

NEW ISSUE- BOOK-ENTRY ONLY

RATING

S&P: “AA-”

(See “CONCLUDING INFORMATION - Rating on the Bonds” herein)

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

\$6,150,000*

**BALDWIN PARK MUNICIPAL FINANCING AUTHORITY
REVENUE BONDS, SERIES 2019
(Rail Crossings Safety Improvements Project)
(Measure M Revenues)**

Dated: Date of Delivery

Due: June 1 as shown on the inside front cover page

The Baldwin Park Municipal Financing Authority Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues) (the “Bonds”), are being issued to (i) finance the design, acquisition, and construction of certain local roadway and street improvement projects (collectively, the “Project”) in the City of Baldwin Park (the “City”), (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the Bonds and (iii) pay the costs incurred in connection with the issuance of the Bonds.

The Bonds are payable from the Revenues, as defined herein, pledged under the Indenture, as defined herein, consisting primarily of installment payments (the “Installment Payments”) to be made by the City to the Baldwin Park Municipal Financing Authority (the “Authority”) from Measure M Receipts, as defined herein, which generally consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by the County of Los Angeles, California (the “County”), pursuant to an Installment Sale Agreement, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Installment Sale Agreement to make Installment Payments in each fiscal year in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, as described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS” herein. The Measure M Receipts are the only source of payment of the Installment Payments. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Payments or the Bonds. The obligation of the City to pay the Installment Payments is not subject to abatement.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2019, until maturity or earlier redemption. See “THE BONDS - General Provisions” and “THE BONDS - Redemption” herein.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM MEASURE M RECEIPTS, DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Authority has received a commitment to issue a policy of municipal bond insurance from Assured Guaranty Municipal Corp. with respect to the Bonds. Certain terms of such insurance, if purchased, will be disclosed in the final Official Statement.

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain legal matters will also be passed on for the City and the Authority by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Tafoya & Garcia, LLP, Los Angeles, California, as City Attorney and Authority General Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of The Depository Trust Company on or about February 20, 2019 (see “APPENDIX E - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is _____, 2019.

Ramirez & Co., Inc.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or would be unlawful under the securities laws of such jurisdiction.

\$6,150,000*
BALDWIN PARK MUNICIPAL FINANCING AUTHORITY
REVENUE BONDS, SERIES 2019
(Rail Crossings Safety Improvements Project)
(Measure M Revenues)

MATURITY SCHEDULE

(Base CUSIP^{®†} _____)

Maturity Date	Principal Amount	Interest Rate	Reoffering Yield	Reoffering Price	CUSIP^{®†}
<u>June 1</u>					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					

* Preliminary, subject to change.

† CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the City with respect to the Bonds that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

No Offering May be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Installment Sale Agreement, the Indenture or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City Clerk for further information. See “INTRODUCTION - Summaries Not Definitive.”

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Bonds are Exempt from Securities Laws Registration. The issuance, sale and delivery of the Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the City, any press release and any oral statement made with the approval of an authorized officer of the Authority or the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Stabilization of and Changes to Offering Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

City Website. The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

CITY OF BALDWIN PARK, CALIFORNIA

CITY COUNCIL MEMBERS

Manuel Lozano, *Mayor*
Monica Garcia, *Mayor Pro Tem*
Alejandra Avila, *Council Member*
Paul C. Hernandez, *Council Member*
Ricardo Pacheco, *Council Member*

CITY STAFF

Shannon Yauchzee, *Chief Executive Officer*
Rose Tam, *Director of Finance*
Maria Contreras, *City Treasurer*
Samuel Gutierrez, *Director of Public Works*
Benjamin Martinez, *Director of Community Development*
Jean M. Ayala, *City Clerk*

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Larkspur, California

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Los Angeles, California

Municipal Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$6,150,000*

BALDWIN PARK MUNICIPAL FINANCING AUTHORITY REVENUE BONDS, SERIES 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues)

This Official Statement, which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Baldwin Park Municipal Financing Authority (the “Authority”) Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues) (the “Bonds”), in the aggregate principal amount of \$6,150,000*.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The City and the Authority

The City of Baldwin Park (the “City”) was incorporated as a general law city on January 25, 1956. The City encompasses approximately 6.7 square miles in eastern Los Angeles County known as the San Gabriel Valley. The City is located approximately 17 miles east of downtown Los Angeles. Neighboring communities include the cities of West Covina, Irwindale and El Monte. See “CITY OF BALDWIN PARK” herein.

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City and the Baldwin Park Housing Authority formed the Authority by the execution of a joint exercise of powers agreement on July 19, 2017.

Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to acquire or construct and to refinance public capital improvements, such revenue bonds to be repaid from the installment payments described herein.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor serves as the Chairman of the Authority. The City’s Chief Executive Officer acts as the Executive Director.

* Preliminary, subject to change.

Purpose

The Bonds are being issued to finance the design, acquisition, and construction of certain local roadway and street improvement projects (collectively, the “Project”) in the City, purchase a debt service reserve policy to satisfy the reserve requirement for the Bonds and to pay the costs of issuing the Bonds. See “THE FINANCING PLAN” herein.

Security and Sources of Repayment

The Bonds are secured under an Indenture of Trust, dated as of February 1, 2019, (the “Indenture”), by and between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the “Trustee”). See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Bonds are payable from the Revenues pledged under the Indenture. The Revenues consist primarily of installment payments (the “Installment Payments”) to be made by the City to the Authority and of certain funds held under the Indenture and investment earnings thereon (collectively with the Installment Payments, the “Revenues”). The Authority will sell the Project to the City pursuant to an Installment Sale Agreement, dated as of February 1, 2019 (the “Installment Sale Agreement”), by and between the Authority and the City.

Under the Installment Sale Agreement, the Installment Payments are payable from and secured by a first lien on all Measure M Receipts (as such term is defined herein), which consist of certain amounts received by the City from a 0.5% retail transactions and use tax that is collected by Los Angeles County, California (the “County”). Installment Payments are payable in an amount that is sufficient to pay, when due, the annual principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS,” “MEASURE M REVENUES; MEASURE M RECEIPTS,” and “RISK FACTORS.” The Measure M Receipts are the only source of payment of the Installment Payments. Neither the general fund of the City nor any other moneys of the City are available to pay or secure the Installment Payments. The obligation of the City to pay the Installment Payments is not subject to abatement.

All of the Authority’s right, title and interest in and to the Installment Sale Agreement (apart from certain indemnification rights), including the right to receive Installment Payments under the Installment Sale Agreement, are assigned to the Trustee under the Indenture for the benefit of Bondholders.

For a summary of the Indenture and the Installment Sale Agreement, see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in “APPENDIX A.”

Reserve Account Surety Policy

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account has been established by the Indenture for the Bonds. The Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Policy”) issued by Assured Guaranty Municipal Corp. (“AGM”) in an amount equal to the Reserve Requirement, as defined in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS - Reserve Account - Reserve Policy.”

Municipal Bond Insurance

The Authority has received a commitment to issue a policy of municipal bond insurance from AGM with respect to the Bonds. Certain terms of such insurance, if purchased, will be disclosed in the final Official Statement.

Limited Obligation

The obligation of the City to pay Installment Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the State of California (the “State”) or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Quint & Thimmig LLP, Larkspur, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the City and the Authority by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Tafoya & Garcia, LLP, Los Angeles, California, as City Attorney and General Counsel to the Authority. Certain legal matters will be passed on for the Underwriter by its Counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture and by Resolution No. MFA 2018-003 of the Authority adopted on October 17, 2018.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about February 20, 2019 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Installment Sale Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Municipal Advisor. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, U.S. Bank National Association, Los Angeles, California or from the City at 14403 E. Pacific Avenue, Baldwin Park, California 91706.

Scheduled Debt Service on the Bonds

The following is a schedule of annual Installment Payments and therefore the total scheduled debt service on the Bonds, assuming no optional redemptions are made.

Period Ending			
<u>June 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
Total			

THE FINANCING PLAN

The Project

The Project, known as the “Rail Crossings Safety Improvements Project,” consists of main rail track crossings at Merced Avenue, McDevitt Street, Foster Avenue and Pacific Avenue and others. This segment on the Metrolink (“Metrolink”) rail line (San Bernardino Line) serves 38 weekday passenger trains and four weekday freight trains. The crossings are located near businesses, schools, and residential neighborhoods. There is vehicular traffic and significant amount of pedestrian traffic along these crossings.

The features of the proposed design are expected to improve the overall travel time for trains by reducing the opportunity for train-automobile and train-pedestrian collisions, thereby increasing safety to all and reducing delays to passenger rail traffic, freight rail traffic, and motor vehicles traveling through crossings.

The planned improvements at the at-grade crossings will bring the highway-rail crossing up to current Southern California Regional Rail Authority (“SCRRA”) Grade Crossing Safety Standards and may include among other improvements, new raised median islands, additional warning devices with gate arms and cantilevered flashing signals, improved pavement, curbs, gutters and sidewalks with pedestrian warning devices such as pedestrian gate arms, emergency swing gates, channelization and other enhancements, right-of-way swing gates, signing and striping, and other roadway improvements. The project will modify traffic signal timing at Pacific Avenue, as well as, implement preemption timing measures for improved flow of traffic along both approaches to the Baldwin Park Metrolink Station, which includes expansion of the existing platform. These facilities will be built to SCRRA standards with slight design deviations due to the existing site conditions and crossing geometry. Additionally, the improvements at Foster Avenue, which is an at-grade pedestrian-only crossing, may include improvements to pavement, curbs, gutters and sidewalks, which are compliant with the Americans with Disabilities Act, together with pedestrian warning devices such as pedestrian gate arms. The Project represents eligible costs payable from Measure M Revenues.

The Project cost estimates are shown below. The Project is currently in the design phase, which is being completed through an agreement with Metrolink. The City expects to begin construction on the Pacific Avenue crossing improvements by June 2019. The design of the other crossings at McDevitt Street, Merced and Foster Avenues is anticipated to be completed by January 2020, with construction completed by June 2021.

	<u>Merced Ave.</u>	<u>McDevitt St.</u>	<u>Foster Ave.</u>	<u>Pacific Ave.</u>	<u>Total</u>
<u>Design Phase</u>					
Design	\$ 140,000	\$ 110,000	\$ 85,000	\$ 140,000	\$ 475,000
Contingency	14,000	11,000	8,500	14,000	47,500
SCRRA Project Management	<u>28,000</u>	<u>22,000</u>	<u>17,000</u>	<u>21,000</u>	<u>88,000</u>
Total Design Costs	\$ 182,000	\$ 143,000	\$110,500	\$ 175,000	\$ 610,500
<u>Construction Phase</u>					
Construction	\$1,250,000	\$ 875,000	\$500,000	\$1,210,000	\$3,835,000
Construction Management and Inspection	75,000	52,500	30,000	72,600	230,100
Project Management	62,500	43,750	25,000	60,500	191,750
Flagging	60,000	50,000	50,000	55,150	215,150
Contingency	125,000	87,500	50,000	121,000	383,500
SCRRA Cost/Reserve	<u>500,000</u>	<u>350,000</u>	<u>200,000</u>	<u>484,000</u>	<u>1,534,000</u>
Total Construction Costs	<u>\$2,072,500</u>	<u>\$1,458,750</u>	<u>\$855,000</u>	<u>\$2,003,250</u>	<u>\$6,389,500</u>
Total Costs	\$2,254,500	\$1,601,750	\$965,500	\$2,178,250	\$7,000,000

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds, together with other available funds, and will apply them as follows:

Sources of Funds

Par Amount of Bonds
Net Original Issue Premium (Discount)
Total Sources of Funds

Uses of Funds

Project Fund
Underwriter's Discount
Costs of Issuance Fund ⁽¹⁾
Total Uses of Funds

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee, rating fees, the Reserve Policy premium, costs of printing the Official Statement, and other costs of issuance of the Bonds.

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in the principal amount of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on June 1, 2019 and each December 1 and June 1 thereafter (each, an "Interest Payment Date") until maturity. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the fifteenth day of the month preceding such Interest Payment Date (each, a "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before May 15, 2019, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest with respect to any Bond shall be payable to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any Bond shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Book-Entry System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see “APPENDIX E - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption*

Optional Redemption. The Bonds shall be subject to mandatory redemption as a whole or in part, upon 20 days’ written notice to the Trustee by the City (or such shorter period as shall be acceptable by the Trustee in its sole discretion) of its intention to optionally prepay the Installment Payments, on any date on or after June 1, 2029, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption shall be in such order of maturity as the City shall designate (and, if no specific order of redemption is designated by the City, in inverse order of maturity).

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, ____ (the “Term Bonds”) shall be subject to redemption from Mandatory Sinking Fund Payments in part on June 1, ____, and on each June 1 thereafter, to and including June 1, ____, to the extent of the sinking fund payment made by the Authority, derived from Installment Payments made by the City, with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium, as follows:

Redemption Date (<u>June 1</u>)	Principal <u>Amount</u>
--	------------------------------------

Final Maturity.

In the event that the Trustee shall redeem Term Bonds in part but not in whole pursuant to an optional redemption, the amount of the Term Bonds to be redeemed in each subsequent year shall be reduced in such order as shall be determined by the City.

Notice of Redemption; Rescission of Notice. If redemption is authorized or required, notice of redemption shall be mailed by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

If such redemption is an optional redemption, the notice will state that such redemption is conditioned upon receipt by the Trustee of sufficient funds to insure the payment of the redemption price, including principal and interest.

* Preliminary, subject to change.

Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a particular maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Purchase of Bonds. In lieu of redemption of Bonds as provided in the Indenture, amounts held by the Trustee for such redemption received from the City may also be used, upon receipt by the Trustee at least seventy-five (75) days prior to the redemption date of the written request of an Authorized Representative of the Authority, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption pursuant to this provision of the Indenture shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption.

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture; but excluding any Additional Payments. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The Authority will assign to the Trustee for the payment of the Bonds the Authority’s rights, title and interest in the Installment Sale Agreement (with certain exceptions), including the right to receive Installment Payments to be made by the City under the Installment Sale Agreement.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Installment Payments

The City is required to pay the Installment Payments from a lien on Measure M Receipts (see “Pledge of Measure M Receipts” below), in an amount equal to the principal and interest due with respect to the Bonds. The Installment Sale Agreement requires the City to make Installment Payments to the Authority at least 5 Business Days preceding each Interest Payment Date. Installment Payments to be paid by the City are assigned and are to be transmitted directly to the Trustee. The Indenture provides that the Installment Payments will be deposited in the Bond Fund maintained by the Trustee under the Indenture and applied to pay the principal and interest on the Bonds.

The obligation of the City to pay Installment Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Pledge of Measure M Receipts

The term “Measure M Receipts” is defined in the Installment Sale Agreement to mean Measure M Revenues allocated by the Los Angeles County Metropolitan Transit Authority (the “MTA”) to the City pursuant to the Measure M Ordinance from the Local Return Subfund established under the Measure M Ordinance, to the extent that the Project constitutes a Measure M Project, in an amount not greater than the Installment Payments related to such Measure M Project.

The term “Measure M Revenues” is defined in the Installment Sale Agreement to mean revenues of the MTA pursuant to the Measure M Ordinance derived from a retail transactions and use tax imposed in the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (Section 130350 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure M Ordinance. Collection of the Measure M Revenues commenced on July 1, 2017 and authorization to collect Measure M Revenues does not terminate.

The term “Measure M Ordinance” is defined in the Installment Sale Agreement to mean Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, adopted by the MTA on June 23, 2016, and approved by at least two-thirds of electors voting on such proposition in the November 8, 2016 election, as supplemented and amended.

The term “Measure M Project” is defined in the Installment Sale Agreement to mean a capital project for which Measure M Receipts may be expended. The Project constitutes a Measure M Project. See the caption “THE FINANCING PLAN - The Project.”

Measure M Receipts Fund. All of the Measure M Receipts shall be deposited by the City immediately upon receipt in the Measure M Receipts Fund, a special fund established by the City, until such time in each Fiscal Year as the amount therein equals the amounts required for the payment of Installment Payments and any Parity Obligations in that Fiscal Year. Amounts in excess of such Installment Payments shall be released from the lien of the Installment Sale Agreement and shall be available for any lawful purpose of the City.

On or before each Installment Payment Date, the City shall withdraw from the Measure M Receipts Fund and transfer to the Trustee, for deposit into the Bond Fund, an amount which, together with the balance then on deposit in the Bond Fund, as defined below, (other than amounts resulting from the prepayment of the Installment Payments and other than amounts required for payment of the principal or interest with respect to any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date.

Flow of Funds Under the Indenture

Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which the Trustee shall establish, maintain and hold in trust. Within the Bond Fund there shall be established an Interest Account, a Principal Account, a Reserve Account and a Sinking Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account equal to the amount of interest coming due and payable on such Interest Payment Date on all Bonds then Outstanding. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).
- (b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.
- (c) The Trustee shall deposit in the Sinking Account an amount, if any, required to cause the aggregate amount on deposit in the Sinking Account to equal the aggregate principal amount of the Term Bonds required to be redeemed on such Interest Payment Date. All amounts in the

Sinking Account shall be used and withdrawn by the Trustee solely to pay the aggregate principal amount of the Term Bonds required to be redeemed on such June 1 pursuant to the Indenture.

- (d) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of principal and interest due with respect to the Bonds.

If, on any Interest Payment Date, the moneys available in the Interest Account and/or the Principal Account and/or the Sinking Account do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Account to make delinquent amounts by transferring the amount necessary for this purpose to the Interest Account and/or the Principal Account and/or the Sinking Account and apply amounts to make delinquent amounts by transferring the amount necessary for this purpose to the Interest Account and/or the Principal Account and/or the Sinking Account.

- (e) If the then applicable Interest Payment Date is December 1, all remaining moneys shall be held by the Trustee in the Bond Fund and applied for the next succeeding June 1 Interest Payment Date deposit. If the then applicable Interest Payment Date is June 1, all remaining moneys shall be transferred to the City to be used for any lawful purpose.

Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to the optional redemption provisions of the Indenture; *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale.

Reserve Account

The Reserve Account is established under the Indenture to be funded in an amount equal to \$ _____, the "Reserve Requirement." As defined in the Indenture, the term "Reserve Requirement" means \$ _____ with respect to the Bonds, and means, with respect to Parity Bonds, an amount equal to the least of (a) maximum annual debt service on the Bonds, (b) 125% of average annual debt service on the Bonds, and (c) 10% of the par amount of the Bonds. As of the Closing date, the Reserve Requirement is \$ _____.

All amounts in the Reserve Account are required to be used and withdrawn by the Trustee solely for the purpose of paying principal of or interest on the Bonds when due and payable to the extent that moneys deposited in the Interest Account or the Principal Account are not sufficient for such purpose or for the retirement of all the Bonds then Outstanding.

The Indenture provides that in lieu of a cash deposit, the Authority may satisfy all or a portion of a Reserve Requirement by means of a Reserve Policy (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" herein). The Authority intends to satisfy the Reserve Requirement for the Bonds by depositing the Reserve Policy in the face amount of \$ _____ (see "Reserve Policy" below).

Reserve Policy. Concurrently with the issuance of the Bonds, AGM will issue the Reserve Policy with respect to the Bonds. The Reserve Policy is not available to pay debt service on Parity Obligations, if any.

The Authority is not required under the Indenture to replace the Reserve Policy with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn.

