operating revenue. Such transfers are not in lieu of taxes, and amounted to $17,151 for the year ended June 30, 2015.

The transfer of right-of-way fees to the City represents the City Council approved transfer of 1.5% of retail electric revenue of the prior fiscal year to the General Fund of the City. Bond disclosure requirements designate that this transfer must be recognized as an expense in the calculation of bond coverage. The transfer of right-of-way fee to the City amounted to $5,263 for the year ended June 30, 2015.

Other transfers from other funds of the City are either cash transfers or capital asset transfers between City funds. The amount of transfers from was a capital assets transfer from Water of $4,144 for the year ended June 30, 2015.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. As such, actual results could differ from those estimates.

(2) Deposits and Investments

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

(In thousands)

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

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

The Electric Utility maintains cash equivalents and investments at June 30, 2015 with the following carrying amounts:

Cash equivalents and investments pooled with the Treasurer	$	100,433
Investments held with trustee		206,843
	$	307,276

At June 30, 2015, the Electric Utility's cash equivalents and investments are recorded as follows:

Restricted assets – cash equivalents and investments	$	260,854
Unrestricted assets – cash equivalents and investments		46,422
	$	307,276

(a) Investments

The Treasurer prepares an investment policy statement annually, which is presented to the Budget, Investment, and Technology Commission for review and the City Council for approval. The approved investment policy statement is submitted to the California Debt and Investment Advisory Committee in accordance with Government Code.

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

(Continued)

(In thousands)

(b) Investments Authorized by the Government Code and the City's Investment Policy

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

Authorized investment type	Maximum maturity	Maximum percentage of portfolio*	Maximum investment in one issuer	Minimum rating (S&P/ Moody's/ Fitch)
U.S. Treasury obligations	5 years	100	100	None
U.S. agency securities	5 years	100	40	None
Bankers' acceptances	180 days	40	5	None
Commercial paper	270 days	25	5	A-1/P-1/F-1
Negotiable certificates of deposit	360 days	25	5	None
Repurchase agreements	1 year	30	None	None
Reverse repurchase agreements	90 days	20	None	None
Medium-term corporate notes	5 years	30	5	A
Money market mutual funds	N/A	20	10	None
LAIF	N/A	$50 million per account	$50 million per account	None
Time certificates of deposit (TCD)	1 year	20	5	None

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

The City's pooled investments comply with the requirements of the investment policy. GAAP requires disclosure of certain investments in any one issuer that exceeds five% concentration of the total investments.

(In thousands)

At June 30, 2015, the following investments represent five% or more of the City's total pooled investments:

Issuer	Investment type	Fair value	Percentage
Federal National Mortgage Association	U.S. agency securities	$ 109,447	25%
LAIF	LAIF	70,445	16
Federal Home Loan Bank	U.S. agency securities	45,607	10
Federal Home Loan Mortgage Corporation	U.S. agency securities	34,804	8
Federal Farm Credit Bank	U.S. agency securities	34,350	8

(c) *Investments Authorized by Debt Agreements*

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

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Guaranteed investment contracts	None	None	None
Collateralized investment contracts	None	None	None
Flexible repurchase agreements	None	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None
City of Anaheim Treasurer investment portfolio	None	None	None

(In thousands)

At June 30, 2015, the following investments represent five% or more of the City's total investments controlled by bond trustees:

Issuer	Investment type		Fair value	Percentage
Deutsche Bank	Flexible repurchase agreement	$	227,723	36%
Morgan Stanley	Flexible repurchase agreement		66,831	11
Federal National Mortgage Association	U.S. agency securities		61,823	10
Natixis Funding Corporation	Guaranteed investment agreement		45,023	7
LAIF	LAIF		34,818	6

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

(d) Custodial Credit Risk

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

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

(e) Interest Rate Risk

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

(In thousands)

Investments held by bond trustees are typically long-term securities, which are not adversely affected by interest rate changes. Guaranteed investment contracts for construction funds are usually limited to three years or less. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2015. Information about the sensitivity of the fair values of the Electric Utility's investments (including investments held by bond trustees) to market interest rate fluctuations for the fiscal year 2015 is provided by the following table.

The distribution of the Electric Utility's investments by maturity at June 30, 2015 is as follows:

Investments	Credit rating (S&P/ Moody's)	Fair value, June 30, 2015	12 months or less	13 to 24 months	25 to 36 months	37 to 60 months	More than 60 months
Treasurer's pooled investments:							
U.S. agency securities	AA+/Aaa	$ 51,569	4,045	11,518	27,835	8,171	—
Medium-term notes	AAA/Aaa	5,847	1,853	1,151	2,843	—	—
Medium-term notes	AA+/Aaa	1,149	—	1,149	—	—	—
Medium-term notes	AA+/A1	2,336	1,150	1,186	—	—	—
Medium-term notes	AA/Aa1	2,310	461	—	1,849	—	—
Medium-term notes	AA/Aa2	682	682	—	—	—	—
Medium-term notes	AA/Aa3	1,144	—	—	1,144	—	—
Medium-term notes	AA-/Aa1	1,435	—	1,435	—	—	—
Medium-term notes	AA-/Aa3	690	690	—	—	—	—
Medium-term notes	A+/A1	692	—	—	692	—	—
Medium-term notes	A+/A2	3,680	230	2,302	1,148	—	—
Medium-term notes	A/A3	1,151	1,151	—	—	—	—
Medium-term notes	A-/A3	1,169	1,169	—	—	—	—
Commercial paper	A-1/P-1	10,038	10,038	—	—	—	—
Money market mutual funds	AAA/Aaa	338	338	—	—	—	—
LAIF	Unrated	16,203	16,203	—	—	—	—
Total investments controlled by City Treasurer		100,433	38,010	18,741	35,511	8,171	—
Investments controlled by bond trustees:							
U.S. agency securities	AA+/Aaa	120,088	26,705	9,467	53,761	30,155	—
Guaranteed investment contracts	Unrated	48,357	31,712	—	—	—	16,645
Flexible repurchase agreements	Unrated	13,052	—	—	—	—	13,052
Money market mutual funds	AAA/Aaa	25,346	25,346	—	—	—	—
Total investments controlled by bond trustees		206,843	83,763	9,467	53,761	30,155	29,697
Total Electric Utility investments		$ 307,276	121,773	28,208	89,272	38,326	29,697

(In thousands)

(3) Electric Utility Plant

The following is a summary of changes in capital assets:

	Balance as of June 30, 2014	Additions	Deletions	Balance as of June 30, 2015
Production	$ 123,622	7,097	—	130,719
Transmission	94,220	2,191	(11)	96,400
Distribution	877,903	43,726	(2,341)	919,288
General plant	127,752	7,398	(1,267)	133,883
Depreciable utility plant	1,223,497	60,412	(3,619)	1,280,290
Less accumulated depreciation	(459,092)	(41,568)	3,619	(497,041)
Net depreciable utility plant	764,405	18,844	—	783,249
Land	35,671	—	—	35,671
Construction in progress	55,001	77,172	(71,527)	60,646
Nondepreciable utility plant	90,672	77,172	(71,527)	96,317
Net utility plant	$ 855,077	96,016	(71,527)	879,566

(4) Operating Expenses

Total operating expenses shared with the City’s Water Utility Fund amounted to $30,033 for the year ended June 30, 2015, of which $22,225 was allocated to the Electric Utility.

The shared expenses are allocated to each utility based on estimates of the benefits each utility derives from those common expenses.

(5) Jointly Owned Utility Projects

(a) SONGS

The City sold its 3.16% ownership interest of SONGS to SCE on December 29, 2006. As such, the Electric Utility ceased recording all related operating expenses, except marine mitigation costs, and spent fuel storage charges, as of December 29, 2006. Based on the SONGS settlement agreement, the Electric Utility is responsible for the City’s share of marine mitigation costs up to $2,300, and SCE is responsible for costs between approximately $2,300 and $7,300. The Electric Utility is responsible for spent fuel storage charges until the federal government takes possession. The Decommissioning Trust Fund will pay for spent fuel storage charges after June 7, 2013.

(In thousands)

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

(b) San Juan Generating Station

The Electric Utility also owns a 10.04% ownership interest in the existing coal-fired SJ, Unit 4, located near Waterflow, New Mexico. Other participants include Public Service of New Mexico, 45.485%; the City of Farmington, 8.475%; the County of Los Alamos, 7.200%; and M-S-R Public Power Agency, 28.800%. The Electric Utility's original purchase cost and cumulative share of ongoing construction costs included in utility plant at June 30, 2015 amounted to $84,616. There are no separate financial statements for this venture, as each participant's interest is reflected in its respective financial statements.