Parity Obligations

The City has the right to issue Parity Obligations. “Parity Obligations” is defined in the Indenture to mean any leases, loan agreements, installment sale agreements, bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Measure M Receipts on a parity with the Installment Payments.

Parity Obligations may be issued on a parity with the Installment Sale Agreement and any existing Parity Obligations subject to the following specific conditions:

- (i) The City shall be in compliance with all covenants set forth in the Installment Sale Agreement and with all covenants set forth in the agreements relating to then existing Parity Obligations.
- (ii) The Measure M Receipts as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City, as shown by the books of the City, shall at least equal one hundred fifty percent (150%) of Maximum Annual Debt Service immediately subsequent to the issuance of such Parity Obligations.
- (iii) The instrument providing for the issuance of such Parity Obligations shall provide that:
 - (A) The proceeds of such Parity Obligations shall be applied to the acquisition, construction, improvement, financing or refinancing of additional Measure M Projects, or for the purpose of refunding any Parity Obligations in whole or in part, including all costs (including costs of issuing such Parity Obligations and including capitalized interest on such Parity Obligations during any period which the City deems necessary or advisable) relating thereto;
 - (B) Interest on such Parity Obligations shall be payable on May 15 and November 15 in each year of the term of such Parity Obligations except the first year, during which year interest may be payable on any May 15 or November 15; and
 - (C) The principal of such Parity Obligations shall be payable on May 15 in any year in which principal is payable.
- (iv) A reserve fund may, but shall not be required to, be established for such Parity Obligations.

MEASURE M REVENUES; MEASURE M RECEIPTS

Pledge of Measure M Receipts

Pursuant to the Installment Sale Agreement, the City will pledge its Measure M Receipts for the payment of the Installment Payments.

In an election on November 8, 2016, more than two-thirds of the voters in the County approved the Measure M Ordinance, thereby imposing a 0.5% retail transactions and use tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use, or other consumption in the County of such property purchased from any retailer for storage, use, or other consumption in the County, subject to certain limited exceptions described below (the “Measure M Sales Tax”). The Measure M Sales Tax commenced on July 1, 2017, is administered by MTA and is not limited in duration, and will increase subsequent to July 1, 2039 upon the expiration of the Measure R Sales Tax described below.

The Measure M Ordinance provides for the collection and allocation of revenues as follows: (i) 1% for regional rail; (ii) 2% for Metro State of Good Repair; (iii) 2% for Americans with Disabilities Act (“ADA”) Paratransit for Disabled and MTA discounts for seniors and students; (iv) 2% for Metro Active Transportation Program; (v) 5% for MTA rail operations; (vi) 17% for highway construction; (vii) 17% for local return; (viii) 20% for transit operations; and (ix) 35% for transit construction. The Measure M Receipts constitute the local return portion of such Measure M Revenues allocable to the City (as described in clause (vii) in the previous sentence).

The Measure M Sales Tax

State Sales Tax. In general, the State sales tax (“State Sales Tax”) applies to the gross receipts of retailers from the sale of tangible personal property. The State use tax is imposed on the storage, use, or other consumption in the State of property purchased from a retailer for such storage, use, or other consumption. Because the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State. The current Statewide tax rate is 7.25%.

Measure M Sales Tax. The Measure M Sales Tax imposed in the County for transportation purposes and administered by MTA is in addition to the State Sales Tax. The Measure M Sales Tax is generally imposed upon the same transactions and items that are subject to the State Sales Tax, with generally the same exceptions. Many categories of transactions are exempt from the State Sales Tax and the Measure M Sales Tax. The most important of these exemptions are sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity, and water when delivered to consumers through mains, lines and pipes. In addition, Occasional Sales (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller’s permit) are generally exempt from both the State Sales Tax and the Measure M Sales Tax; however, the Occasional Sales exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County that are shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee, at such point, are exempt both from the State Sales Tax and the Measure M Sales Tax.

The Measure M Sales Tax is also in addition to: (i) a 0.5% sales tax imposed by the MTA, beginning in 2009, pursuant to Ordinance No. 08-01 of the MTA known as the “Measure R Sales Tax,” (ii) a 0.5% sales tax imposed by the Los Angeles County Transportation Commission (the “Commission”), predecessor to the MTA, beginning in 1990 and currently imposed by MTA pursuant to Ordinance No. 49 of the Commission, known as the “Proposition C Sales Tax;” (iii) a 0.5% sales tax imposed by the Commission

beginning in 1980 and currently imposed by MTA pursuant to Ordinance No. 16 of the Commission, known as the “Proposition A Sales Tax;” and (iv) sales taxes that apply only within certain cities within the County. The Measure R Sales Tax will terminate on July 1, 2039 and the Measure M Sales Tax will increase to a 1.0% sales tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure M Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on Measure M Revenues. Neither the Authority nor the City is currently aware of any proposed legislative change that would have a material adverse effect on Measure M Revenues.

For information related to MTA, see the caption “LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY.”

Collection and Allocation of Measure M Revenues

Collection of the Measure M Sales Tax began on July 1, 2017, and is administered by the California Department of Tax and Fee Administration, which imposes a charge for administration. Such charge is based on the actual costs incurred by the California Department of Tax and Fee Administration in connection with the administration of the collection of the Measure M Sales Tax. In accordance with the Measure M Ordinance, MTA is required to allocate the proceeds of the Measure M Sales Tax as follows:

<u>Uses</u>	<u>Percentage of Allocation</u> ⁽²⁾
Metro Rail Operations (including Metro Rail State of Good Repair)	5%
Transit Operations (Metro and Municipal Providers)	20%
ADA Paratransit for Disabled; Metro discounts for seniors and students	2%
Transit Construction (includes system connectivity projects – airports, Union Station, and Countywide BRT)	35%
Metro State of Good Repair	2%
Highway Construction (includes system connectivity projects – ports, highway congestion, good movement)	17%
Metro Active Transportation Program (bicycle, pedestrian, complete streets)	2%
Regional Rail	1%
Measure M Local Return ⁽¹⁾	<u>17%</u>
Total	100%

⁽¹⁾ 1% Administration supplements the Measure M Local Return, increasing the Measure M Local Return from 16% to 17% of net revenues, which amount will increase to 20% on July 1, 2039. 17% of the Measure M Sales Tax is allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas thereof on a per capita basis for streets and roads improvements; a comprehensive, integrated transportation network with infrastructure and design that allows safe and convenient travel along and across streets for all users, including pedestrians, users and operators of public transit, bicyclist, persons with disabilities, seniors, children, motorists, users of green modes, and movers of commercial goods, and commonly referred to as “Complete Streets”; urban transportation rights-of-way integrated with stormwater treatment techniques that use natural processes and landscaping and quantitatively demonstrate that they capture and treat stormwater runoff from their tributary watershed through infiltration or other means and are included within respective Enhanced Watershed Management Plans, and commonly referred to as “Green Streets”; storm drains; traffic control measures; active transportation; public transit services and capital, transit oriented community investments; transit marketing; congestion management program (planning, engineering and/or study); transportation administration; or as matching funds for other federal, state or local sources used to fund transportation projects.

⁽²⁾ Does not sum due to inclusion of 1% Administration to supplement Measure M Local Return. See Footnote ⁽¹⁾ above.

The Measure M Ordinance specifies that 17% of the Measure M Sales Tax, which includes a 1% Administration supplement (the “Measure M Local Return”) be allocated to incorporated cities within the County (including the City) and to the County for the unincorporated areas each on a per capita basis, which amount will increase to 20% on July 1, 2039. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sales Tax revenues to any trustee for MTA’s outstanding bond issues that are secured by Measure M Sales Tax revenues (collectively, the “MTA Measure M Bonds”). Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any of the MTA Measure M Bonds. At this time, MTA has not issued any MTA Measure M Bonds, but may do so in the future.

Currently, apportionments of the Measure M Local Return are being made to 88 cities and the County for the unincorporated areas (each, a “Jurisdiction” and, collectively, the “Jurisdictions”). The Measure M Local Return allocations to the Jurisdictions are based on the population shares from the projected populations as derived from annual estimates made by the California State Department of Finance. The projected populations are revised annually in the formula allocation procedure established by the MTA Board. Before any Jurisdiction can receive any allocations of the Measure M Local Return, such Jurisdiction must sign an assurances and understanding agreement with MTA. Measure M Local Return funds are then automatically allocated monthly on a per capita basis to such Jurisdiction. In addition, to continue receiving Measure M Local Return funds, the governing body of each Jurisdiction must annually adopt a resolution approving such Jurisdiction’s five year plan regarding the expenditure of its Measure M Revenues and demonstrate its compliance with the required uses of its Measure M Revenues pursuant to an annual audit. See “RISK FACTORS - Non-Compliance with Measure M Guidelines.”

Measure M Revenues

The following table sets forth the portion of the Measure M Revenues that were distributed by MTA to the City since September 2017.

CITY OF BALDWIN PARK MEASURE M REVENUE ALLOCATION

	<u>2017</u>	<u>2018</u>
January	\$ -	\$ 64,303
February	-	85,738
March	-	102,861
April	-	60,483
May	-	94,907
June	-	76,764
July	-	87,880
August	-	80,031
September	57,316	111,740
October	57,037	101,017
November	76,049	63,849
December	<u>109,437</u>	<u>91,744</u>
Total 12 Months	\$299,839	\$1,021,317

Source: City of Baldwin Park.

The City is unable to predict whether annual Measure M Revenues will increase or decrease or what portion, if any, of such Measure M Revenues it will receive. For a summary of historical taxable retail sales within the City and the County, see the table entitled “City of Baldwin Park and Los Angeles County Total Taxable Transactions” in “CITY OF BALDWIN PARK - Retail Sales” herein.

The following tables present the Balance Sheet and the Schedule of Revenues, Expenditures and Changes in Fund Balances relating to the City’s Measure M Fund for the Fiscal Year 2017-18.

MEASURE M FUND BALANCE SHEET AS OF JUNE 30, 2018

Assets	
Pooled Cash and investment	\$278,140
Other receivables, net	<u>301</u>
Total assets	\$278,441
Liabilities, deferred inflows of resources and fund balances	
Accounts Payable	\$ 5,822
Total liabilities	5,822
Fund balances	
Special revenue funds	<u>272,619</u>
Total fund balances	272,619
Total liabilities, deferred inflows of resources and fund balances	<u>\$278,441</u>

Source: City of Baldwin Park.

MEASURE M FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2018

Revenues	
Use of money and property	\$ 618
Intergovernmental	<u>784,896</u>
Total revenues	785,514
Expenditures	
Current	
General government	\$ 39,897
Public works	77,557
Capital outlay	<u>395,441</u>
Total expenditures	<u>512,895</u>
Net change in fund balances	272,619
Beginning fund balances	<u>-</u>
Ending fund balances	<u>\$272,619</u>

Source: City of Baldwin Park.

Maximum Annual Debt Service Coverage

The following table set forth the maximum annual debt service coverage with respect to the Bonds. The maximum annual debt service coverage is based upon Measure M Revenues paid to the City in the 12 months ending December 31, 2018, representing the first full year of Measure M Revenues allocated to the City.

<u>Period</u>	<u>Measure M Revenues</u>	<u>Maximum Annual Installment Payments*</u>	<u>Debt Service Coverage*</u>
January 2018 to December 2018	\$1,021,317	\$590,000	1.73x

Source: City of Baldwin Park.

* Preliminary, subject to change.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

MTA was established in 1993 pursuant to the provisions of Section 130050.2 et seq. of the California Public Utilities Code. MTA is the consolidated successor entity to both the Southern California Rapid Transit District (the “District”) and the Commission. As the consolidated successor entity, MTA succeeded to all powers, duties, rights, obligations, liabilities, indebtedness (bonded or otherwise), immunities, and exemptions of the Commission and the District, including the Commission’s responsibility for planning, engineering, and constructing a county-wide rail transit system. The Commission was authorized, subject to approval by the electorate of the County, to adopt a retail transactions and use tax ordinance, with the revenues of such tax to be used for public transit purposes.

MTA is governed by a 14-member Board of Directors (the “MTA Board”). The MTA Board is composed of the five members of the County of Los Angeles Board of Supervisors, the Mayor of the City of Los Angeles, two public members, and one member of the City Council of the City of Los Angeles, four members who are either a mayor or a member of a city council of a city in the County (other than the City of Los Angeles) and who have been appointed by the Los Angeles County City Selection Committee, and a nonvoting member appointed by the Governor.

The MTA Board exclusively exercises and discharges the following powers and responsibilities: (i) establishment of overall goals and objectives; (ii) adoption of the aggregate budget for all of its organizational units; (iii) designation of additional municipal bus operators under criteria enumerated in the California Public Utilities Code; (iv) approval of all final rail corridor selections; (v) final approval of labor contracts covering employees of MTA and its organizational units; (vi) establishment of MTA’s organizational structure; (vii) conducting hearings and setting fares for the operating organizational units; (viii) approval of transportation zones; (ix) approval of any debt instrument with a maturity date exceeding the end of the fiscal year in which it is issued; (x) approval of benefit assessment districts and assessment rates; and (xi) approval of contracts for construction and transit equipment acquisition which exceed \$5,000,000 and making findings in connection with certain procurement decisions.

CITY OF BALDWIN PARK

The City of Baldwin Park encompasses 6.7 square miles and is located in the San Gabriel Valley of Los Angeles County, 17 miles east of downtown Los Angeles.

General Organization

The City was incorporated as a general law city in 1956, and, operates under the City Council/Chief Executive Officer form of government. The City is governed by a five-member council currently consisting of four members each elected at large for four-year alternating terms and a Mayor elected for a 2-year term. Positions of Chief Executive Officer and City Attorney are filled by appointments of the City Council.

The current members of the City Council, the expiration dates of their terms and key administrative personnel are set forth below.

CITY COUNCIL

<u>Council Member</u>	<u>Term Expires</u>
Manuel Lozano, <i>Mayor</i>	November 2022
Monica Garcia, <i>Mayor Pro Tem</i>	November 2020
Alejandra Avila, <i>Council Member</i>	November 2022
Paul C. Hernandez, <i>Council Member</i>	November 2022
Ricardo Pacheco, <i>Council Member</i>	November 2020

ADMINISTRATIVE PERSONNEL

Shannon Yauchzee, *Chief Executive Officer*
Rose Tam, *Director of Finance*
Maria Contreras, *City Treasurer*
Samuel Gutierrez, *Director of Public Works*
Benjamin Martinez, *Director of Community Development*
Jean M. Ayala, *City Clerk*

Governmental Services

The City's Fiscal Year 2018-19 budget provides for 187 full-time equivalent positions and 200 part-time positions under the direction of the Chief Executive Officer.

The Baldwin Park Police Department is currently staffed by 98 sworn police officers and non-sworn personnel providing patrol, investigations and dispatch. Fire protection and flood control is provided by the Los Angeles County Fire Protection District and the Los Angeles County Flood Control District.

In addition to public safety, other City services include building permit and inspection, landscape and public infrastructure maintenance, weed abatement, municipal code compliance and parks and recreation programs and facilities.

Students living in the City are served by the Baldwin Park Unified School District. There are several junior and state colleges and universities within commuting distance from the City.

Transportation

The City enjoys easy access to the Los Angeles Freeway System. A major east-west freeway, Interstate 10 (San Bernardino Freeway) runs through the southern section of the City. The City is also served by Interstate 605 (San Gabriel Freeway) to the west, Interstate 210 (Foothill Freeway) to the north and State Highway 57 (Orange Freeway) to the east.

Ontario International Airport is located 24 miles east of the City and is served by most domestic carriers. Los Angeles International Airport is located 34 miles west of the City and is served by every major airline.

The City is served by a Metrolink train station located adjacent to its City Hall. Metrolink provides daily light-rail commuter train service between residential and major commercial areas within Los Angeles, Riverside, San Bernardino and Ventura Counties. Additional public transit options are provided by Foothill Transit and by the County.

Population

The following table provides population growth for the City of Baldwin Park and Los Angeles County between 2014 and 2018.

**POPULATION
BALDWIN PARK AND LOS ANGELES COUNTY
2014 – 2018**

As of January 1 <u>Year</u>	<u>BALDWIN PARK</u>		<u>LOS ANGELES COUNTY</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2014	76,022		10,088,458	
2015	76,183	0.2%	10,149,661	0.6%
2016	76,116	(0.1%)	10,180,169	0.3%
2017	76,463	0.5%	10,231,271	0.5%
2018	76,708	0.3%	10,283,729	0.5%
% Change Between 2014 - 2018		0.9%	1.9%	

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2011-2018, with 2010 Census Benchmark” Sacramento, California, May 2018.

Employment and Industry

As of December 2018, the civilian labor force for the City was approximately 35,400 of whom 33,700 were employed. The unadjusted unemployment rate as of December 2018 was 4.8% for the City as compared to 4.6% for the County and 4.1% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2013 through 2017 are shown in the following table:

CITY OF BALDWIN PARK, LOS ANGELES COUNTY, STATE OF CALIFORNIA AND UNITED STATES CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2013</u>				
City of Baldwin Park	35,457	30,923	4,534	12.8%
Los Angeles County	4,967,167	4,482,594	484,573	9.8%
California	18,624,992	16,958,403	1,666,589	8.9%
United States	155,389,000	143,929,000	11,460,000	7.4%
<u>2014</u>				
City of Baldwin Park	35,409	31,558	3,851	10.9%
Los Angeles County	5,004,087	4,591,068	413,019	8.3%
California	18,758,399	17,351,318	1,407,081	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
<u>2015</u>				
City of Baldwin Park	34,990	31,919	3,071	8.8%
Los Angeles County	5,002,332	4,671,098	331,234	6.6%
California	18,896,477	17,724,799	1,171,678	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
<u>2016</u>				
City of Baldwin Park	34,463	32,574	1,889	5.5%
Los Angeles County	5,054,938	4,789,505	265,433	5.3%
California	19,093,658	18,048,827	1,044,831	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
<u>2017</u>				
City of Baldwin Park	34,986	33,214	1,772	5.1%
Los Angeles County	5,123,933	4,883,640	240,293	4.7%
California	19,311,958	18,393,077	918,881	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). Wage and salary workers by industry statistics for the Metropolitan Division as of December for the years 2014 through 2018 are shown in the following table.

**LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)**

<u>Industry</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Government	570.5	581.9	591.4	596.0	592.8
Other Services	151.5	151.8	154.9	152.0	157.2
Leisure and Hospitality	471.6	498.2	518.5	531.7	556.1
Educational and Health Services	736.9	764.9	789.1	810.0	825.5
Professional and Business Services	597.0	607	611.6	626.1	642.5
Financial Activities	214.5	219.9	221.9	224.9	224.7
Information	201.5	217.4	227.0	218.9	219.3
Transportation, Warehousing and Utilities	170.6	179.4	191.7	199.8	203.1
Service Producing					
Retail Trade	440.3	441.1	441.9	440.9	438.6
Wholesale Trade	226.2	227.5	225.6	227.0	224.7
Manufacturing					
Nondurable Goods	161.1	159.0	154.4	146.4	145.0
Durable Goods	208.3	207.2	201.4	203.1	205.8
Goods Producing					
Construction	119.5	131.4	134.7	138.3	139.7
Mining and Logging	<u>3.1</u>	<u>2.7</u>	<u>2.4</u>	<u>2.2</u>	<u>2.3</u>
Total Nonfarm	4,272.6	4,389.4	4,466.5	4,517.3	4,577.3
Farm	<u>4.9</u>	<u>4.5</u>	<u>5.2</u>	<u>5.4</u>	<u>5.6</u>
Total (all industries)	<u>4,277.5</u>	<u>4,393.9</u>	<u>4,471.7</u>	<u>4,522.7</u>	<u>4,582.9</u>

⁽¹⁾ Annually, as of December.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by month March 2017 Benchmark.*”

**COUNTY OF LOS ANGELES
LARGEST INDUSTRIES ⁽¹⁾**

The following table show the largest industries located in the County as of June 30, 2018.

<u>Industry</u>	<u>Employment</u>
Trade, Transportation and Utilities	828,400
Educational & Health Services	804,800
Professional & Business Services	629,100
Government	594,400
Leisure & Hospitality	552,200
Manufacturing	350,400
Financial Activities	222,200
Information	211,900
Other Services	155,300
Construction	144,300

⁽¹⁾ Employment by industry presented because County has been unable to obtain employment numbers for individual employers.

Source: County of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2018.

Personal Income

Personal income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in the County increased by approximately 94% between 2002 and 2017. The following tables summarize personal income for the County for the years 2002 through 2017, and per capita personal income for the County, the State of California and the United States for the years 2002 through 2017. Per capita income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**LOS ANGELES COUNTY
PERSONAL INCOME
(DOLLARS IN THOUSANDS)**

<u>Year</u>	<u>Personal Income</u>	<u>Annual Percent Change</u>
2002	\$306,397,603	
2003	322,159,168	5.1%
2004	342,751,135	6.4%
2005	365,284,999	6.6%
2006	395,200,509	8.2%
2007	412,140,913	4.3%
2008	422,807,196	2.6%
2009	409,793,204	(3.1)%
2010	428,045,182	4.5%
2011	459,098,093	7.3%
2012	492,424,430	7.3%
2013	491,016,518	(0.3)%
2014	525,088,691	6.9%
2015	560,484,548	6.7%
2016	577,071,787	3.0%
2017	593,741,110	2.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

**LOS ANGELES COUNTY, STATE OF CALIFORNIA AND THE UNITED STATES
PER CAPITA PERSONAL INCOME**

<u>Year</u>	<u>Los Angeles County</u>	<u>California</u>	<u>United States</u>
2002	\$31,568	\$34,233	\$31,832
2003	32,984	35,452	32,681
2004	34,999	37,364	34,251
2005	37,326	39,326	35,849
2006	40,584	42,139	38,114
2007	42,487	43,669	39,844
2008	43,431	43,895	40,904
2009	41,869	42,050	39,284
2010	43,569	43,609	40,545
2011	46,439	46,145	42,727
2012	49,459	48,751	44,582
2013	49,010	49,173	44,826
2014	52,130	52,237	47,025
2015	55,366	55,679	48,940
2016	56,851	57,497	49,831
2017	58,419	59,796	51,640

Source: U.S. Department of Commerce, Bureau of Economic Analysis; revised as of November 2018.

Retail Sales

The following table summarizes the volume of retail sales and taxable transactions for the City of Baldwin Park and Los Angeles County for 2007 through 2016 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

**CITY OF BALDWIN PARK AND LOS ANGELES COUNTY
TOTAL TAXABLE TRANSACTIONS
(in \$ thousands)**

<u>Year</u>	<u>City of Baldwin Park</u>		<u>Los Angeles County</u>	
	<u>Permits</u>	<u>Taxable Transactions</u>	<u>Permits</u>	<u>Taxable Transactions</u>
2007	1,191	566,938	290,344	\$137,820,418
2008	1,168	528,973	289,802	131,881,744
2009	1,033	462,814	264,928	112,744,727
2010	1,067	481,299	271,293	116,942,334
2011	1,052	524,620	266,868	126,440,737
2012	1,048	537,527	266,414	135,295,582
2013	1,049	513,140	263,792	140,079,708
2014	1,091	505,558	272,733	147,446,927
2015	1,230	516,594	310,063	151,033,781
2016	1,269	523,462	311,295	154,208,333

Source: State Board of Equalization, "Taxable Sales in California."

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Installment Payments Constitute Limited Obligations

The obligation of the City to make Installment Payments under the Installment Sale Agreement is a special obligation of the City, payable solely from the Measure M Receipts, does not constitute a debt of the City, the Authority, the County, the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City, the County, the State or any political subdivision of the State is obligated to levy or pledge any form of taxation or for which the City, the County, the State, or any political subdivision of the State has levied or pledged any form of taxation. The Authority has no taxing power.

Measure M Receipts

As described under the caption “MEASURE M REVENUES; MEASURE M RECEIPTS,” the Measure M Sales Tax commenced on July 1, 2017 and there is only a short history of collection and allocation of the Measure M Local Return, which constitutes Measure M Receipts allocable to the City for the payment of Installment Payments under the Installment Sale Agreement. No assurances can be made as to the sufficiency of Measure M Receipts to pay the Installment Payments under the Installment Sale Agreement.

Passive Revenue Source

The payment of principal of and interest on the Bonds is secured solely by a pledge of Installment Payments, which in turn are secured by a pledge by the City of the Measure M Receipts, and certain funds held under the Indenture. The City does not have any control over the amount of Measure M Receipts to be received by the City because: (i) Measure M Revenues constitute revenues of MTA derived from a retail transactions and use tax imposed in the County pursuant to the Measure M Ordinance, and the City has no ability to control the number of transactions and revenues generated by the tax; and (ii) the City does not have any control over the collection or distribution procedures related to any State taxes or local retail transactions and use taxes.

There can be no assurance that future Measure M Receipts will be available in the historical amounts shown in this Official Statement. A decrease in Measure M Revenues would adversely affect the amount and/or availability of Measure M Receipts. In addition, the City must continuously meet certain requirements set forth in the Measure M Ordinance in order to be eligible to receive Measure M Revenues from MTA and apply Measure M Receipts to pay the Installment Payments. Such requirements include the annual adoption by the City of a resolution approving the City’s Five-Year Capital Improvement Plan and compliance by the City with a maintenance of effort requirement. See the captions “MEASURE M REVENUES; MEASURE M RECEIPTS” and “Non-Compliance with Measure M Guidelines” below.

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure M Revenues. Internet sales of physical products by businesses that are located in the State, and Internet sales of physical products delivered to the State by businesses that are located outside of the State, are generally subject to sales taxes. However, the City believes that many of these transactions may avoid taxation either through error or deliberate nonreporting, which potentially reduces the amount of Measure M Revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to

collect sales taxes on such Internet purchases, the more that the City may experience reductions in Measure M Revenues. On September 23, 2011, Governor Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September 2012, Amazon.com began collecting taxes from its Internet sales in the State to remit to the Board of Equalization.

On June 21, 2018, in the case of *South Dakota v. Wayfair*, the Supreme Court of the United States ruled that states can require online sellers to collect sales taxes. As a result of this ruling, states will be able to require retailers to collect state sales tax on their transactions, whether or not the retailer has a physical presence within the state. The Authority cannot predict the degree that the ruling in *South Dakota v. Wayfair* will affect the collection of the Measure M Sales Tax on a going forward basis.

Allocation of Measure M Revenues to the City

The California Department of Tax and Fee Administration administers collection of the Measure M Sales Tax. The California Department of Tax and Fee Administration, after deducting the costs of administering the Measure M Sales Tax, has agreed to remit all Measure M Sale Tax revenues to any trustee for MTA Bonds to be secured by Measure M Sales Tax. Such trustee would thereafter immediately disburse the Measure M Local Return to the MTA. The Measure M Local Return does not serve as security for any MTA Bonds that may be issued. Amounts constituting the Measure M Local Return are transferred to the MTA for allocation of the Measure M Revenues to the City as described herein. The trustee for the MTA Bonds would thereafter disburse moneys designated for local agencies to MTA, which allocates such Measure M Revenues to the City as described herein. See the caption “MEASURE M REVENUES; MEASURE M RECEIPTS - Collection and Allocation of Measure M Revenues.”

There can be no assurance that changes in the foregoing procedures or other actions undertaken or not undertaken by the California Department of Tax and Fee Administration, the trustee for any MTA Bonds to be secured by Measure M Sales Tax or MTA will not adversely affect the City’s receipt of Measure M Revenues.

Limitations on Use of Measure M Revenues

Not all of the Measure M Revenues allocated by MTA to the City may be applied to pay the Installment Payments. Only the Measure M Receipts may be so applied. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Pledge of Measure M Receipts” for detailed definitions of such terms.

Project Eligibility

The projects to be constructed by the City must be designated by MTA as qualified projects for purposes of the local streets and roads program established under the Measure M Ordinance. Only such Measure M Projects are eligible to be financed from Measure M Receipts. Although the City believes that all of the components of the Project constitutes a Measure M Project, there can be no assurance as to the continuing eligibility of such Project for MTA’s local streets and roads program. See the captions “MEASURE M REVENUES; MEASURE M RECEIPTS - Collection and Allocation of Measure M Revenues” and “Non-Compliance with Measure M Guidelines” below.

Non-Compliance with Measure M Guidelines

In connection with the Measure M Ordinance, MTA, on June 22, 2017, approved guidelines relating to the administration and use of the Measure M Sales Tax (the “Measure M Guidelines”). The Measure M Guidelines include a number of provisions that must be complied with by the City to ensure continued eligibility to receive Measure M Sales Tax distributions. Failure to follow these provisions could result in the suspension of distributions of Measure M Sales Tax, the return of such tax to MTA or the requirement of the City to replenish its “Measure M Local Return” account with available funds other than Measure M

Sales Tax. MTA performs annual audits to monitor compliance with the provisions of the Measure M Guidelines.

Under the Measure M Guidelines, the City is required to expend Measure M Sales Tax monies only on those transportation purposes identified in the Measure M Guidelines. If the City is found to have expended funds without MTA's approval, the City will be required to reimburse its Measure M Sales Tax account for the amount of the unapproved expenditures. If MTA determines that Measure M Sales Tax was expended on projects that do not meet the Guidelines' definition of transportation purposes, then the City will be required to reimburse its Measure M Sales Tax account in an amount equal to the non-qualifying expenditures plus interest, and could also face a suspension of disbursements of Measure M Sales Tax for a period of three years. If such a suspension were imposed, the City would not receive any Measure M Sales Tax during the term of the suspension, which may have an adverse impact on the Authority's ability to pay the principal of and interest on the Bonds on a timely basis.

In addition, the failure of the City to properly verify that all Measure M Sales Tax related revenue, including Measure M Sales Tax allocations to the City, project generated revenues and interest income, was properly credited to its Measure M Sales Tax account, could result in the suspension of Measure M Sales Tax disbursements until the City has demonstrated to MTA that all such Measure M Sales Tax allocable to the City has been credited to the City's Measure M Sales Tax account. If the City fails to properly credit its Measure M Sales Tax related revenue to its Measure M Sales Tax account, MTA could suspend the distribution of Measure M Sales Tax until the City has demonstrated compliance with the Measure M Guidelines. During the duration of any suspension of Measure M Sales Tax disbursements, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

The Measure M Guidelines also require the local agencies, including the City, to maintain their individual local commitment of funds for transportation projects and services that was expended prior to the receipt of the Measure M Sales Tax (the "MOE"). If the local agency fails to maintain the MOE, then such local agency will be required to reimburse its account with available funds other than Measure M Sales Tax monies.

The City is required to expend Measure M Sales Tax within five years of the last day of the fiscal year in which such funds were originally allocated or received (subject to certain exceptions). If the City fails to expend the Measure M Sales Tax allocated to the City, the City is required to return the lapsed Measure M Sales Tax, interest income and other earned income on such lapsed amount, to MTA for reallocation to the other local agencies based on population. In certain circumstances, the City, with the approval of MTA, may be able to obtain additional time beyond the five year term limit to expend its allocation of Measure M Sales Tax.

The Measure M Guidelines additionally require that the City annually submit an expenditure plan and an expenditure report to MTA to remain legally eligible to receive Measure M Sales Tax. If the City fails to submit to submit these items to MTA, the City may be determined to be legally ineligible to receive Measure M Sales Tax. During any period when the City is not legally eligible to receive Measure M Sales Tax, the City would not be receiving Measure M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds.

The Measure M Guidelines also gives MTA the right to suspend or revoke allocation to local agencies that are found to be in gross violation of the Measure M Guidelines, or repeatedly committing violations, or refusing to take corrective measures. During the duration of any suspension of Measure M Sales Tax disbursements or revocation of Measure M Sales Tax allocation, the City would not be receiving M Receipts, which in turn, may affect the ability of the Authority to pay the principal of and debt service on the Bonds on a timely basis.

Parity Obligations

Subject to certain restrictions, the City is permitted to incur Parity Obligations that constitute additional charges against the Measure M Receipts without the consent of Owners of the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS - Parity Obligations.” To the extent that other Parity Obligations are executed by the City, the funds available to pay the Installment Payments may be decreased. In addition, there is no limitation on the ability of the City to execute any Parity Obligations at any time to refund any outstanding Parity Obligations.

Limitations on Remedies; Bankruptcy

The rights of the Owners of the Bonds are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Bonds, and enforcement of the City’s obligations under the Installment Sale Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the City and MTA, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Bond Counsel has limited its opinion as to the validity and enforceability of the Installment Sale Agreement and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion.

The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of the rights of the Owners.

Early Redemption Risk

Early payment of the Installment Payments and early redemption of the Bonds may occur in whole or in part without premium, if the City exercises its right to prepay Installment Payments in whole or in part pursuant to the provisions of the Installment Sale Agreement and the Indenture. See “THE BONDS - Redemption - Optional Redemption.”

Loss of Tax Exemption on the Bonds

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants contained in the Indenture and the Installment Sale Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has recently adopted and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority and the City can provide no assurance that federal tax law will not change while the Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (“Service”) has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the Authority or the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII B of the California Constitution – Limitations on Appropriations

On November 6, 1979, State voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the State Constitution (“Article XIII B”). In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and cost of services rendered by the governmental entity. The “base year” for establishing such appropriation limit is State fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations of an entity of local government that are subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations that are subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle

weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from: (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (ii) the investment of tax revenues; and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B allows voters to approve a temporary waiver of a government’s Article XIII B limit. Such a waiver is often referred to as a “Gann limit waiver.” The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to a local government or allow a local government to finance additional services.

Installment Payments are subject to the Article XIII B appropriations limitations. The City reports that it has never made appropriations that exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the financial needs of the City in the future is unknown.

Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes

On November 5, 1996, State voters approved Proposition 218, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Article XIII C (“Article XIII C”) and Article XIII D (“Article XIII D”) to the State Constitution, which Articles contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of certain provisions of Proposition 218 will ultimately be determined by the courts with respect to some of the matters discussed below. It is not possible at this time to predict with certainty the future impact of such interpretations. The provisions of Proposition 218, as so interpreted and applied, may affect the ability of the City to meet certain obligations.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund, require a two-thirds vote. Article XIII C further provides that any general purpose tax that is imposed, extended or increased without voter approval after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election, which must be held within two years of November 5, 1996. The City reports that it has not imposed, extended or increased any such taxes that are currently in effect without voter approval.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date that such taxes, assessments, fees and charges were imposed. Article XIII C expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 1996, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters within the jurisdiction of the City will not, in the future, approve initiatives that reduce, repeal or prohibit the future imposition or increase of, local taxes, assessments, fees or charges that currently comprise a substantial part of the City’s general fund. The terms “local tax,” “assessments,” “fees” and “charges” are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described below. If not, the scope of the initiative power under Article XIII C potentially could include any general fund local tax, assessment, or fee that is not received from or imposed by the federal or State government or derived from investment income. The City does not believe that it currently levies any property related “fees” or “charges” that it considers to be subject to challenge under Article XIII C.

The voter approval requirements of Proposition 218 reduce the flexibility of a local government to raise revenues for its general fund, and no assurance can be given that the City will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

Article XIID also added several new provisions relating to how local governments may levy and maintain “assessments” for municipal services and programs. These provisions include, among other things: (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that the assessment must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred; and (iii) a majority protest procedure that involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. The term “Assessment” in Article XIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks.

In addition, Article XIID added several provisions affecting “fees” and “charges,” defined for purposes of Article XIID to mean “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that: (i) generate revenues exceeding the funds required to provide the property related service; (ii) are used for any purpose other than those for which the fees and charges are imposed; (iii) are for a service not actually used by, or immediately available to, the owner of the property in question; or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Depending on the interpretation of what constitutes a “property related fee” under Article XIID, there could be future restrictions on the ability of the City to charge its respective enterprise funds for various services provided. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase and, if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge.

The City does not believe that the provisions of Article XIIC or Article XIID will directly impact the Measure M Receipts available to the City to make its Installment Payments required pursuant to the Installment Sale Agreement.

Future Initiatives

Article XIIB, Article XIIC and Article XIID were each adopted as measures that qualified for the ballot pursuant to the State’s Constitutional initiative process. From time to time other initiative measures could be adopted that affect the ability of the City to increase or apply revenues and to make or increase appropriations or the ability of MTA to levy, collect or allocate the Measure M Sales Tax, all of which could adversely impact the amount of Measure M Revenues received by the City.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Bonds.

Subject to the Authority's and the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the City with respect to certain material facts within their knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Internal Revenue Code of 1986, as amended (the "Code") (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Authority or the City as a taxpayer and the Bond Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond Owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond Owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest with respect to the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Bonds is set forth in “APPENDIX D - FORM OF OPINION OF BOND COUNSEL.”

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Installment Sale Agreement, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Installment Sale Agreement and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Quint & Thimmig LLP, Larkspur, California, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Installment Sale Agreement, and as to the validity of the Bonds. See “APPENDIX D” hereto for the proposed form of Bond Counsel’s opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture, the Installment Sale Agreement or the Bonds are not enforceable against the Authority and the City, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors’ rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the City and the Authority by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel and by the City Attorney. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Absence of Litigation

The Authority and the City will each furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Installment Sale Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture and the Installment Sale Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof.

There exists lawsuits and claims against the City that are incidental to the ordinary course of the City's operations. In the view of the City, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City's ability to make Installment Payments when due.

CONCLUDING INFORMATION

Rating on the Bonds

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA-" to the Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The Bonds are being sold at an aggregate purchase price of \$_____ (representing the aggregate principal amount of the Bonds plus an original issue premium of \$_____ and less an underwriting discount of \$_____) pursuant to a bond purchase contract ("Bond Purchase Contract") entered into between the Authority, the City and Samuel A. Ramirez & Co., Inc. (the "Underwriter").

The expenses associated with the issuance of the Bonds are being paid by the Authority and the City from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the issuance and delivery by the Authority, and the purchase by the Underwriter, of the Bonds. The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased and that the obligation of the Underwriter to accept and pay for the Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The Underwriter will initially offer the Bonds for sale at the prices and yields set forth on the inside cover pages of this Official Statement. Such prices or yields may subsequently change. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds for sale and may offer to sell Bonds to dealers at prices lower than the initial offering prices.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

Underwriter's Counsel acts as compliance counsel to the Municipal Advisor in connection with their general regulatory obligations as a municipal advisor; however, such representation does not include representation with respect to the Bonds or any evaluation or opinion as to whether the Municipal Advisor is satisfying or has satisfied any fiduciary duty, fair dealing obligation or suitability analysis with respect to individual transactions or clients.