(6) Short-Term Borrowings

The Electric Utility had a Revolving Credit Agreement with Wells Fargo Bank, National Association in the form of short-term taxable notes. The Electric Utility has drawn $11,200 for current year's capital projects. In April 2015, the Electric Utility repaid the full amount with proceeds from 2015-A Revenue Bonds.

At June 30, 2015, the Electric Utility has drawn additional $1,623 from the above-mentioned note for decommissioning costs as follows:

	Beginning of year	Additions	Retirements	End of year	Due within one year
Electric system note	$ —	12,823	(11,200)	1,623	1,623
Total short-term liabilities	$ —	12,823	(11,200)	1,623	1,623

(In thousands)

(7) Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

June 30, 2015		Beginning of year	Additions	Retirements	End of year		Due within one year
Anaheim Public Financing Authority Revenue Bonds	$	606,885	159,350	(141,925)	624,310		14,040
Electric system note		35,600	—	(11,200)	24,400		11,200
Pension obligation (note 9)		75,985	6,121	(19,356)	62,750		7,885
Provision for decommissioning costs (note 1k)		133,664	2,373	(1,623)	134,414		11,009
		852,134	167,844	(174,104)	845,874	$	44,134
Less current portion		(23,355)	(44,134)	23,355	(44,134)		
Add unamortized bond premium		14,967	19,921	(5,478)	29,410		
Total long-term liabilities	$	843,746	143,631	(156,227)	831,150		

Long-term debt consists of the following at June 30:

Anaheim Public Financing Authority Revenue Bonds, issue of 1999, with an initial interest rate of 4.625%, dated September 1, 1999, sold on September 29, 1999 in the amount of $45,000. On the conversion date, October 2, 2005, the 1999 bond was remarked in the amount of $43,010. The remaining principal of $27,435 at rates ranging from 4.25% to 5.00% is maturing from October 1, 2015 through 2027 in annual principal installments ranging from $1,535 to $2,795. The total debt service is $35,523 to maturity.	$	27,435
Anaheim Public Financing Authority Revenue Bonds, issue of 2007, TIC 4.49%, dated and sold on February 7, 2007 in the amount of $206,035, of which: (1) $73,000 was issued as serial bonds. The remaining principal of $58,705 at rates ranging from 4.00% to 5.00% is maturing from October 1, 2015 through 2028 in annual principal installments ranging from $3,365 to $11,530; (2) $24,410 was issued as term bonds at a rate of 4.75% maturing on October 1, 2026 and 2027 in annual principal installments from $11,685 to $12,725; (3) $36,675 was issued as term bonds at a rate of 4.50% maturing from October 1, 2029 through 2032 in annual principal installments from $7,665 to $12,550; and (4) $71,950 was issued as term at a rate of 4.50% maturing from October 1, 2033 through 2037 in annual principal installments ranging from $13,125 to $15,715. The total debt service is $319,480 to maturity.		191,740

(In thousands)

Anaheim Public Financing Authority Revenue Bonds, issue of 2009, TIC 4.98%, dated and sold on March 10, 2009 in the amount of $70,000, of which: (1) $37,405 was issued as serial bonds. The remaining principal of $31,465 at rates ranging from 4.00% to 5.00% is maturing from October 1, 2015 through 2030 in annual principal installments ranging from $1,355 to $2,765; (2) $12,610 was issued as term bonds at a rate of 5.25% maturing on October 1, 2031 through 2034 in annual principal installments from $2,910 to $3,405; and (3) $19,985 was issued as term bonds at a rate of 5.25% maturing from October 1, 2035 through 2039 in annual principal installments ranging from $3,590 to $4,430. The total debt service is $113,591 to maturity.	$	64,060
Anaheim Public Financing Authority Revenue Bonds, issue of 2011, TIC 4.91%, dated and sold on May 11, 2011 in the amount of $90,390, of which: (1) $63,005 was issued as serial bonds. The remaining principal of $63,005 at rates ranging from 3.00% to 5.25% is maturing from October 1, 2016 through 2031 in annual principal installments ranging from $1,825 to $5,880 and (2) $27,385 was issued as term bonds at a rate of 5.375% maturing October 1, 2032 through 2036 in annual principal installments from $4,905 to $6080. The total debt service is $152,485 to maturity.		90,390
Anaheim Public Financing Authority Revenue Bonds, issue of 2012, TIC 3.38%, dated and sold on September 19, 2012 in the amount of $92,130, issued as serial bonds at rates ranging from 3.125% to 5.00% is maturing from October 1, 2021 through 2031 in annual principal installments ranging from $1,455 to $17,080. The total debt service is $143,920 to maturity.		92,130
California Municipal Finance Authority, Revenue Bonds issue of 2014, TIC 1.89%, dated and sold on October 8, 2014 in the amount of $109,350, issued as serial bonds at rates ranging from 2.00% to 5.00% maturing from October 1, 2015 through 2025 in annual principal installments ranging from $6,785 to $13,390 The total debt service is $140,534 to maturity.		108,555
California Municipal Finance Authority Revenue Bonds, issue of 2015-A, TIC 3.54%, dated and sold on April 21, 2015 in the amount of $50,000 issued at variable rates due on the first business day of each month, commencing May 1, 2015 until mandatory purchase date of April 8, 2018. The principal of $50,000 at planning rate of 3.50% maturing from October 1, 2015 through 2045 in annual principal installments ranging from $4,245 to $5,830. The total debt service is $95,715 to maturity.		50,000
Total Anaheim Public Financing Authority and California Municipal Finance Authority	$	624,310