Continuing Disclosure

The City will provide annually certain financial information and data relating to the City by not later than March 31 in each year commencing March 31, 2020 (the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule"). The first Annual Report due by March 31, 2019 will consist of this Official Statement. The Municipal Advisor will act as the Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City's Disclosure Certificate attached in "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has previous undertakings under the Rule with respect to its lease revenue bonds ("Lease Revenue Bonds") and the former Baldwin Park Redevelopment Agency tax allocation bonds. The City believes that in the last five years it has not failed to comply in any material respect with any previous undertakings with regard to the Rule. However, the 2014/15 annual report for the Lease Revenue Bonds and the 2014/15 annual report for the Baldwin Park Redevelopment Agency Sales Tax and Tax Allocation Bonds, Series 2003 were not posted on the Electronic Municipal Market Access website until December 28, 2015, one day after the required filing date of December 27, 2015.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Installment Sale Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture and the Installment Sale Agreement may be obtained after delivery of the Bonds from the City at 14403 E. Pacific Avenue, Baldwin Park, California 91706.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement for the City by the Chief Executive Officer and for the Authority by the Executive Director has been duly authorized by the City and the Authority.

**BALDWIN PARK MUNICIPAL FINANCING
AUTHORITY**

By: _____
Executive Director

CITY OF BALDWIN PARK

By: _____
Chief Executive Officer

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture and the Installment Sale Agreement referred to in this Official Statement. This summary is not intended to be definitive. Reference is made to the respective document for the complete terms thereof.

DEFINITIONS

“Act” means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Payments” means the payments so designated and required to be paid by the City pursuant to the Installment Sale Agreement.

“Authority” means the Baldwin Park Municipal Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

“Authorized Denomination” means the amount of \$5,000 or any integral multiple thereof.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, its Vice Chair, its Executive Director, its Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director, and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, its Chief Executive Officer, its Director of Finance or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Chief Executive Officer and filed with the Authority and the Trustee.

“Board of Directors” means the governing body of the Authority.

“Bond Counsel” means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Year” means each twelve-month period extending from June 2 in one calendar year to June 1 of the succeeding calendar year, both dates inclusive; *provided* that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on June 1, 2019.

“Bonds” means the Baldwin Park Municipal Financing Authority Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues), authorized by and at any time Outstanding pursuant to the Indenture.

“Business Day” means (a) any day that is not a Saturday, Sunday or legal holiday or day on which banking institutions in the State are closed, or (b) a day on which the New York Stock Exchange is not closed.

“City” means the City of Baldwin Park, a municipal corporation and general law city organized and existing under and by virtue of its charter and the laws of the State.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under such Code.

“Completion Date” means, with respect to the Project, the date on which the City files a Written Certificate with the Trustee stating that the acquisition and construction of the Project has been completed.

“Continuing Disclosure Certificate” means the continuing disclosure certificate to be executed on the Closing Date by the City, as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriter, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, out-of-pocket expenses of the Authority and the City, the Authority and City staff costs, costs of printing and the premium for the Reserve Policy.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means the County of Los Angeles.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal components of the Installment Payments and of payments with respect to Parity Obligations coming due and payable by their terms in such period; and

(b) The interest component of the Installment Payments and of payments with respect to Parity Obligations coming due and payable by their terms in such period.

“Defeasance Obligations” means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, and (e) CATS, TIGRS, STRPS.

“Event of Default,” with respect to the Indenture, means any of the events specified in the Indenture and with respect to the Installment Sale Agreement, means any of the events specified in the Installment Sale Agreement.

“Federal Securities” means (a) cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vii) State and Local Government Series.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term *“Fair Market Value”* means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“Fiscal Year” means any twelve-month period extending from June 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

“Government Obligations” means, with respect to the Bonds: (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (*“U.S. Treasury Obligations”*), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Indenture” means the Indenture of Trust, dated as of February 1, 2019, by and between the City and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants, appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the Trustee or the City.

“Information Services” means the Electronic Municipal Market Access System (referred to as *“EMMA”*), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Payment Date” means the date not later than the fifth Business Day preceding each Interest Payment Date.

“Installment Payments” means the payments required to be paid by the City pursuant to the Installment Sale Agreement.

"Installment Sale Agreement" means that certain Installment Sale Agreement, dated as of February 1, 2019, by and between the Authority and the City, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture, securing the Bonds.

"Interest Account" means the account by that name established in the Bond Fund pursuant to the Indenture.

"Interest Payment Date" means each June 1 and December 1, commencing June 1, 2019.

"Maximum Annual Debt Service" means, as of any date of calculation by the City, the highest Debt Service during the period from the date of such calculation through the final maturity date of all Parity Obligations.

"Measure M Receipts" means Measure M Revenues allocated by the MTA to the City pursuant to the Measure M Ordinance from the Local Return Subfund established under the Measure M Ordinance, to the extent that the Project constitutes a Measure M Project, in an amount not greater than the Installment Payments related to such Measure M Project.

"Measure M Receipts Fund" means the fund by that name established and held by the City into which the Measure M Receipts are deposited.

"Measure M Revenues" means revenues of the MTA pursuant to the Measure M Ordinance derived from a retail transactions and use tax imposed in the County pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, Division 12 (section 130350 *et seq.*) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure M Ordinance.

"Measure M Ordinance" means Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, adopted by the MTA on June 23, 2016, and approved by at least two-thirds of electors voting on such proposition in the November 8, 2016 election, as supplemented and amended.

"Moody's" means Moody's Investors Service, New York, New York, or its successors.

"MTA" means the Los Angeles County Metropolitan Transportation Authority.

"Municipal Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assigns thereof.

"Original Purchaser" means the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner," whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Parity Obligations" means any leases, loan agreements, installment sale agreements, bonds, notes, or other obligations of the City payable from and secured by a pledge of and lien upon any of the Measure M Receipts on a parity with the Installment Payments.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under the Indenture as a determination that such investment is a Permitted Investment):

(a) Government Obligations.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. U.S. Farmers Home Administration (FmHA)
Certificates of Beneficial Ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation Certificates
6. Government National Mortgage Association (GNMA or Ginnie Mae)
GNMA—guaranteed mortgage-backed bonds
GNMA—guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
Participation Certificate
Senior debt obligations
3. Federal National Mortgage Association (FNMA or Fannie Mae)
Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or Sallie Mae)

Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System

Consolidated systemwide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, if rated by S&P, having a rating at the time of investment of "AAAm" or "AAAm-G"; and if rated by Moody's having a rating at the time of investment of "Aaa," including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries provide investment advisory or other management services.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks or savings and loan associations (including the Trustee or its affiliates). The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or secured at all times by collateral described in (a) and/or (b) above.

(g) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(h) Federal funds or bankers acceptances with a maximum term of 180 days of any bank which has an unsecured, uninsured and unguaranteed obligation rating at the time of investment of "Prime-1" or better by Moody's and "A-1" or better by S&P.

(i) The Local Agency Investment Fund of the State created pursuant to 16429.1 of the California Government Code.

(j) Municipal obligations rated "A" or higher by S&P.

(k) Investment agreements of financial institutions or insurance companies, in each case having uninsured, unsecured and unguaranteed obligations rated "AA-" or better by S&P, or "Aa3" or better by Moody's, provided, however, that any such investment may be provided by a financial institution or insurance company having uninsured, unsecured and unguaranteed obligations not rated "AA-" or better by S&P, or "Aa3" or better by Moody's, if such investment is unconditionally insured, guaranteed or enhanced by an entity whose uninsured, unsecured and unguaranteed obligations are rated "AA-" or better by S&P, or "Aa3" or better by Moody's.

(l) Other forms of investments that satisfy the City's Statement of Investment Policy as of the time of investment.

"Principal Account" means the account by that name established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as may be specified to the City and the Authority by the Trustee; provided, however, that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean in care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, or such other office designated by the Trustee from time to time, or at such other or additional offices as may be specified by the Trustee in writing to the City and the Authority.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Rating Category” means, with respect to any Permitted Investment, one of the generic categories of rating by Moody’s and S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month preceding an Interest Payment Date. With respect to any payment of defaulted interest a special Record Date shall be established in accordance with the provisions hereof.

“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Regulations” means the regulations of the United States Department of Treasury issued under the Code.

“Reserve Account” means the account by that name established in the Bond Fund pursuant to the Indenture.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Municipal Bond Insurer for deposit in the Reserve Account in an amount equal to the Reserve Requirement.

“Reserve Requirement” means an amount equal to the least of (a) maximum annual debt service on the Bonds, (b) 125% of average annual debt service on the Bonds, and (c) 10% of the par amount of the Bonds. As of the Closing date, the Reserve Requirement is \$_____.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture; but excluding any Additional Payments.

“S&P” means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, New York, New York, or its successors.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Sinking Account” means the account by that name in the Bond Fund established pursuant to the Indenture.

“State” means the State of California.

“Subordinate Obligations” means any obligations of the City payable from and secured by a pledge of and lien upon any of the Measure M Receipts subordinate to the Installment Payments and any Parity Obligations.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means the certificate of the Authority dated the Closing Date, with respect to tax matters.

"Term Bonds" means the Bonds maturing on June 1, ____, and June 1, ____.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

"Project" means the acquisition and construction of certain road improvements to be financed with the proceeds of the Bonds and as more specifically described in the Installment Sale Agreement.

"Project Costs" means, with respect to any component of the Project, all costs of the acquisition and construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition and construction of component of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition and construction of such component of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition and construction of such component of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition and construction of such component of the Project;

(e) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition and construction of such component of the Project; and

(f) all financing costs incurred in connection with the acquisition and construction of such component of the Project, including but not limited to Delivery Costs and other costs incurred in connection with the Installment Sale Agreement and the financing of the Project.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

INDENTURE OF TRUST

Establishment and Application of Costs of Issuance Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee to pay the Costs of Issuance. The Trustee shall disburse moneys in the Costs of Issuance Fund only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by an Authorized Representative of the City setting forth the amounts to be disbursed for payment or reimbursement of

Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Fund. The Trustee shall be responsible for the safekeeping and investment (in accordance with the Indenture) of the moneys held in the Costs of Issuance Fund and the payment thereof in accordance with the Indenture, but the Trustee shall not be responsible for such requisitions.

Ninety days after the Closing Date or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund and the Costs of Issuance Fund shall be closed.

Establishment and Application of Project Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." Except as otherwise provided in the Indenture, moneys in the Project Fund shall be used solely for the payment of the Project Costs. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the City for payment of Project Costs) upon receipt by the Trustee of a Written Requisition of the City which: (i) states with respect to each disbursement to be made (A) the requisition number, (B) the name and address of the person, firm or corporation to whom payment will be made, (C) the amount to be disbursed, (D) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, and (E) that the amount of such disbursement is for a Project Cost; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account (if any) for each obligation. The Trustee may conclusively rely on the information contained in any Written Requisition and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Written Requisitions.

Upon the filing with the Trustee of a Written Certificate of the City stating that the Project has been completed and that all Written Requisitions intended to be filed by the City pursuant to the Installment Sale Agreement have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bond Fund and the Project Fund shall be closed.

Pledge and Assignment; Bond Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Installment Sale Agreement (except for certain rights to indemnification set forth therein), and the Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Installment Sale Agreement.

The assignment of Installment Sale Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of the Indenture. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

Subject to the provisions of the Indenture relating to the application of investment proceeds, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust. Within the Bond Fund there shall be established an Interest Account, a Principal Account, a Reserve Account and a Sinking Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Allocation of Revenues

Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account equal to the amount of interest coming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date.

(c) The Trustee shall deposit in the Sinking Account an amount, if any, required to cause the aggregate amount on deposit in the Sinking Account to equal the aggregate principal amount of the Term Bonds required to be redeemed on such Interest Payment Date.

(d) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

(e) If the then applicable Interest Payment Date is December 1, all remaining moneys shall be held by the Trustee in the Bond Fund and applied for the next succeeding June 1 Interest Payment Date deposit. If the then applicable Interest Payment Date is June 1, all remaining moneys shall be transferred to the City to be used for any lawful purpose.

Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Application of Sinking Account. All amounts in the Sinking Account shall be used and withdrawn by the Trustee solely to pay the aggregate principal amount of the Term Bonds required to be redeemed on such June 1.

Application of Reserve Account. In lieu of a cash deposit to the Reserve Account, the Reserve Policy shall be delivered to the Trustee on the Closing Date. The prior written consent of the Municipal Bond Insurer shall be a condition precedent to the deposit of any credit instrument (other than the Reserve Policy) provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of principal of and interest on the Bonds.

The Trustee shall, on or before each May 15 and November 15, value investments in the Reserve Account at market value and transfer any moneys in the Reserve Account then in excess of the Reserve

Requirement; *provided, however*, that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative.

If, on any Interest Payment Date, the moneys available in the Bond Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Account to make delinquent Installment Payments by transferring the amount necessary for this purpose to the Bond Fund or shall draw on the Reserve Policy and apply amounts received from such draw to make delinquent Installment Payments. To the extent there is cash or investments on deposit in the Reserve Account, such cash or investments shall be applied first before there is any draw on the Reserve Policy or any other credit facility credited to the Reserve Account in lieu of cash (a "Credit Facility"). Payment of any Reserve Policy Costs (hereinafter defined) shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a *pro rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Reserve Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Account or there has been a draw on the Reserve Policy, such Installment Payment shall be deposited in the Reserve Account to the extent of such advance and first applied to reimburse a draw on the Reserve Policy and then to replenish any cash drawn therefrom. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Municipal Bond Insurer, with the same force and effect as if the City had specifically designated such extra sums to be so applied and the Municipal Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to the Municipal Bond Insurer in accordance with the terms of the Reserve Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Bonds.

The City agrees to repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Municipal Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Municipal Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Municipal Bond Insurer shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Reserve Policy Costs") shall commence in the first month following each draw, and

each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Costs related to such draw.

Amounts in respect of Reserve Policy Costs paid to the Municipal Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Municipal Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

If the City shall fail to pay any Reserve Policy Costs in accordance with the requirements of the Indenture, the Municipal Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect Owners.

Neither the Indenture nor the Installment Sale Agreement shall be discharged until all amounts due to the Municipal Bond Insurer shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Account and the Bond Fund (excluding amounts required for payment of principal of and interest on the Bonds not presented for payment) are sufficient to pay all Outstanding Bonds, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Account to the Bond Fund to be applied to the payment of the Installment Payments, and such moneys shall be distributed to the Owners of Bonds in accordance with the Indenture. Any amounts remaining in the Reserve Account upon payment in full of all Outstanding Bonds and all amounts due the Municipal Bond Insurer and the Trustee under the Indenture, or upon provision for such payment as provided in the Indenture, shall be withdrawn by the Trustee and paid to the City.

Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed; *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the City pursuant to a Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions, the Trustee shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the Bond Fund, except that interest or gain derived from the investment of amounts in the Project Fund shall be retained therein and used for the purposes thereof. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Bond Fund after the allocation of Revenues. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor, advisor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

Such investments shall be valued by the Trustee at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority with account transaction statements as provided in the Indenture which shall include detail for all investment transactions made by the Trustee under the Indenture.

All moneys held by the Trustee shall be held in trust but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it but shall be liable only to account to the Authority for earnings derived from funds that have been invested.

The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value.

Particular Covenants

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes. Nothing shall in any way limit the City's ability to encumber its assets in accordance with the Installment Sale Agreement.

Power to Issue Bonds and Make Pledge and Assignment. The Authority represents and warrants that it is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture and the Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms. The Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries

shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Installment Sale Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants. The Authority covenants to and for the benefit of the Owners that, notwithstanding any other provisions of the Indenture, it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Bonds or the moneys and investments held in the funds and accounts established under the Indenture which would cause the Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code and the Regulations issued under section 148 of the Code or which would otherwise cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations.

Collection of Amounts Due Under the Installment Sale Agreement. The Trustee shall promptly collect all amounts due from the City pursuant to the Installment Sale Agreement. Subject to the provisions of the Indenture, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority, for the enforcement of all of the obligations of the City under the Installment Sale Agreement.

The Authority shall not amend, modify or terminate any of the terms of the Installment Sale Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if (a) in the opinion of Bond Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Owners, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Continuing Disclosure. The City has covenanted in the Installment Sale Agreement to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; *provided, however,* that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the

intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default; Remedies

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default with respect to any Parity Obligation.

Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, upon notice in writing to the Authority and the City, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by,

and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged in the Indenture therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Amendments Permitted

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee's entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Written notice of any amendment or modification made pursuant to the Indenture shall be given by the Authority to any rating agency then rating the Bonds provided that failure to provide such notice shall not invalidate the proceedings for such amendment or modification.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Discharge of Indenture

Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

Liability of Authority Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Owners

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision contained therein; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City, the Authority and the Owners of the Bonds.

THE INSTALLMENT SALE AGREEMENT

Acquisition and Construction of the Project

The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the acquisition and construction of the Project in accordance with purchase orders, construction contracts and other documents relating thereto and approved by the City pursuant to all applicable requirements of law. Direct payment of the Project Costs shall be made from amounts on deposit in the Project Fund. All contracts for, and all work relating to, the acquisition and construction of the Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the City. The Authority expects that the acquisition and construction of the Project will be completed on or before August 1, 2020; *provided, however*, that the failure to complete all components of Project by the estimated completion date thereof shall not constitute an Event of Default under the Indenture or a ground for termination hereof, nor shall such failure result in the diminution, abatement or extinguishment of the obligations of the City under the Indenture to pay the Installment Payments.

The City shall have the right from time to time, in its sole discretion, to determine which components of the Project are to be financed.

Upon the completion of the acquisition and construction of the Project, an Authority Representative or a City Representative shall execute and deliver to the Trustee a Written Certificate which (a) states that the acquisition and construction of the Project have been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies (i) the amounts, if any, to remain on deposit in the Project Fund for payment of Project Costs thereafter intended to be requisitioned by the City and (ii) the amounts to be transferred to the Bond Fund. Upon the filing with the Trustee of the final Written Requisition for payment of Project Costs, the Authority shall direct the Trustee to close the Project Fund.

Grant of Easements

The City hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the City, as may be necessary or convenient to enable the Authority to acquire, construct and install the Project thereon or thereabouts. The City covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

Appointment of City as Agent of Authority

The Authority hereby appoints the City as its agent to carry out all phases of the acquisition and construction of the Project pursuant to and in accordance with the provisions hereof. The City hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the acquisition and construction of the Project. The City, as agent of the Authority under the Indenture, shall enter into, administer and enforce all purchase orders or other contracts relating to the acquisition and construction of the Project. The City shall submit Written Requisitions of the City to the Trustee from time to time pursuant to and in accordance with the provisions of the Indenture for payment, or for reimbursement to the City for payment, of all Project Costs. All contracts for, and all work relating to, the acquisition and construction of the Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of capital projects like the Project and property by joint powers authorities and by municipal entities within the State.

Sale of Project

The Authority hereby sells the Project to the City, and the City hereby purchases the Project from the Authority, upon the terms and conditions set forth in the Installment Sale Agreement.

Term of Sale

The Installment Sale Agreement shall take effect on the date hereof, and shall end on the earlier of June 1, 2034, or such earlier date on which the Bonds shall no longer be Outstanding under the Indenture.

Installment Payments

Obligation to Pay. In consideration of the sale of the Project by the Authority under the Installment Sale Agreement, the City agrees to pay to the Authority, its successors and assigns, as the purchase price for the Project during each Fiscal Year, from Measure M Receipts, the Installment Payments (denominated into components of principal and interest) for the Project in the respective principal amounts specified in the Installment Sale Agreement, plus interest commencing on the Closing Date, to be due and payable on the respective Installment Payment Dates commencing May 24, 2019. The Installment Payments are equal to the debt service payments on the Bonds. Any amount held in the Bond Fund, the Interest Account, the Principal Account or the Sinking Account on any Installment Payment Date, derived from any source of funds of the City, shall be credited towards the Installment Payment then due and payable by the City.