(Continued)

(In thousands)

Annual debt service requirements for long-term obligation at June 30, 2015 to maturity are as follows:

		Principal	Interest	Total
Fiscal year(s) ending June 30:				
2016	$	14,040	28,478	42,518
2017		16,390	27,913	44,303
2018		17,105	27,189	44,294
2019		17,920	26,375	44,295
2020		21,805	25,401	47,206
2021–2025		132,470	108,621	241,091
2026–2030		145,905	74,435	220,340
2031–2035		131,750	41,327	173,077
2036–2040		94,845	13,902	108,747
2041–2045		26,250	3,229	29,479
2046–2050		5,830	68	5,898
	$	624,310	376,938	1,001,248

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

As of June 30, 2015, the outstanding balance is $26,023 from of the Revolving Credit Agreement with Wells Fargo Bank, National Association. The Electric Utility has repaid $11,200 of tax-exempt note and borrowed $1,623 for decommissioning costs.

Interest costs of $2,195 from short-term financing have been capitalized to utility plant for the year ended June 30, 2015 (note 6).

In accordance with the bond resolutions, a reserve for maximum annual debt service has been established, and a reserve for renewals and replacements is being accumulated in an amount equal to a maximum of 2% of the depreciated book value of the Electric Utility plant in service.

The bond resolutions require the establishment of a bond service account by accumulating monthly one-sixth of the interest, which will become due and payable on the outstanding bonds within the next six months, and one-twelfth of the principal amount, which will mature and be payable on the outstanding bonds within the next 12 months. Those amounts have been recorded in net position restricted for debt service on the accompanying statement of net position.

There are various limitations and restrictions contained in the Electric Utility's bonds. The management of the Electric Utility believes it is in compliance with all limitations and restrictions.

(Continued)

(In thousands)

The Electric Utility has pledged future electric revenue to repay a total of $1,001,248 outstanding long-term obligations, principal, and interest for the year ended June 30, 2015. Proceeds from bonds provide financing for various capital improvements, primarily distribution assets. The Electric Utility's bonds are payable solely from electric net revenue and are payable through fiscal year 2046. As of June 30, 2015, the annual principal and interest payments on the bonds, excluded early retired bond, are 33.4% of net revenue. Bond debt service paid and total net revenue was $40,815 and $122,268 for the year ended June 30, 2015.

On October 8, 2014, the Electric Utility issued California Municipal Finance Authority Refunded Revenue Bonds Series 2014 in the principal amount of $109,350 at a premium of $19,921. The true interest cost is 1.89% maturing serially from April 1, 2015 through 2025 in annual principal installments ranging from $795 to $13,390. The proceeds from these bonds together with $13,965 of the previous debt service reserve totaled $143,236. The proceeds were used to refund $23,490 of Series 2003 Bonds and $105,485 of Series 2004 Bonds. The total debt service is $143,813 to maturity. The Electric Utility reduced its total debt service payments over the life of the refunded bonds by $44,999 and obtained an economic gain of $32,405.