Special Obligation; Absolute and Unconditional Obligations; No Abatement. The City's obligation to pay the Installment Payments shall be a special obligation limited solely to Measure M Receipts. Under no circumstances shall the City be required to advance any moneys derived from any source of income other than the Measure M Receipts and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments, nor shall any other funds or property of the City be liable for the payment of the Installment Payments. However, the obligation of the City to pay the Installment Payments from Measure M Receipts and to perform and observe the other agreements contained in the Installment Sale Agreement is absolute and unconditional and is not subject to: (a) any reduction or abatement whatsoever due to the destruction of or damage to the Project or any portion thereof, or taking of the Project or any portion thereof in eminent domain proceedings; or (b) any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Project, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments and other amounts coming due and payable under the Installment Sale Agreement have been fully paid or prepaid, the City will not suspend or discontinue payment of any Installment Payments or such other amount and will perform and observe all other agreements contained in the Installment Sale Agreement.

Reduction Upon Partial Prepayment. In the event the City prepays less than all of the remaining principal components of the Installment Payments, the amount of such prepayment shall be applied to reduce the principal component of the subsequent remaining Installment Payments and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds redeemed as a result of such prepayment.

Rate on Overdue Payments. In the event the City should fail to make any of the payments required in the Installment Sale Agreement so that there are insufficient moneys on hand in the Interest Account, the Principal Account or the Sinking Account to pay any Installment Payment in full on an Interest Payment Date, the Installment Payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable on the Bonds.

Assignment. The City understands and agrees that all Installment Payments have previously been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay all of the Installment Payments to the Trustee at its Office.

Pledge and Application of Measure M Receipts

Pledge of Measure M Receipts. The City agrees that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Measure M Receipts, and Measure M Receipts sufficient to pay the Installment Payments as they become due and payable are pledged, charged, assigned, transferred and set over by the City to the Authority and its assigns for the purpose of securing payment of the Installment Payments. The Measure M Receipts shall constitute a trust fund for the security and payment of the Installment Payments.

Deposit to and Transfer from Measure M Receipts Fund. All of the Measure M Receipts shall be deposited by the City immediately upon receipt in the Measure M Receipts Fund.

On or before each Installment Payment Date, the City shall withdraw from the Measure M Receipts Fund and transfer to the Trustee, for deposit into the Bond Fund, an amount which, together with the balance then on deposit in the Bond Fund (other than amounts resulting from the prepayment of the Installment Payments and other than amounts required for payment of the principal or interest with respect to any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date.

Release from Lien. Following the transfer described above with respect to the June 1 Interest Payment Date, Measure M Receipts in excess of amounts required for the payment of Installment Payments and any Parity Obligations in that Bond Year shall be released from the lien of the Installment Sale Agreement and shall be available for any lawful purpose of the City.

Limitations on Future Obligations Secured by Measure M Receipts

No Obligations Superior to Installment Payments. In order to protect further the availability of the Measure M Receipts and the security for the Installment Payments and any Parity Obligations, the City hereby agrees that the City shall not, so long as any Installment Payments or any Parity Obligations are outstanding, issue or incur any obligations payable from Measure M Receipts superior to the Installment Payments or any Parity Obligations.

Parity Obligations. Additional obligations may be issued on a parity with the Installment Sale Agreement and any existing Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations, except that the City need not comply with subparagraph (ii) if the proposed Parity Obligations are incurred to prepay or post a security deposit for the payment of the Installment Sale Agreement or Parity Obligations:

(i) The City shall be in compliance with all covenants set forth in the Installment Sale Agreement and with all covenants set forth in the agreements relating to then existing Parity Obligations.

(ii) The Measure M Receipts, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City, as shown by the books of the City, shall at least equal one hundred fifty percent (150%) of Maximum Annual Debt Service immediately subsequent to the issuance of such Parity Obligations.

(iii) The instrument providing for the issuance of such Parity Obligations shall provide that:

(A) The proceeds of such Parity Obligations shall be applied to the acquisition, construction, improvement, financing or refinancing of additional Measure M Projects, or for the purpose of refunding any Parity Obligations in whole or in part, including all costs (including costs of issuing such Parity Obligations and including capitalized interest on such Parity Obligations during any period which the City deems necessary or advisable) relating thereto;

(B) Interest on such Parity Obligations shall be payable on each Installment Payment Date in each year of the term of such Parity Obligations except the first year, during which year interest may be payable on any Installment Payment Date; and

(C) The principal of such Parity Obligations shall be payable on the Installment Payment Date preceding June 1 in any year in which principal is payable.

(iv) A reserve fund may, but shall not be required to, be established for such Parity Obligations.

Subordinate Obligations. The City further covenants that the City shall not issue or incur any Subordinate Obligations unless Net Revenues, calculated in the same manner as described in paragraph (b) above, are equal to at least 100% of Maximum Annual Debt Service and maximum annual debt service on all Subordinate Obligations outstanding immediately subsequent to the incurring of such Subordinate Obligations.

Additional Payments

In addition to the Installment Payments, the City shall pay, from Measure M Receipts, when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture and the Installment Sale Agreement, including, without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Indenture, compensation due to the Authority for its fees, costs and expenses incurred under the Indenture and all costs and expenses of attorneys, auditors, engineers and accountants.

Payment of Rebatable Amounts

The City agrees to furnish all information to, and cooperate fully with, the Authority and its officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Indenture. In the event that the Authority shall determine, pursuant to the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority shall promptly notify the City of such fact. Upon receipt of any such notice, the City shall promptly pay to the Trustee from any source of legally available funds, the amounts determined by the Authority to be due and payable to the United States of America.

Other Matters

Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Installment Sale Agreement; *provided, however,* that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under the Installment Sale Agreement, including seeking mandate or specific performance by court order.

Tax Covenants.

(a) *Private Activity Bond Limitation.* The City shall assure that proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition.* The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement.* The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) *No Arbitrage.* The City shall not take or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption.* The City shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Amendment of Installment Sale Agreement

The City and the Authority shall have the right to modify or amend the Installment Sale Agreement without the consent of any of the Owners or any of the owners of Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Parity Obligations in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

(a) to provide for the issuance of Parity Obligations pursuant to the Installment Sale Agreement;

(b) to add to the covenants and agreements of the City contained in the Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City in the Installment Sale Agreement;

(c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Installment Sale Agreement, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable; or

(d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default under the Installment Sale Agreement:

(a) Failure by the City to pay any Installment Payment when and as the same become due and payable under the Installment Sale Agreement.

(b) Failure by the City to pay any Additional Payment when due and payable under the Installment Sale Agreement, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however,* that if the City shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default under the Installment Sale Agreement if the City shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Parity Obligations.

Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of the Indenture, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Owners under the Installment Sale Agreement, cause the appointment of a receiver or receivers of the Measure M Receipts and other amounts pledged under the Installment Sale Agreement, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon. As provided in the Installment Sale Agreement, the Trustee shall be required to exercise the remedies provided in the Installment Sale Agreement in accordance with the Indenture.

No Remedy Exclusive. No remedy in the Installment Sale Agreement conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Installment Sale Agreement it shall not be necessary to give any notice, other than such notice as may be required in this the Installment Sale Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Installment Sale Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund and the accounts therein, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in the Installment Sale Agreement, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due pursuant to the Installment Sale Agreement or when due on any optional prepayment date pursuant to the Installment Sale Agreement, as the City shall instruct at the time of said deposit. In the event of a security deposit pursuant to the Installment Sale Agreement with respect to all of the Installment Payments, all obligations of the City under the Installment Sale Agreement, and all security provided by the Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to compensate and indemnify the Trustee pursuant to the Installment Sale Agreement. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of the Installment Sale Agreement.

Optional Prepayment

The City may exercise its option to prepay the principal components of the Installment Payments in whole, or in part in integral multiples of \$5,000, on any date on or after June 1, ____, by paying a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with the interest component of the Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another Trustee-held fund to be applied to the redemption of Bonds pursuant to the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

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City of Baldwin Park, California Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018



Walnut Creek Nature Park Improvements



New Fixed Route Compressed Natural Gas Fueled City Bus



Aquatic Programs Year Round at the City of Baldwin Park Aquatic Center



Prepared by
FINANCE DEPARTMENT

**Comprehensive Annual Financial Report
City of Baldwin Park, California
Year Ended June 30, 2018
*With Report of Independent Auditors***

Prepared by the Department of Finance

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CITY OF BALDWIN PARK

DEPARTMENT OF FINANCE

14403 E. Pacific Avenue

Baldwin Park, CA 91706

Phone (626) 960-4011

December 31, 2018

Honorable Mayor and City Council
City of Baldwin Park
Baldwin Park, California

It is our pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Baldwin Park (the City) for the fiscal year ended June 30, 2018.

Financial Condition and Overview

As of June 30, 2018, the General Fund cash balance was \$7.7 million plus \$6.0 million committed for future development and \$738,328 for community enhancement. The total General Fund Reserves was \$15.5 million (\$5.7 million was unassigned, \$6.3 million was committed for future development, \$740,398 was assigned for community enhancement, and \$2.8 million was committed based on the City's policy to maintain 10% of current fiscal year adopted operating expenditures as the minimum reserve for emergency purposes). The General Fund Reserves including the Future Development and Community Enhancement Funds increased by \$1.7 million mainly due to increases in revenues from property tax, sales tax, franchise tax, transient occupancy tax, SB211 PassThru, gain on sale of property, rebate from LED conversion program, and administrative and public safety mitigation fees for cannabis cultivation, manufacturing, and distribution. The Citywide reserves increased by \$1.7 million mainly due to an increase in revenues as mentioned above as well as Interest income doubled from the prior year due to better yield.

Financial Statements and Management's Responsibility

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). As required by GAAP, these financial statements present the City (the primary government) and its component units (entities for which the government is considered to be financially accountable). Blended component units (although legally separate entities) are in substance part of the government's operations, and so data from these units are combined with data of the primary government. This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Vasquez & Company LLP, a public accounting firm, fully licensed and qualified to perform audits of the State and local governments within the State of California. The purpose of the independent audit was to provide reasonable assurance that the financial

statements of the City for the fiscal year ended June 30, 2018 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the City's internal controls and the legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and the MD&A should be read in conjunction with it.

Profile of the City of Baldwin Park

The City was founded in 1887 and incorporated on January 25, 1956, under the general laws of the State of California. The City operates under Council-Chief Executive Officer form of government. The City's Mayor is elected at large every two years, and the City Council members are elected at large to four-year terms in alternate slates every two years. The City is located 17 miles east of Los Angeles, in the center of the San Gabriel Valley, and shares common boundaries with the cities of El Monte to the west, West Covina to the east and south and Irwindale to the north.

The City occupies 6.7 square miles. Infill residential development has increased the population from 50,554 in 1980 to 76,708 as of January 2018. The City is diversified with single family and multiple family housing development, commercial development and industrial development. Major businesses include Home Depot, Wal-Mart, Nichols Lumber & Hardware, Target, In-N-Out Burgers, the Marriott Hotel and Harley Davidson Sales. Kaiser Permanente, a non-profit medical group, operates a hospital and medical center in the City.

City Services

The City provides a range of municipal services. Services provided include its own police department, recreation and community service, parks, street maintenance and improvements, storm drains maintenance and improvements, local transit services, planning, zoning, building inspection, code enforcement and general administrative and support services. The County of Los Angeles provides fire and emergency services, in addition to library services. The City contracts with the County of Los Angeles for animal control services. A Metro-Link Station is located next to City Hall. The City's Transit Center and Parking Facility in between City Hall and the Metro-Link Station serve both facilities.

Financial Policies

The City Council and Management continue to evaluate the financial policies to aid the City in accomplishing stabilization in revenue and expenditures. Major emphasis and impact will be on conserving fund balances and ensuring long-term fiscal health of the City. One of the financial policies is that the City is to reserve an amount not less than ten percent (10%) of the general fund operating expenditures, and it shall be placed in reserves at the adoption of the annual operating budget.

Budget

The City adopts a comprehensive budget by the department prior to the start of the fiscal year on July 1. The budget is further detailed by cost center (division) and character of expenditure, defined as Contractual Services, Personnel Services, Maintenance and Operations, and Capital Outlay. The ledgers

of the City and its component units are maintained by line item detail or object of expenditure. However, all budgetary controls are exercised at the department and fund level. Revenues are estimated annually and measured against actual revenues earned.

Major budget initiatives included in the adopted budget for the fiscal year 2017-18 were: wage increases and cost of living adjustments in accordance with employee union agreements, replacement of old vehicles and equipment, restoring staffing levels and events, city-wide streets and alleys paving, median landscaping, and reinvigorating business communities and attracting new business entities.

Employee Benefits

The City provides its full-time and eligible part-time employees retirement benefits. Members and their beneficiaries are provided benefits through defined benefit pension plans for both public safety employees and miscellaneous employees. These plans are part of the California Public Employees' Retirement System (CalPERS). The City contributes to the plans based on amounts determined by CalPERS actuaries. The City also contributes a portion of the employees' required contributions/cost sharing on their behalf and for their account.

The City also provides post-retirement health benefits to its employees in accordance with agreements reached with the various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. Additional information on the City's retirement and post-employment benefits can be found in Notes 12 and 13 in the notes to the basic financial statements.

Local Economy and Outlook

During fiscal year 2017-18, Baldwin Park continued to benefit from the steady economic improvements that are seen nationwide. The City's General Fund Reserve Balance increased by \$1.4 million or 20% from the prior year. For the upcoming 2018-19 fiscal year, the City's operating revenue projections show a continued increase in revenues which is consistent with current economic trends. The City will expect an increase in sales tax due to a few new businesses added to the City. There will be additional revenues added to the City's General Fund with the adoption of the City's cannabis ordinance. The fiscal year 2018-19 adopted budget shows a surplus of \$217,685 in the General Fund excluding the Future Development and Community Enhancement Funds.

Long Term Financial Planning

"Increase Reserves, Reduce Future Costs and Generate Long-Term Savings, and New Revenue Streams" is the City's budget theme and long-term financial goal. The City continues to promote new businesses and construction in an effort to generate long-term revenue. Below are some of the highlights of the new developments during fiscal year 2017-18:

- Waba Grill (2nd location), Jersey Mikes, Chipotle, and Coffee Bean & Tea Leaf joined the City's business community.
- The City passed an Ordinance to allow the cultivation, manufacture, testing, and distribution of cannabis in the City.
- Kaiser Permanente broke ground on an addition to their existing medical center, which will be a two-story 60,000 square foot medical office building.

The City is expected to add the following new businesses: Dunkin Donuts, Raising Cane's, and 7-Eleven (2 new locations). In addition, Sunstate Equipment Rental is expected to double their operations by expanding to an adjacent building. The land purchased previously from Caltrans is expected to be sold for commercial development.

The City has approved issuance of a pension obligation bond to pay down the unfunded retirement pension liability, which is expected to save the City a significant amount of interest expense.

The City set aside \$2.0 million in fiscal year 2018-19 from the expected cannabis mitigation fees in the Community Enhancement Fund for programs to benefit the local community.

City staff continues to work diligently with the Mayor and City Council to analyze various options to develop strategies to increase economic opportunities and new revenue streams to maintain a balanced budget and healthy level of General Fund reserves.

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baldwin Park for its CAFR for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.


To be awarded a Certificate of Achievement a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Acknowledgements

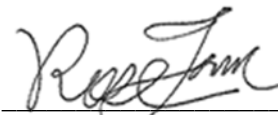
The preparation of this CAFR reflects the hard work, talent, and commitment of the Finance Department staff, including the Finance Interns. This document could not have been accomplished without the high level of professionalism and dedication that they bring to the City of Baldwin Park. All of their hard work and efforts are sincerely appreciated. Gratitude is also extended to all other City Departments for their continued support. We would also like to express our appreciation to Vasquez & Company LLP, the City's independent auditors, who assisted and contributed to the preparation of the CAFR.

Finally, we thank the Mayor and City Council for their valuable support and interest in directing the financial affairs of the City in a responsible, professional and progressive manner.

Respectfully submitted,



Shannon Yauchzee
Chief Executive Officer



Rose Tam
Director of Finance

CITY COUNCIL

MANUEL LOZANO
Mayor

RICARDO PACHECO
Mayor Pro Tem

CRUZ BACA
Councilmember

MONICA GARCIA
Councilmember

SUSAN RUBIO
Councilmember

ADMINISTRATION

MARIA CONTRERAS
City Treasurer

ALEJANDRA AVILA
City Clerk

ROBERT TAFOYA
City Attorney

EXECUTIVE TEAM

SHANNON YAUCHZEE
Chief Executive Officer

MICHAEL TAYLOR
Chief of Police

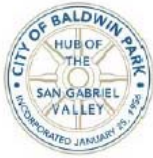
ROSE TAM
Director of Finance

SAMUEL GUTIERREZ
Director of Public Works

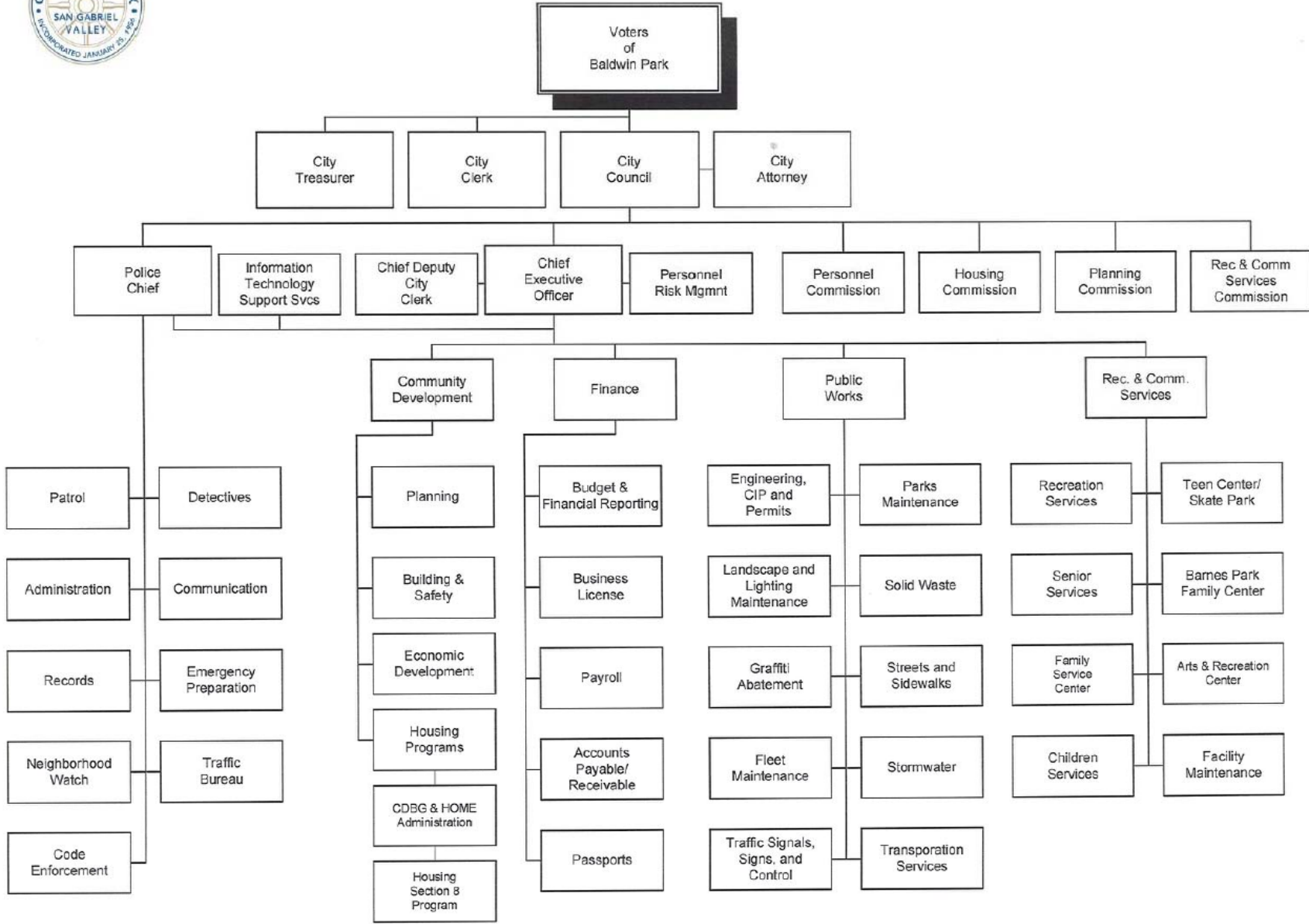
ANDRE DUPRET
Interim Director of Community
Development

MANUEL CARRILLO
Director of Recreation and
Community Service

LAURA THOMAS
Human Resources Manager



City of Baldwin Park





Government Finance Officers Association

**Certificate of
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in Financial
Reporting**

Presented to

**City of Baldwin Park
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



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of the United States and Canada**

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to

Finance Department
City of Baldwin Park, California



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morill

Date July 3, 2018

REPORT OF INDEPENDENT AUDITORS

**The Honorable Mayor and the Members of the City Council
City of Baldwin Park, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baldwin Park, California (the City), as of and for the year ended June 30, 2018, and the related notes to financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baldwin Park, California, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and Required Supplementary Information on pages 67 through 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baldwin Park's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedule and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 82 through 136 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and



budgetary comparison schedules on pages 82 through 136 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As discussed in Notes 1 and 20, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* effective for the fiscal year ended June 30, 2018. As a result of this implementation, the City's beginning net position was restated to retroactively report the City's net OPEB liability as of June 30, 2017. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the City of Baldwin Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 of Baldwin Park's internal control over financial reporting and compliance.

Vasquez + Company LLP

**Glendale, California
December 31, 2018**

As management of the City of Baldwin Park (City), we offer readers of the City's financial statements the narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

Financial Highlights

- ❖ The City's total assets and deferred outflows of resources as of June 30, 2018, were about \$186.6 million. Total liabilities and deferred inflows of resources were \$125.5 million, while the total net position was \$61.1 million. The net pension liability of \$53.5 million was reported as part of the total liability in the balance sheet due to the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 68. GASB Statement No. 68 also established reporting of deferred outflows and inflows of resources related to pensions. Deferred outflows and inflows of resources related to pensions reported at June 30, 2018 of \$11.3 million and about \$2.4 million, respectively, represented pension contributions subsequent to measurement date, net difference between projected and actual earnings on plan investments, changes of assumptions, differences in proportion, expected and actual experience, and differences in actual and proportionate share in contribution.
- ❖ During the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This required the City to report net OPEB liability of \$42.9 million as of June 30, 2018.
- ❖ The City-wide total revenues from all sources were \$53.8 million and total expenses for all functions and programs were \$62.6 million. The City's net position decreased by \$31.2 million. The decrease was due to \$8.8 million excess of expenses over revenues and the impact of implementing GASB Statement No. 75. The retroactive effect of implementing GASB Statement No. 75 was a decrease in the City's beginning net position balance of \$27.5 million.
- ❖ As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$48.2 million, an increase of \$364,080 over the prior fiscal year.
- ❖ The City's General Fund revenues (including transfer in) exceeded expenditures (including transfers out) by approximately \$1.5 million.
- ❖ As of June 30, 2018, the City's General Fund nonspendable fund balance was \$14.1 million, the committed and assigned fund balance was \$9.8 million, and the unassigned fund balance was \$5.7 million for a total of \$29.6 million; this represents an increase of \$1.5 million from the prior year's General Fund balance.
- ❖ The Future Development Fund and the Community Enhancement Fund are reported as part of the General Fund. As of June 30, 2018, the Future Development Fund had a fund balance of \$6.3 million and the Community Enhancement Fund had a fund balance of \$740,398. This represents an increase of \$372,366.

Overview of the Financial Statements

This discussion and analysis are an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements,

and 3) notes to the basic financial statements. This report also consists of supplementary information in addition to the basic financial statements.

Government-wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and on its liabilities and deferred inflows of resources, with the difference between the accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the City include general government, public safety, public works, community development, recreation, non-departmental, and interest on long-term debt.

The government-wide financial statements include not only the City itself (known as the primary government) but also two legally separate entities: the Baldwin Park Housing Authority and the Baldwin Park Public Financing Authority. The City is financially accountable for these entities and financial information for these blended component units is reported within the financial information presented for the primary government itself.

Governmental Activities – Majority of the City's primary functions are reported in this category, including general government (chief executive officer, city clerk, finance, etc.), public safety, parks and recreation services, public works and community development. The financial activities of the special revenue funds and grant programs are also incorporated into this category.

Business-type Activities – This represents the City's enterprise fund which is similar to a private-sector business and is used to account for Public Housing activities.

The government-wide financial statements can be found beginning on page 15 of this report.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Housing and Community Development Fund, and the Housing Asset Fund, each of which is considered to be major funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the *nonmajor governmental funds supplementary information* section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate its compliance with this budget.

The governmental fund financial statements can be found beginning on page 17 of this report.

Proprietary Funds The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its public housing operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle operation and maintenance, information services, capital equipment, and self-insurance activities, including general claims liability and workers' compensation insurance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the maintenance and operation of a public housing fund, which is considered an enterprise fund in the government-wide financial statements. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the *supplementary information* section of this report.

The basic proprietary fund financial statements can be found beginning on page 21 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements for the Agency Deposits Fund and the Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund can be found beginning on page 24 of this report.

Notes to the Basic Financial Statements The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 26 of this report.

**City of Baldwin Park
Management's Discussion and Analysis
June 30, 2018**

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and a comparison of budgeted to actual results for the general and major special revenue funds. *Required supplementary information* can be found beginning on page 67 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following *the required supplementary information*. Combining and individual fund statements and schedules can be found beginning on page 82 of this report.

Government-wide Financial Analysis

Net position As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$92.3 million as of June 30, 2017. It decreased \$31.2 million during the fiscal year. Assets increased by \$4.4 million and liabilities increased by \$38.4 million compared to June 30, 2017 because of additional net OPEB liability reported in fiscal year 2018. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61.1 million at June 30, 2018.

By far, the largest portion of the City's net position at June 30, 2018, (\$99.8 million) reflects its net investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; these assets are not available for future spending. Although the City's investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this obligation must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
ASSETS						
Cash and other assets	\$ 74,682,447	\$ 72,476,348	\$ 31,492	\$ 22,494	\$ 74,713,939	\$ 72,498,842
Capital assets net of accumulated depreciation	99,355,479	97,154,198	413,513	428,020	99,768,992	97,582,218
Total assets	174,037,926	169,630,546	445,005	450,514	174,482,931	170,081,060
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	11,278,960	10,905,015	-	-	11,278,960	10,905,015
Deferred outflows related to OPEB	824,524	-	-	-	824,524	-
Total deferred outflows	12,103,484	10,905,015	-	-	12,103,484	10,905,015
LIABILITIES						
Current and other liabilities	4,428,698	3,645,826	7,869	5,731	4,436,567	3,651,557
Long-term liabilities	118,647,247	81,056,679	2,092	-	118,649,339	81,056,679
Total liabilities	123,075,945	84,702,505	9,961	5,731	123,085,906	84,708,236
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	2,369,456	3,958,648	-	-	2,369,456	3,958,648
NET POSITION						
Net investment in capital assets	99,355,479	97,154,197	413,513	428,020	99,768,992	97,582,217
Restricted	35,271,463	25,184,419	-	-	35,271,463	25,184,419
Unrestricted	(73,930,933)	(30,464,208)	21,531	16,763	(73,909,402)	(30,447,445)
Total net position	\$ 60,696,009	\$ 91,874,408	\$ 435,044	\$ 444,783	\$ 61,131,053	\$ 92,319,191

**For purposes of presenting the prior year information in the management discussion and analysis, the 2017 financial information has not been restated to reflect the effect of GASB 75 implementation due to lack of information.*

**City of Baldwin Park
Management's Discussion and Analysis
June 30, 2018**

Governmental Activities For fiscal year 2017-18, governmental activities decreased the City's net position by \$31.2 million.

	Governmental Activities			Business-type Activities			Total Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Revenues									
Charges for services	\$ 6,615,767	\$ 5,783,358	\$ 832,409	\$ 37,115	\$ 33,736	\$ 3,379	\$ 6,652,882	\$ 5,817,094	\$ 835,788
Operating contributions and grants	15,379,723	14,069,468	1,310,255	-	-	-	15,379,723	14,069,468	1,310,255
Capital contributions and grants	-	46,286	(46,286)	-	-	-	-	46,286	(46,286)
Taxes									
Property taxes	13,966,896	13,517,129	449,767	-	-	-	13,966,896	13,517,129	449,767
Sales taxes	6,095,478	5,402,494	692,984	-	-	-	6,095,478	5,402,494	692,984
Franchise taxes	2,596,774	2,457,753	139,021	-	-	-	2,596,774	2,457,753	139,021
Utility users taxes	2,449,027	2,401,252	47,775	-	-	-	2,449,027	2,401,252	47,775
Other taxes	2,187,416	1,546,154	641,262	-	-	-	2,187,416	1,546,154	641,262
Investment income	986,292	466,942	519,350	-	-	-	986,292	466,942	519,350
Other income	3,468,068	2,196,065	1,272,003	-	-	-	3,468,068	2,196,065	1,272,003
Total	53,745,441	47,886,901	5,858,540	37,115	33,736	3,379	53,782,556	47,920,637	5,861,919
Expenses									
Governmental Activities									
General government	4,289,453	3,934,170	355,283	-	-	-	4,289,453	3,934,170	355,283
Public safety	24,520,278	22,840,607	1,679,671	-	-	-	24,520,278	22,840,607	1,679,671
Public works	17,204,596	18,128,344	(923,748)	-	-	-	17,204,596	18,128,344	(923,748)
Community development	10,255,744	8,832,071	1,423,673	-	-	-	10,255,744	8,832,071	1,423,673
Recreation services	5,729,841	4,950,577	779,264	-	-	-	5,729,841	4,950,577	779,264
Interest and fiscal charges	505,629	567,180	(61,551)	-	-	-	505,629	567,180	(61,551)
Business-type Activities									
Public housing	-	-	-	61,773	55,381	6,392	61,773	55,381	6,392
Total	62,505,541	59,252,949	3,252,592	61,773	55,381	6,392	62,567,314	59,308,330	3,258,984
Change in net assets before transfers	(8,760,100)	(11,366,048)	2,605,948	(24,658)	(21,645)	(3,013)	(8,784,758)	(11,387,693)	2,602,935
Transfers	(14,919)	(1,018,018)	-	14,919	14,228	-	-	(1,003,790)	1,003,790
Change in net position	(8,775,019)	(12,384,066)	2,605,948	(9,739)	(7,417)	(3,013)	(8,784,758)	(12,391,483)	3,606,725
Net position, beginning, as restated	69,471,028	104,258,474	(34,787,446)	444,783	452,200	(7,417)	69,915,811	104,710,674	(34,794,863)
Net position, ending	\$ 60,696,009	\$ 91,874,408	\$ (32,181,498)	\$ 435,044	\$ 444,783	\$ (10,430)	\$ 61,131,053	\$ 92,319,191	\$ (31,188,138)

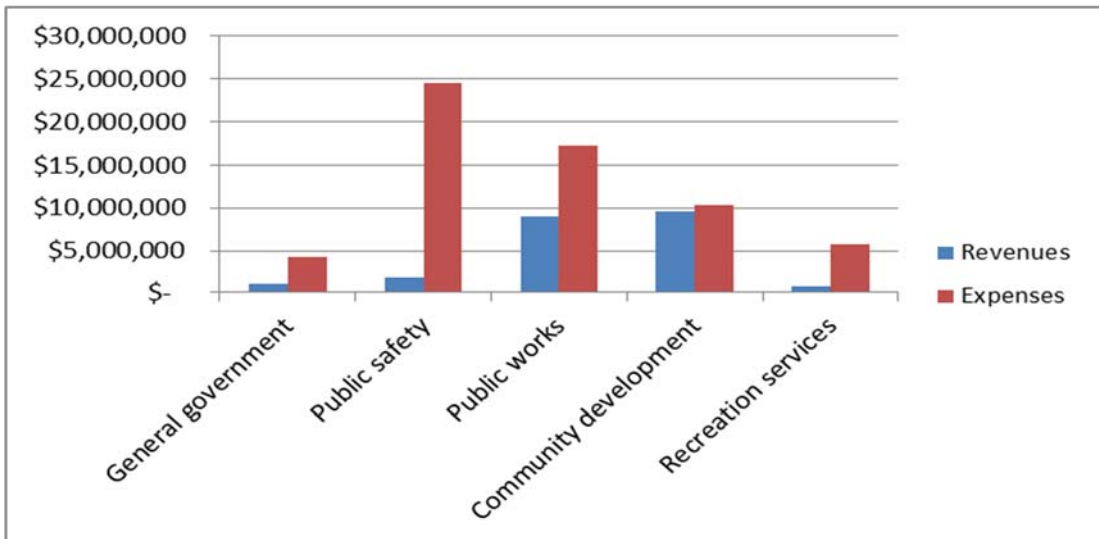
**For purposes of presenting the prior year information in the management discussion and analysis, the 2017 financial information has not been restated to reflect the effect of GASB 75 implementation due to lack of information.*

Key elements of both increases and decreases in fiscal year 2017-18 are as follows:

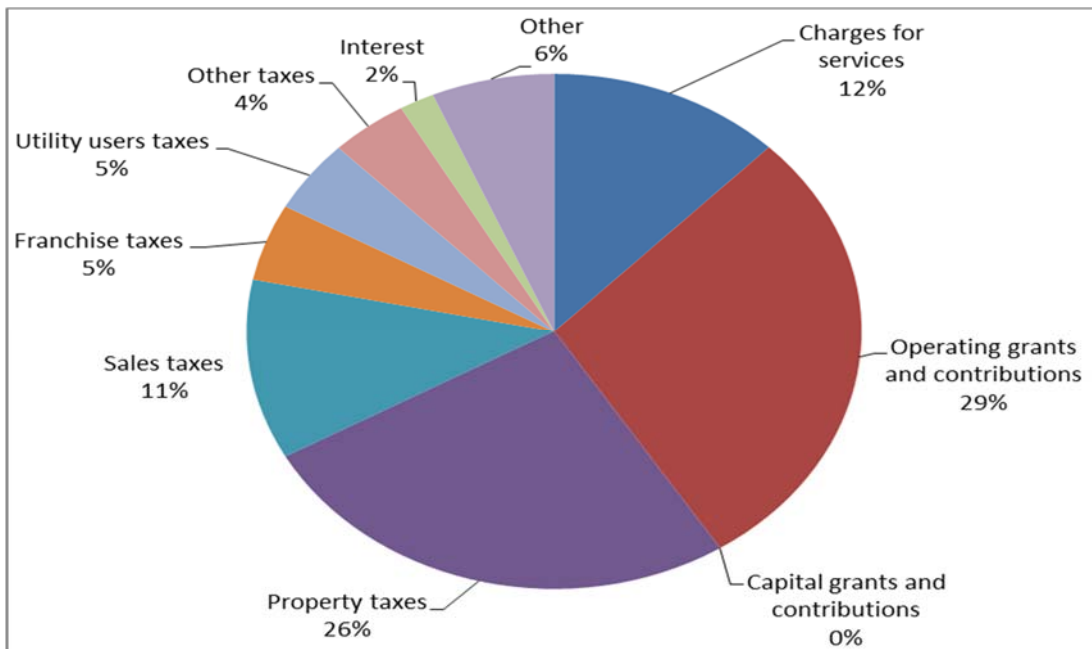
- Charges for services increased mainly due to revenue received from billboards, construction permits, facility rentals, vehicle release, law enforcement fees, and administration fees for cannabis cultivation, manufacturing, and distribution.
- Operating contributions and grants increased due to grants received for CDBG, HOME program, public safety, capital improvement, and loan repayment.
- Property taxes, sales taxes, franchise taxes, utility user's taxes, and all other taxes increased during the year. Investment income increased during the year due to better yield on investments.
- Other income increased due to gain on sale of property, public safety mitigation fees for cannabis cultivation, manufacturing, and distribution, and rebate from LED conversion program.
- The increases in General Government, Public Safety, Community Development, and Recreation Services expenses were due to the retro payment for overtime in the ruling of Flores v. City of San Gabriel case, legal and consultant fees related to the implementation of the cannabis ordinance, and additional pension expense reported as part of GASB 68 pension adjustments and OPEB expense reported under GASB 75.

- The decrease in Public Works expenses was due to the completion of citywide energy efficiency improvements and staff vacancies during the fiscal year.
- The decreases in interest expense and fiscal charges were due to the lower outstanding principal balance.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements.