On April 21, 2015, the Electric Utility issued 2015-A Revenue Bonds in a principal amount of $50,000 to finance the acquisition and construction of additional capital assets for the Electric distribution system. The true interest cost is 3.54%. These bonds were initially issued at a SIFMA Rate for the period ending April 2, 2018. During this period, the interest is calculated weekly based on SIFMA index rate and a base SIFMA spread of 0.50%, which is payable on the first business day of each month, commencing on May 1, 2015. On April 2, 2018, these bonds are subject to mandatory tender for purchase or conversion to a fixed rate. Annual principal requirements, from October 1, 2036 through 2045, range from $4,245 to $5,830 at planning rate of 3.50%. The true interest cost is 3.54%. The total debt service is $95,910 to maturity.

Restricted cash and investments include reserve provisions as well as undisbursed bond proceeds, at June 30, as follows:

Held by fiscal agent:		
Bond reserve fund	$	48,129
Bond service fund		2,897
Bond construction fund		24,298
Decommissioning reserve		131,519
Held by Treasurer:		
Bond service account		17,849
Renewal and replacement account		16,378
Decommissioning and fuel reserves		4,145
Public benefit program fees		15,278
Restricted rebate		361
	$	260,854

The Electric Utility's interest and other finance charges, excluding capitalized interest, for the year ended June 30, 2015 were $24,060.

(8) Advance Refundings

When conditions have warranted in prior years, the Electric Utility has sold various issues of bonds to provide for the refunding of previously issued obligations. The proceeds received from the sales of the bond issues were used to refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by the escrow agent, an amount, which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon, and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Electric Utility's financial statements. Amount of defeased debt still outstanding at June 30, 2015 was zero.

(9) Pension Plan

General Information about the Plan

(a) Plan Description

The Electric Utility provides pension benefits to eligible full-time employees through its participation in the City's Miscellaneous Pension Plan. This plan is an agent multiple-employer public employee defined-benefit plan and is administered through the CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS Website @www.calpers.ca.gov.

(b) 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 nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the

(In thousands)

1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50–55	52–65
Monthly benefits, as a % of eligible compensation	2.70%	2.00%
Required employee contribution rates	8.00	6.75
Required employer contribution rates	24.271	24.271

(c) Contributions:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate applied to annual payroll 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 Electric Utility is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The pension plan expense is recognized in the Electric Utility's financial statements on an accrual basis of accounting.

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

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

 (Continued)

(In thousands)

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

(d) Net Pension Liability

The Electric Utility's proportionate share net pension liability for its pension plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2014. Liabilities are based on the results of the actuarial valuation performed as of June 30, 2013 and were rolled forward to June 30, 2014. Fiduciary net position is based on fair value of investments as of June 30, 2014. A summary of principal assumptions and methods used to determine the net pension liability is show below.

Actuarial Assumptions: The total pension liabilities for the Electric Utility's proportionate share pension plan in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Reporting Date	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Investment rate of return	7.5% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table [1]	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

[1]The Mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

(e) Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund.

(In thousands)

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

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

	New strategic allocation	Real return years 1–10 [1]	Real return years 11+ [2]
Global equity	47.00%	5.25%	5.71%
Global fixed income	19.00	0.99	2.43
Inflation sensitive	6.00	0.45	3.36
Private equity	12.00	6.83	6.95
Real estate	11.00	4.50	5.13
Infrastructure and forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

(In thousands)

(f) Changes in the Net Pension Liability

The following table shows the Electric Utility's proportionate share of the changes in net pension liability reported for the year ending June 30, 2015 for the City's Miscellaneous Plan recognized over the measurement period:

Miscellaneous Plan		Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability/(asset) (c) = (a) – (b)
Balance at June 30, 2013 (VD)	$	237,818	161,833	75,985
Changes recognized for the Measurement period:				
Service cost		4,584	—	4,584
Interest on the total pension liability		18,461	—	18,461
Contribution from the employer		—	5,143	(5,143)
Contributions from employees		—	1,918	(1,918)
Net investment income		—	29,219	(29,219)
Benefit payments, including refunds of employee contributions		(11,551)	(11,551)	—
Net changes during 2013–2014		11,494	24,729	(13,235)
Balance at June 30, 2014 (MD)	$	249,312	186,562	62,750

(g) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City's Miscellaneous Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Plan's net pension liability		Discount rate -1% (6.50%)	Discount rate (7.50%)	Discount rate +1% (8.50%)
Miscellaneous	$	94,683	62,750	36,236