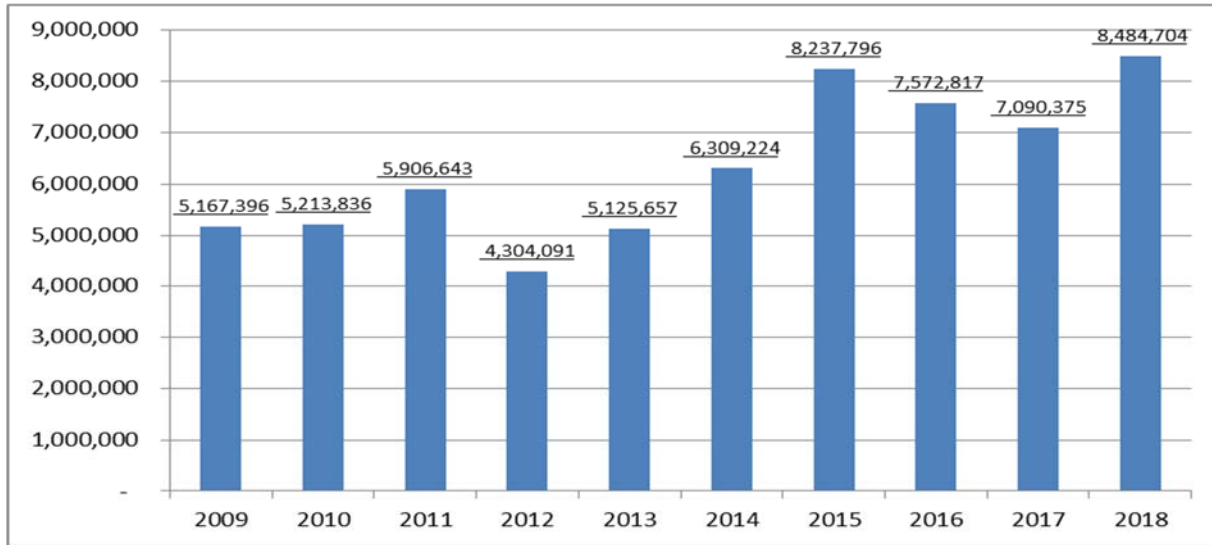
The City implemented GASB Statement No. 54 in fiscal year 2010-11. It substantially altered the categories and terminology used to describe "fund balance." The new categories are as follows:

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

Unassigned fund balance previously referred to as *unreserved fund balance*, may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48.2 million. Of the total fund balance, \$14.1 million is nonspendable of which \$13.7 million is related to long-term advances to other funds, \$377 thousand is property held for resale and \$23 thousand is for prepaid expenses; \$20.0 million is restricted of which \$8.6 million is related to low and moderate income housing projects, \$11.3 million is related to special revenue funds, \$48 thousand is for debt service and \$9,655 is for capital projects; \$9.0 million is committed of which \$6.3 million is for future development and \$2.7 million for the 10% budget stabilization fund, \$740 thousand is assigned for community development, and \$4.2 million is unassigned.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance is \$29.6 million. Of this amount, \$14.1 million is nonspendable of which \$13.7 million is related to long-term advances to other funds, \$377 thousand is property held for resale and \$23 thousand is prepaid items. \$9.0 million is committed whereby \$6.3 million is for future development fund and \$2.7 million is for maintaining a ten percent minimum in reserves, \$740 thousand is assigned for community development and \$5.7 million is unassigned. The \$2.7 million and \$5.7 million make up the City's General Fund Reserve Balance of \$8.5 million as shown in the following chart.



The City's General Fund Reserve Balance increased by \$1.4 million or 20% from the prior year due to increases in property tax, sales tax, franchise tax, utility user's tax, other taxes, and better yields on investments. Other increases in revenues were from billboards, construction permits, facility rentals, vehicle release, law enforcement fees, and cannabis administration and public safety mitigation fees for cultivation, manufacturing, and distribution.

As a measure of General Fund liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. General Fund unassigned fund balance represents 18% of total general fund expenditures including transfers out of \$680 thousand. This is an increase of 3% over last year.

The Future Development Fund and Community Enhancement Fund were merged with the General Fund, thereby showing an additional \$7.0 million in the General Fund's fund balance as of June 30, 2018, because the Future Development Fund does not meet the criteria for a special revenue fund. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. The balance from Future Development Fund is committed for future development as approved by the City Council. Both the Future Development and Community Enhancement Fund are not reflected in the chart above.

Housing Authority Fund

Housing and Urban Development (HUD) adopted a Cash Management Policy for all Housing Authorities in January 2012. The policy mandated that Housing Assistance grant payments be made on an "as needed" basis. Any excess assistance grant payments in the prior years need to be returned to HUD. The Housing Authority net fund balance decreased by \$95,503 in FY2017-18.

Proprietary Fund

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

Enterprise Fund - Total assets of the enterprise fund were \$448,768, while total liabilities were \$13,724. This resulted in a net position of \$435,044, a decrease of \$9,739 for the fiscal year ended June 30, 2018.

Internal Service Funds The City's internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance activities, including liability insurance, and workers' compensation insurance, vehicle operations and maintenance, information services, and capital equipment acquisitions. As of June 30, 2018, the net position of the internal service funds had a deficit of \$3 million. The services provided by the internal service funds have been allocated to governmental functions in the government-wide financial statements based on a percentage of a department's use of the funds' services and charges.

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental activities amounts to \$99.4 million (net of accumulated depreciation of \$166.6 million) as of June 30, 2018. This investment in capital assets includes land, buildings, improvements other than building, infrastructure (roads, sidewalks, streetlights, etc.), and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$2.2 million after depreciation.

**Capital Assets
(Net of Accumulated Depreciation)
June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,576,794	\$ 1,576,793	\$ 159,644	\$ 159,644	\$ 1,736,438	\$ 1,736,437
Construction in progress	4,507,336	1,824,729	-	-	4,507,336	1,824,729
Buildings and improvements	29,243,344	29,991,813	253,869	268,376	29,497,213	30,260,189
Vehicles and equipment	3,098,925	2,828,303	-	-	3,098,925	2,828,303
Infrastructure	60,929,080	60,932,560	-	-	60,929,080	60,932,560
Total	\$ 99,355,479	\$ 97,154,198	\$ 413,513	\$ 428,020	\$ 99,768,992	\$ 97,582,218

Additional information on the City's capital assets can be found in note 7 to the basic financial statements of this report.

Debt Administration At the end of the current fiscal year, the City eliminated its bonded debt due to the retirement of the pension obligation bonds and the refunding of the lease revenue bonds. The table below presents the City's long-term debt as of June 30, 2018.

**Outstanding Debt and Obligations
June 30, 2018 and 2017**

	2018	2017	Increase (Decrease)	
			Amount	%
Bonded Indebtedness:				
Lease revenue bonds	\$ -	\$ 7,990,000	\$ (7,990,000)	-100%
Pension obligation bonds	-	1,795,000	(1,795,000)	-100%
Other long-term debt:				
Lease agreement	7,276,000	-	7,276,000	100%
Other post-employment benefits	42,871,182	13,078,848	29,792,334	228%
Compensated absences	1,869,707	1,712,325	157,382	9%
Notes and loans payable	4,787,974	4,145,718	642,256	15%
Net pension liability	53,482,903	45,931,311	7,551,592	16%
Claims liability	8,359,481	6,403,477	1,956,004	31%
Total	\$ 118,647,247	\$ 81,056,679	\$ 37,590,568	46%

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current limitation for the City is \$214.2 million which is significantly in excess of the City's outstanding general obligation debt. Therefore, the City is in an exceptional financial position in relation to debt and obligation. Additional information on the City's long-term liabilities can be found in note 9 to the basic financial statements of this report.

Economic Factors and Next Year's Budget

There was a moderate growth in revenue in FY2017-18. Total general revenue taxes increased by \$2.0 million. Charges for Services increased by 14% and Operating Contributions and Grants increased by 9%. Investment income was more than doubled from the prior year due to better yield. Other sources of income increased by over 50% mainly due to the gain on sale of property, public safety mitigation fees for cannabis, and rebates from the LED conversion program.

The City's General Fund Reserve Balance increased by \$1.4 million or 20%, from the prior year mainly due to the increase in general revenue taxes, charges for services, and other incomes. As of June 30, 2018, committed, assigned and unassigned general fund balances total \$15.5 million, representing 49% of general fund expenditures (including transfer outs).

The City continues to expect steady growth in revenues in FY2018-19. The refinancing of the 2004 Community Center Lease Revenue Bond provided an estimated savings of \$1.7 million over the next 15 years. The City will also expect additional revenue from the cannabis mitigation fees.

In fiscal year 2017-18, the following businesses joined the City's business community: Waba Grill (2nd location), Jersey Mikes, Chipotle, and Coffee Bean & Tea Leaf. The City also passed an Ordinance to allow the cultivation, manufacture, testing, and distribution of cannabis in the City. In the same fiscal year, Kaiser Permanente expanded their existing medical center by adding a two-story 60,000 square foot medical office.

In fiscal year 2018-19, the City's business community is expected to add the following businesses: Dunkin Donuts, Raising Cane's, and 7-Eleven (2 new locations). In addition, Sunstate Equipment Rental is expected to double their operations by expanding to an adjacent building.

While the City has experienced steady growth, its finances are also dependent on the local economy and legislative actions of the Federal and State governments. Another big factor that continues to affect most cities is the continued increase in the CalPERS pension cost. The City has approved issuance of a pension obligation bond to pay down the unfunded retirement pension liability, which is expected to save the City a significant amount of interest expense.

The Mayor, City Council, and City Staff will continue to work diligently in fiscal year 2018-19 to develop strategies to increase economic opportunities and new revenue streams to maintain a balanced budget and healthy level of General Fund reserves.

Request for Information

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Department of Finance, 14403 E. Pacific Avenue, Baldwin Park, CA 91706.

**City of Baldwin Park
Statement of Net Position
June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted cash and investments	\$ 34,362,052	\$ 34,542	\$ 34,396,594
Restricted cash and investments	14,704	-	14,704
Total cash and investments	34,376,756	34,542	34,411,298
Intergovernmental receivables	4,052,815	-	4,052,815
Property taxes receivables	478,747	-	478,747
Other receivables, net	935,967	63	936,030
Internal balances	3,763	(3,763)	-
Loans receivable	5,618,854	-	5,618,854
Long term receivables	324,814	-	324,814
Due from Successor Agency	5,466	-	5,466
Advances to Successor Agency	22,530,413	-	22,530,413
Prepays	62,742	650	63,392
Property held for resale	6,292,110	-	6,292,110
Capital assets not being depreciated			
Land	1,576,794	159,644	1,736,438
Construction-in-progress	4,507,336	-	4,507,336
Capital assets, net of accumulated depreciation			
Buildings and improvements	29,243,344	253,869	29,497,213
Vehicles and equipment	3,098,925	-	3,098,925
Infrastructure	60,929,080	-	60,929,080
Total assets	174,037,926	445,005	174,482,931
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	11,278,960	-	11,278,960
Deferred outflows related to OPEB	824,524	-	824,524
Total deferred outflows of resources	12,103,484	-	12,103,484
LIABILITIES			
Accounts payable	3,461,976	5,768	3,467,744
Accrued interest	76,872	-	76,872
Accrued other liabilities	343,671	-	343,671
Deposits	299,482	2,101	301,583
Due to other governmental agencies	7,071	-	7,071
Unearned revenues	239,626	-	239,626
Long-term liabilities:			
Notes and Loans - due within one year	556,224	-	556,224
Notes and Loans - due in more than one year	4,231,750	-	4,231,750
2017 Lease Agreement - due within one year	404,000	-	404,000
2017 Lease Agreement - due in more than one year	6,872,000	-	6,872,000
Compensated absences - due within one year	1,071,683	883	1,072,566
Compensated absences - due in more than one year	798,024	1,209	799,233
Net OPEB liability	42,871,182	-	42,871,182
Net pension liability	53,482,903	-	53,482,903
Insurance claim liabilities - current portion	361,680	-	361,680
Insurance claim liabilities - long-term portion	7,997,801	-	7,997,801
Total liabilities	123,075,945	9,961	123,085,906
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,369,456	-	2,369,456
Total deferred inflows of resources	2,369,456	-	2,369,456
NET POSITION			
Net investment in capital assets	99,355,479	413,513	99,768,992
Restricted for:			
Debt service	48,302	-	48,302
Community development	25,527,571	-	25,527,571
Public safety	954,321	-	954,321
Public works	8,737,093	-	8,737,093
Recreation services	4,176	-	4,176
Unrestricted	(73,930,933)	21,531	(73,909,402)
Total net position	\$ 60,696,009	\$ 435,044	\$ 61,131,053

The notes to the basic financial statements are an integral part of these financial statements.

**City of Baldwin Park
Statement of Activities
Year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants		Governmental Activities	Business-Type Activities	Total
Governmental activities								
General government	\$ 4,289,453	\$ 1,046,886	\$ 17,314	\$ -	\$ 1,064,200	\$ (3,225,253)	\$ -	\$ (3,225,253)
Public safety	24,520,278	1,224,003	593,057	-	1,817,060	(22,703,218)	-	(22,703,218)
Public works	17,204,596	489,668	8,437,834	-	8,927,502	(8,277,094)	-	(8,277,094)
Community development	10,255,744	3,257,615	6,256,541	-	9,514,156	(741,588)	-	(741,588)
Recreation services	5,729,841	597,595	74,977	-	672,572	(5,057,269)	-	(5,057,269)
Interest and fiscal charges	505,629	-	-	-	-	(505,629)	-	(505,629)
Total governmental activities	\$ 62,505,541	\$ 6,615,767	\$ 15,379,723	\$ -	\$ 21,995,490	\$ (40,510,051)	\$ -	\$ (40,510,051)
Business-type activities								
Public housing	\$ 61,773	\$ 37,115	\$ -	\$ -	\$ 37,115	\$ -	\$ (24,658)	\$ (24,658)
Total government-wide activities	\$ 62,567,314	\$ 6,652,882	\$ 15,379,723	\$ -	\$ 22,032,605	\$ (40,510,051)	\$ (24,658)	\$ (40,534,709)
General revenues								
Taxes								
Property taxes						13,966,896	-	13,966,896
Sales taxes						6,095,478	-	6,095,478
Franchise taxes						2,596,774	-	2,596,774
Utility users taxes						2,449,027	-	2,449,027
Other taxes						2,187,416	-	2,187,416
Interest						986,292	-	986,292
Other						3,468,068	-	3,468,068
Transfers in/out						(14,919)	14,919	-
Total general revenues and transfers						31,735,032	14,919	31,749,951
Change in net position						(8,775,019)	(9,739)	(8,784,758)
Net position - beginning, as restated						69,471,028	444,783	69,915,811
Net position - ending						\$ 60,696,009	\$ 435,044	\$ 61,131,053

The notes to the basic financial statements are an integral part of these financial statements.

**City of Baldwin Park
Balance Sheet
Governmental Funds
June 30, 2018**

	<u>Special Revenue</u>			<u>Debt Service</u>		Totals
	General	Housing and Community Development Grant	Housing Asset	Baldwin Park Financing Authority	Other Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets						
Pooled cash and investments	\$ 14,385,032	\$ 142,198	\$ 2,720,288	\$ 31,778	\$ 12,258,131	\$ 29,537,427
Cash and investments with fiscal agents	-	-	-	-	14,704	14,704
Property taxes receivable	328,028	-	-	-	150,719	478,747
Intergovernmental receivables	2,019,267	125,434	-	-	1,908,114	4,052,815
Loans receivable	-	3,325,403	2,203,708	-	89,743	5,618,854
Other receivables	82,435	1,129	795,814	89	33,646	913,113
Long-term receivables	-	-	-	-	324,814	324,814
Due from other funds	124,687	4,882	-	-	-	129,569
Due from Successor Agency	5,466	-	-	-	-	5,466
Prepays	23,487	-	-	-	37,995	61,482
Property held for resale	376,800	-	5,915,310	-	-	6,292,110
Advances to Successor Agency	22,530,413	-	-	-	-	22,530,413
Total assets	<u>39,875,615</u>	<u>3,599,046</u>	<u>11,635,120</u>	<u>31,867</u>	<u>14,817,866</u>	<u>69,959,514</u>
Deferred outflows of resources						
Total assets and deferred outflows of resources	<u>\$ 39,875,615</u>	<u>\$ 3,599,046</u>	<u>\$ 11,635,120</u>	<u>\$ 31,867</u>	<u>\$ 14,817,866</u>	<u>\$ 69,959,514</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,182,250	\$ 8,854	\$ 110	\$ -	\$ 2,188,853	\$ 3,380,067
Accrued liabilities	256,681	-	1,394	62,574	23,021	343,670
Deposits	-	-	-	-	299,482	299,482
Due to other funds	4,410	-	-	-	2,239,234	2,243,644
Due to other governmental agencies	-	7,071	-	-	-	7,071
Unearned revenue	-	-	-	-	239,626	239,626
Total liabilities	<u>1,443,341</u>	<u>15,925</u>	<u>1,504</u>	<u>62,574</u>	<u>4,990,216</u>	<u>6,513,560</u>
Deferred inflows of resources						
Unavailable revenue	8,794,449	3,325,403	2,988,673	-	89,743	15,198,268
Total deferred inflows of resources	<u>8,794,449</u>	<u>3,325,403</u>	<u>2,988,673</u>	<u>-</u>	<u>89,743</u>	<u>15,198,268</u>
Fund balances						
Nonspendable						
Advances to other funds, net of accrued interest	13,735,964	-	-	-	-	13,735,964
Property held for resale	376,800	-	-	-	-	376,800
Prepaid items	23,487	-	-	-	-	23,487
Restricted						
Low and moderate income housing projects	-	-	8,644,943	-	-	8,644,943
Special revenue funds	-	257,718	-	-	11,112,577	11,370,295
Debt service funds	-	-	-	-	48,302	48,302
Capital projects funds	-	-	-	-	9,655	9,655
Committed						
Future development	6,276,472	-	-	-	-	6,276,472
10% budget stabilization fund	2,759,802	-	-	-	-	2,759,802
Assigned						
Community development	740,398	-	-	-	-	740,398
Unassigned						
Unassigned	5,724,902	-	-	(30,707)	(1,432,627)	4,261,568
Total fund balances	<u>29,637,825</u>	<u>257,718</u>	<u>8,644,943</u>	<u>(30,707)</u>	<u>9,737,907</u>	<u>48,247,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,875,615</u>	<u>\$ 3,599,046</u>	<u>\$ 11,635,120</u>	<u>\$ 31,867</u>	<u>\$ 14,817,866</u>	<u>\$ 69,959,514</u>

The notes to the basic financial statements are an integral part of these financial statements.

City of Baldwin Park
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances		\$ 48,247,686
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 265,734,810	
Less accumulated depreciation	<u>(166,554,148)</u>	99,180,662
Loans receivable not expected to be collected in the current period are offset by unearned revenue in the funds. They have been recognized and are in net position in the government-wide financial statements.		
		5,618,854
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the funds.		
		(76,872)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.		
Unearned interest income on advances for administrative expenses		9,579,414
Long-term liabilities, including bonds payable, are not due and payable in the current year period and therefore are not reported in the funds.		
Loan payable	(2,988,974)	
Notes payable	(1,799,000)	
Lease obligations	(7,276,000)	
Compensated absences	(1,869,707)	
Net OPEB liability	(42,871,182)	
Net pension liability	<u>(51,396,522)</u>	(108,201,385)
Deferred outflows are not current assets or financial resources; and deferred inflows are not due and payable in the current period and therefore not reported in the governmental funds.		
Deferred outflows of resources related to pensions	10,961,155	
Deferred inflows of resources related to pensions	(2,369,456)	
Deferred outflows of resources related to OPEB	<u>824,524</u>	9,416,223
Internal service funds are used by management to charge the costs of information systems, insurance charges and fleet services to individual funds. The assets and liabilities of internal funds are included in governmental activities in the statement of net position.		
		(3,068,573)
Net position of governmental activities		<u>\$ 60,696,009</u>

The notes to the basic financial statements are an integral part of these financial statements.