(h) Pension Plan Fiduciary Net Position

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

(Continued)

(In thousands)

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

For the fiscal year ended June 30, 2015, the Electric Utility recognized pension expense of $6,122. At June 30, 2015, 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	$	6,575	—
Net difference between projected and actual earnings on plan investments		—	13,366
Total	$	6,575	13,366

The Electric Utility reported $6,575 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Amount reported in deferred inflows of resources related to pensions will be recognized as a component in pension expense as follows:

Fiscal year ending June 30:		
2016	$	3,342
2017		3,342
2018		3,342
2019		3,340
Total	$	13,366

(10) Self-Insurance Program

The Electric Utility participates in the City's self-insured workers' compensation and general liability program. The liability for such claims, including claims incurred but not reported, is transferred to the City in consideration of self-insurance premiums paid by the Electric Utility. Premiums for workers' compensation and general liability programs are charged to the Electric Utility by the City based on various allocation methods that include actual cost, trends in claims experience, exposure base, and number of participants. Premium charged and paid was $1,642 for the year ended June 30, 2015.

At June 30, 2015, the City was fully funded for self-insured workers' compensation and general liability claims (self-insured retention levels of $750 per occurrence for workers' compensation claims and $1,000 per occurrence for general liability claims). Above these self-insured retention levels, the City's potential liability is covered through various commercial insurance and intergovernmental risk pooling programs. Settled claims have not exceeded total insurance coverage in any of the past three years, nor does management believe that there are any pending claims that will exceed total insurance coverage.

(11) Commitments and Contingencies

(a) Take-or-Pay Contracts

Intermountain Power Agency

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

	Entitlement	Expiration
Generation:		
Intermountain Power Project	13.225%	2027

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

Southern California Public Power Authority

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

(In thousands)

	Entitlement	Expiration
Transmission:		
Southern Transmission System (STS)	17.6%	2027
Mead-Adelanto Project (MAP)	13.5	2030
Mead-Phoenix Project (MPP)	24.2	2030
Generation:		
Hoover Dam Uprating (Hoover)	42.6%	2018
Magnolia Generating Station (Magnolia)	38.0	2037
Canyon Power Project (Canyon)	100.0	2040
Natural gas reserves project (Natural Gas):		
SCPPA Natural gas project-Pinedale, Wyoming	35.7%	2033
SCPPA Natural gas project-Barnett, Texas	45.5	2033

Take-or-Pay Commitments

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

Fiscal year(s)	IPA	STS	MAP	MPP	Hoover	Magnolia	Natural gas	Canyon	Total
2016	$ 28,951	14,063	3,013	1,630	936	8,456	6,986	12,769	76,804
2017	26,615	14,257	2,951	1,584	934	8,447	6,723	19,370	80,881
2018	22,026	13,975	2,909	1,562	932	6,595	5,984	19,330	73,313
2019	28,585	13,813	2,881	1,555	—	6,592	5,360	19,358	78,144
2020	30,313	12,112	2,859	1,538	—	6,592	4,896	19,328	77,638
2021–2025	53,167	63,417	2,136	1,142	—	33,903	19,399	96,402	269,566
2026–2030	—	16,954	—	—	—	37,627	13,208	96,184	163,973
2031–2035	—	—	—	—	—	38,849	5,803	96,180	140,832
2036–2040	—	—	—	—	—	33,824	—	95,892	129,716
2041–2045	—	—	—	—	—	—	—	19,143	19,143
	$ 189,657	148,591	16,749	9,011	2,802	180,885	68,359	493,956	1,110,010

In addition to debt service, the City's entitlement requires the payment for fuel costs, operations and maintenance costs (O&M), administration and general costs (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed

(Continued)

(In thousands)

above. These costs do not have a similar structured payment schedule as debt service; however, prior experience indicates that annual costs are generally consistent from year to year. The fiscal year 2015 billings for fuel, O&M, A&G, and other costs at these projects are as follows:

Fiscal year	IPA	STS	MAP	MPP	Hoover	Magnolia	Natural gas	Canyon	Total
2015	$ 48,041	5,249	292	602	108	22,778	1,140	6,832	85,042

(b) Prepaid Purchased Power

The Electric Utility has prepaid purchased power costs for the following take-or-pay contracts as of June 30, 2015:

SCPPA – Stabilization fund prepayment	$ 39,852
SCPPA – Magnolia power prepayment	24,344
SCPPA – Ormat prepayment	450
SCPPA – Canyon prepayment	2,225
SCPPA – building fund	528
SJ – fuel acquisition prepayment	585
Cap and Trade Compliance	29,353
IPA – power prepayment	4,179
Prepaid RPS RC Power	429
Prepaid purchased power	$ 101,945

(c) Cap-and-Trade Program

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

(In thousands)

The Cap-and-Trade program (Program) was implemented in the beginning January 1, 2013. This Program requires Electric Utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowance to each electric utility to mitigate retail rate impacts. This free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's GHG compliance obligations for retail sales. During this fiscal year, an unused portion of retail allowance was sold for $16,208 to reduce future renewable energy costs for retail customers. The compliance obligation for the wholesale sales requires the allowance to be obtained through the auction or in the secondary market quarterly. At June 30, 2015, the value of prepaid Cap and Trade allowance is $29,353, and the value of the Cap and Trade obligation is $17,887.

(d) Litigation

A number of claims and suits are pending against the City for alleged damages to persons and property and for other alleged capital expenditures liabilities arising out of matters usually incidental to the operation of a utility such as the electric system of the City. In the opinion of management, the exposure under these claims and suits would not materially affect the financial position of the Electric Utility as of June 30, 2015.

(e) Construction Commitments

At June 30, 2015, the Electric Utility had the following commitments with respect to unfinished capital projects:

Capital project		Remaining construction commitment	Expected completion date
Vehicle Acquisitions	$	545	2015
Katella and Lewis Relay Racks and Automation		523	2015
Underground District # 57 PH1 Lincoln Ave.		631	2015
Underground District # 57 Dale Avenue		4,056	2015
Underground District #60 West Westmont		909	2015

(12) Subsequent Event

On July 21, 2015, the Electric Utility issued California Municipal Finance Authority Revenue Refunding Bonds Series 2015-B in the principal amounts of $92,865 at a premium of $14,149. The true interest cost is 2.98%. The bonds will mature serially from October 1, 2016 through 2035 in annual principal installments ranging from $1,825 to $11,945. The proceeds from the bonds were used to refund the 1999 bonds in the amount of $24,900 and partially refund the 2007 bond in the amount of $38,145. The proceeds of $35,000 will be used for capital improvements related to the distribution system. The total debt service is $134,949 to maturity. The 2015-B refunding bond will reduce the Electric Utility's total debt service payments by $8,830 at the net present value of $6,713.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Schedule of Changes in the Net Pension Liability and Related Ratios
for Last Ten Fiscal Years [1]

(In thousands)

Measurement Period [3]		**Miscellaneous 2013–2014**
Total pension liability:		
Service cost	$	4,584
Interest on the total pension liability		18,461
Benefit payments, including refunds of employee contributions		(11,551)
Net change in total pension liability		11,494
Total pension liability – beginning		237,818
Total pension liability – ending (a)		249,312
Plan fiduciary net position:		
Contributions – employer		5,143
Contributions – employees		1,918
Net investment income [2]		29,219
Benefit payments, including refunds of employee contributions		(11,551)
Net change in fiduciary net position		24,729
Plan fiduciary net position – beginning		161,833
Plan fiduciary net position – ending (b)		186,562
Plan net pension liability – ending (a)-(b)	$	62,750
Plan fiduciary net position as a percentage of the total pension liability		74.83%
Covered-employee payroll	$	22,301
Plan net pension liability as a percentage of covered employee payroll		281.38%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable

[2] Net of administrative expenses

[3] The corresponding reporting period was the fiscal year ending June 30, 2015

See accompanying independent auditors' report.

CITY OF ANAHEIM
ELECTRIC UTILITY FUND

Schedule of Pension Plan Contributions
for Last Ten Years [1]

(In thousands)

Measurement Period [2]		**Miscellaneous 2013–2014**
Actuarially determined contribution	$	5,143
Contributions in relation to the actuarially determined contribution		(5,143)
Contribution deficiency (excess)	$	—
Covered-employee payroll	$	22,301
Plan net pension liability/(asset) as a percentage of covered employee payroll		23.06%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable

[2] The corresponding reporting period was the fiscal year ending June 30, 2015

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Actuarial Value of Assets
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

See accompanying independent auditors’ report.