City of Baldwin Park
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>Special Revenue</u>			<u>Debt Service</u>		Totals
	General	Housing and Community Development Grant	Housing Asset	Baldwin Park Financing Authority	Other Governmental Funds	
Revenues						
Taxes	\$ 24,691,034	\$ -	\$ -	\$ -	\$ 3,117,181	\$ 27,808,215
Licenses and permits	842,666	-	-	-	23,803	866,469
Fines, forfeitures and penalties	672,890	-	-	-	42,759	715,649
Use of money and property	834,779	3,319	37,751	1,890	107,338	985,077
Intergovernmental	486,992	996,326	-	-	13,346,544	14,829,862
Charges for services	2,162,576	-	-	-	1,506,348	3,668,924
Other	1,737,979	5,507	59,547	-	2,440,953	4,243,986
Total revenues	<u>31,428,916</u>	<u>1,005,152</u>	<u>97,298</u>	<u>1,890</u>	<u>20,584,926</u>	<u>53,118,182</u>
Expenditures						
Current:						
General government	3,153,094	-	-	-	69,197	3,222,291
Public safety	21,112,430	-	-	-	403,879	21,516,309
Public works	1,448,569	-	-	-	6,543,075	7,991,644
Community development	1,496,599	576,410	255,026	-	5,613,176	7,941,211
Recreation services	3,407,173	-	-	-	1,070,105	4,477,278
Capital outlay	62,276	-	-	-	4,969,497	5,031,773
Debt service:						
Principal retirement	-	-	-	8,382,000	2,184,000	10,566,000
Interest and fiscal charges	-	-	-	557,872	134,061	691,933
Total expenditures	<u>30,680,141</u>	<u>576,410</u>	<u>255,026</u>	<u>8,939,872</u>	<u>20,986,990</u>	<u>61,438,439</u>
Excess (deficiency) of revenues over expenditures	<u>748,775</u>	<u>428,742</u>	<u>(157,728)</u>	<u>(8,937,982)</u>	<u>(402,064)</u>	<u>(8,320,257)</u>
Other financing sources (uses)						
Proceeds from other long-term debt	1,423,256	-	-	7,276,000	-	8,699,256
Transfers in	-	-	-	915,121	589,798	1,504,919
Transfers out	(679,857)	(425,124)	-	-	(414,857)	(1,519,838)
Net other financing sources (uses)	<u>743,399</u>	<u>(425,124)</u>	<u>-</u>	<u>8,191,121</u>	<u>174,941</u>	<u>8,684,337</u>
Net change in fund balances	1,492,174	3,618	(157,728)	(746,861)	(227,123)	364,080
Beginning fund balances	<u>28,145,651</u>	<u>254,100</u>	<u>8,802,671</u>	<u>716,154</u>	<u>9,965,030</u>	<u>47,883,606</u>
Ending fund balances	<u>\$ 29,637,825</u>	<u>\$ 257,718</u>	<u>\$ 8,644,943</u>	<u>\$ (30,707)</u>	<u>\$ 9,737,907</u>	<u>\$ 48,247,686</u>

The notes to the basic financial statements are an integral part of these financial statements.

City Of Baldwin Park
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Year Ended June 30, 2018

Net change in fund balance - governmental funds \$ 364,080

Governmental funds report capital outlay as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay, net of disposals	\$ 4,299,683	
Depreciation expense	<u>(7,101,991)</u>	(2,802,308)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Unearned interest income on advances for administrative expenses		681,355
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Proceeds from issuance of bonds	(7,276,000)	
Proceeds from other long-term debt	(1,423,256)	
Principal repayments of notes payable	781,000	
Principal repayments of bonds	<u>9,785,000</u>	1,866,744

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension Expense - GASB 68	(5,180,160)	
Other postemployment benefits - GASB 75	<u>(1,489,522)</u>	(6,669,682)

Repayment of long-term receivables are treated as revenue in governmental funds, but the repayment reduces the long-term receivables in the statement of net position

(54,096)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest on long-term debt	186,304	
Compensated absences	<u>(157,382)</u>	28,922

Internal service funds are used by management to charge the costs of information systems, insurance charges and fleet services to individual funds. The net income of the internal service funds is reported with governmental activities.

(2,190,034)

Change in net position of governmental activities		<u>\$ (8,775,019)</u>
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The notes to the basic financial statements are an integral part of these financial statements.

City of Baldwin Park
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 34,542	\$ 4,824,624
Accounts receivable	63	-
Interest receivable	-	22,854
Due from other funds	-	2,132,485
Prepaid expenses	650	1,260
Total current assets	35,255	6,981,223
Noncurrent assets		
Capital assets:		
Land	159,644	-
Building & improvements	657,585	-
Equipment	38,602	4,462,718
Less accumulated depreciation	(442,318)	(4,287,901)
Net capital assets	413,513	174,817
Total noncurrent assets	413,513	174,817
Total assets	448,768	7,156,040
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	-	317,805
Total deferred outflows of resources	-	317,805
LIABILITIES		
Current liabilities		
Accounts payable	5,768	81,909
Due to other funds	3,763	14,647
Tenant security deposits	2,101	-
Current portion of insurance claim liabilities	-	361,680
Current portion of compensated absences	883	-
Total current liabilities	12,515	458,236
Noncurrent liabilities		
Workers' compensation liability	-	5,732,872
General insurance liability	-	2,169,929
Unemployment insurance liability	-	20,000
Disability insurance liability	-	75,000
Compensated absences	1,209	-
Net pension liability	-	2,086,381
Total noncurrent liabilities	1,209	10,084,182
Total liabilities	13,724	10,542,418
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	-	-
Total deferred inflows of resources	-	-
NET POSITION		
Invested in capital assets	413,513	174,817
Unrestricted	21,531	(3,243,390)
Total net position (deficit)	\$ 435,044	\$ (3,068,573)

The notes to the basic financial statements are an integral part of these financial statements.

City of Baldwin Park
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2018

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues		
Charges for services	\$ -	\$ 4,490,673
Use of money and property	36,002	-
Other	1,113	-
Total operating revenues	<u>37,115</u>	<u>4,490,673</u>
Operating expenses		
Maintenance and operations	20,797	635,365
Provision for insurance claims	-	4,497,506
Depreciation	14,507	121,319
Lease and equipment purchase	-	21,800
Personnel services	26,469	1,287,363
Contractual services	-	155,395
Total operating expenses	<u>61,773</u>	<u>6,718,748</u>
Operating loss	(24,658)	(2,228,075)
Nonoperating income		
Interest	-	38,041
Total nonoperating income	<u>-</u>	<u>38,041</u>
Loss before operating transfers	<u>(24,658)</u>	<u>(2,190,034)</u>
Transfers		
Transfers in	<u>14,919</u>	<u>-</u>
Change in net position	(9,739)	(2,190,034)
Total net position - beginning	<u>444,783</u>	<u>(878,539)</u>
Total net position - ending \$	<u>435,044</u>	<u>\$ (3,068,573)</u>

The notes to the basic financial statements are an integral part of these financial statements.

**City of Baldwin Park
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018**

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities		
Receipts from tenants, customers and users	\$ 37,083	\$ 4,490,673
Payments to suppliers	(17,943)	(800,930)
Payments to employees	(25,093)	(903,869)
Payments for insurance	-	(2,541,502)
Net cash provided by (used in) operating activities	(5,953)	244,372
Cash flows from capital and related financing activities		
Net acquisition (disposal) of equipment	-	(50,000)
Net cash used in capital and related financing activities	-	(50,000)
Cash flows from non-capital financing activities		
Transfers	14,919	-
Interfund advances	-	1,401,209
Net cash provided by (used in) non-capital financing activities	14,919	1,401,209
Cash flows from investing activities		
Interest received	-	29,157
Change in cash and cash equivalents	8,966	1,624,738
Beginning cash and cash equivalents	25,576	3,199,886
Ending cash and cash equivalents	\$ 34,542	\$ 4,824,624
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (24,658)	\$ (2,228,075)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	14,507	121,319
(Increase) decrease in:		
Accounts receivable	(32)	-
Prepaid expenses	-	(1,260)
Deferred outflows of resources	-	249,893
Increase (decrease) in:		
Accounts payable	2,704	12,890
Accrued liabilities	(716)	(24,803)
Tenant security deposits	150	-
Insurance liabilities	-	320,818
Compensated absences	2,092	-
Net pension liability	-	1,956,004
Deferred inflows of resources	-	(162,414)
Net cash provided by (used in) operating activities	\$ (5,953)	\$ 244,372

The notes to the basic financial statements are an integral part of these financial statements.

**City of Baldwin Park
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018**

	Agency Deposits Fund	Successor Agency to the Dissolved Redevelopment Agency Private-purpose Trust Fund
ASSETS		
Cash and investments	\$ 1,445,153	\$ 889,413
Cash and investments with fiscal agents	-	1,860,950
Other receivables, net	3,867	22,028
Total assets	1,449,020	2,772,391
LIABILITIES		
Liabilities		
Accounts payable	115,105	4,349
Accrued liabilities	-	111,831
Deposits	1,333,915	-
Other payables	-	54,180
Due to City	-	5,466
Advances from the City	-	22,530,413
Due to other governmental agencies	-	17,131,383
Tax allocation bonds		
Tax allocation bonds due within one year	-	1,690,000
Tax allocation bonds due in more than one year	-	9,635,000
Total liabilities	1,449,020	51,162,622
NET POSITION (DEFICIT)	\$ -	\$ (48,390,231)

The notes to the basic financial statements are an integral part of these financial statements.

**City of Baldwin Park
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Additions:	
Taxes	\$ 2,045,376
Sales taxes, fines, forfeitures and penalties	111,926
Other	73,846
Total revenues	2,231,148
Deductions:	
General government	296,726
Interest and fiscal charges	1,251,964
Total expenditures	1,548,690
 Change in fiduciary net position	 682,458
 Fiduciary net position at beginning of year	 <u>(49,072,689)</u>
Fiduciary net position at end of year	\$ <u><u>(48,390,231)</u></u>

The notes to the basic financial statements are an integral part of these financial statements.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The reporting entity of the City of Baldwin Park includes the financial activities of the Baldwin Park Housing Authority and the Baldwin Park Financing Authority, as well as the City of Baldwin Park. Although these entities are legally separate from each other, they are included within the scope of the reporting entity.

The inclusion of an organization within the City of Baldwin Park reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39 and 61. These organizations are legally separate entities for which the City of Baldwin Park is financially accountable. The governing bodies of these organizations are substantially the same as the City Council and there also exists a financial benefit or burden relationship. As a result, the financial statements of the individual component units described below are blended with the City of Baldwin Park's financial statements. Separate financial statements are not prepared for the Baldwin Park Housing Authority or the Baldwin Park Financing Authority.

The City of Baldwin Park (the City), incorporated on January 25, 1956, is a general law city, which operates under a Council-Chief Executive Officer form of government. The City Council appoints the City Attorney, the Chief Executive Officer, and five department heads. Currently, the City is managed by an Executive Team. The Executive Team is composed of the Chief Executive Officer and five department heads. The City provides a broad range of services to its citizens, which include police protection, street construction and maintenance, parks and recreation, public improvements, planning and zoning, housing and community development, and general and administrative support services.

The Baldwin Park Housing Authority (the Housing Authority) was established on October 27, 1977, pursuant to the Health and Safety Code of the State of California. The Housing Authority's purpose is to oversee the administration of federally funded housing assistance programs. These programs are designed to provide affordable housing opportunities for low and moderate income residents of the cities of Baldwin Park, West Covina, Monrovia, and South El Monte.

The Baldwin Park Financing Authority (the Financing Authority) was established on April 6, 1988, between the City and the former Baldwin Park Redevelopment Agency (now called the Successor Agency to the Dissolved Baldwin Park Community Development Commission [Successor Agency]) by execution of a joint exercise of powers agreement. The Financing Authority is governed by a five-member board consisting of the City Council. The Financing Authority's purpose is to acquire, finance, construct, manage, and maintain or operate certain public capital improvements.

The Baldwin Park Charitable Relief Foundation (the Foundation) is a non-profit entity organized by the City to raise funds for use in certain programs for the children in the City. The Foundation's financial statements were not included in the reporting entity's financial statements because of insignificance of its activities and account balances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

Government-Wide and Fund Financial Statements

The statement of net position and statement of activities (i.e., the government-wide financial statements) display information on all of the non-fiduciary activities of the primary government (the City) and its blended component units. Eliminations have been made to minimize the effect of interfund activity. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The City reports its enterprise fund under business-type activities in the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

When both restricted and unrestricted net positions are available for use, the City's policy is to use restricted resources first, then the unrestricted resources as they are needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred regardless of the timing of related cashflows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers taxes and assessments associated with the current fiscal period to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's general operating fund. It is used to account for all financial resources, except those required to be accounted for in other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those for Capital Projects Funds) that are legally restricted to expenditures for special purposes. Major special revenue funds are:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Housing and Community Development Grant Fund Accounts for revenues from the U.S. Department of Housing and Urban Development. These revenues must be expended to accomplish one of the following objectives: elimination of slum or blight, be of benefit to low and moderate income persons, or meet certain urgent community needs. The fund includes revenues from the BLOCK and HOME programs.

Housing Asset This fund accounts for the housing assets approved by the State of California Department of Finance to remain with the City after the dissolution of the former redevelopment agency.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of debt. Major debt service fund is:

Baldwin Park Financing Authority Debt Service Fund This fund accounts for the receipt of revenues and payment of debt incurred for the City's projects.

Additionally, the City reports the following fund types:

Governmental Funds

Descriptions for Special Revenue Funds, Debt Service Funds, and the Capital Projects Fund can be found on pages 78 to 81.

Proprietary Funds

Enterprise Fund – The Enterprise Fund is used to account for a 12-unit complex occupied by elderly low-income tenants, who pay monthly rents to the City.

Internal Service Funds – The Internal Service Funds are used to account for the financing of goods or services provided by one City department to the other departments or agencies on a cost reimbursement basis. These funds account for the revenues and expenses of the City's Fleet Services, Information Services, Capital Equipment, and Internal Insurance.

Fiduciary Funds

Agency Deposits Fund – This fund is used to account for assets held by the City as an agent on behalf of employees, individuals, private organizations, other governments, or other funds. This fund includes resources held for seized assets, police training, donations for others, etc. The Agency Deposits Fund, which is custodial in nature, does not involve measurement of results of operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund – This fund is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Successor Agency to the Dissolved Baldwin Park Community Development Commission, the City's former Redevelopment Agency. Unlike the limited reporting typically utilized for Agency Funds, Private-Purpose Trust Funds report a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Financial Statement Elements

Cash and Investments

Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties other than a forced or liquidation sale.

The City pools all nonrestricted cash for investment purposes. Interest income earned on pooled cash is allocated quarterly to the various funds based on their month-end cash balances. Interest income from restricted cash is allocated directly to the fund earning the income.

Property Taxes

The County of Los Angeles (the County) has the responsibility for property tax and assessment levies and collections. The County's property tax calendar is July 1 to June 30. Property taxes are an enforceable lien on the property as of the preceding January 1. Property tax bills, which include assessments, are levied June 30 and are due in equal installments on November 1 and February 1 of each property tax year. The City records property tax assessment revenues upon receipt or anticipated receipt from the County. Property taxes receivable reported in the fund financial statements are not offset by unearned revenues because they are collectable within 60 days of fiscal year-end.

Receivables and Payables

Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectable. Earned but unbilled revenue is recognized as revenue and accounts receivable in the Enterprise Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the government-wide presentation.

Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include land, buildings, improvements, vehicles, furniture, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and lighting, and drainage systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated cost, if historical cost is not available. Contributed assets are recorded at their estimated fair value at the time received. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The costs of normal maintenance and repairs that do not add value to the asset or materially extend lives are not capitalized.

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

Building	60 years
Machinery and equipment	3 to 20 years
Vehicles and related equipment	5 to 15 years
Roadway network	20 to 50 years
Commuter rail network	50 years
Sewer network	60 years
Storm drain network	50 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

It is the City's policy to capitalize all land, building, improvements, equipment, and infrastructure assets, except assets costing less than \$5,000. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related activity. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

Property Held for Resale

Property held for resale is recorded at the lower of cost or fair value. A corresponding nonspendable fund balance account is recorded which indicates the asset does not represent available expendable resources.

Compensated Absences

It is the City's policy to record the liability for employees' vested earned vacation, compensatory time off, etc. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City does not provide for the vesting of sick leave; therefore, no liability has been recorded.

Self-Insurance Programs

The City has initiated self-insurance programs for long-term disability and unemployment insurance claims. In addition, the City maintains a cash reserve to provide for the per-occurrence deductible on property damage, workers' compensation, and general liability claims of \$5,000, \$500,000, and \$300,000, respectively. These activities are accounted for in the Internal Service Insurance Fund.

Operating revenues are primarily user charges to other funds and are planned to match estimated payments resulting from self-insurance programs, operating expenses, and reinsurance premiums. The fund accrues the estimated liability for claims when such amounts are reasonably determinable and where the liability is probable. Further, the fund sets up a cash reserve for these known claims as well as for the estimated liability for such claims expected to be filed for incidents that occurred as of June 30, 2018. The calculation is based on a ten-year historical trend analysis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City is a member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority formed to provide liability insurance coverage for independent cities. Under the terms of the agreement with ICRMA, the City is insured for liability losses in excess of the \$300,000 Self-Insurance Retention (SIR), with a liability limit of \$1,000,000 per occurrence and workers' compensation losses in excess of the \$500,000 SIR, with a liability limit of \$5,000,000 per any one loss (see Note 15).

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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, Accounting and Financial Reporting for Pensions*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the City that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The statement of net position includes an itemized listing of deferred inflows and outflows of resources the City has recognized.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types financial statements, long-term debt and other long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if applicable, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred in accordance with GASB Statement No. 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Pensions

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

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

Fund Balance

The City follows GASB Statement No. 54, *Fund Balance Reporting and Government Fund-Type Definitions*. Fund balance is the difference between the assets and liabilities reported in the City's governmental funds. There are generally limitations on the purpose for which all or a portion of the resources of a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source. Consequently, the fund balance reported in the annual financial statements is categorized into five components whereby each component identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The five components of fund balance are as follows (See Note 10):

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact, such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

- **Committed:** Includes amounts that can only be used for specific purposes determined by a formal action of the City Council such as a resolution or staff report approved by the City Council, the City's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has designated the Chief Executive Officer and the Director of Finance as the City officials to determine and define the amounts of those components of fund balance that are classified as Assigned Fund Balance.
- **Unassigned:** Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by a formal action of the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

The City Council delegates the authority to assign fund balance to the Chief Executive Officer for purposes of reporting in the annual financial statements.

The City considers the restricted fund balances to have been spent when expenditures are incurred for purposes for which both unrestricted and restricted fund balance is available. The City considers unrestricted fund balances to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

In 2011, the City Council adopted a resolution establishing a minimum General Fund Reserve of ten percent of the General Fund Operating Expenditures at the adoption of the annual operating budget as budget stabilization fund to be used for emergency purposes or for fluctuations in the economy such as when there is significant fluctuation in revenues or when budgetary imbalances arise.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Stabilization amounts may be expended only when such specific circumstances exist and as approved by the City Council. Only the City Council, as the City's highest level of decision-making authority, can increase or reduce the budget stabilization fund balance for specific purposes pursuant to constraints imposed by formal actions taken or a resolution by the City Council.

Statement of Cash Flows

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considered all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Implementation of New Pronouncements

During the fiscal year ended June 30, 2018, the City adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed in this Statement. Refer also to Notes 13 and 20.

NOTE 2 NET POSITION/FUND BALANCES

The governmental activities and business-type activities in the government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets – This amount consists of all capital assets, including infrastructure, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of these assets.
- Restricted – This category presents amounts with external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This category represents the City’s net position which is not restricted for any project or other purpose.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2018, exceeded appropriations in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund			
Public safety	\$ 21,112,430	\$ 20,679,307	\$ (433,123)
Public works	1,448,569	198,753	(1,249,816)
Community development	1,496,599	1,201,152	(295,447)
Recreation services	3,407,173	3,376,461	(30,712)
Federal Asset Forfeiture			
Public safety	192,317	103,157	(89,160)
State Gasoline Tax			
Capital outlay	484,796	474,340	(10,456)
Federal Surface Transportation Program			
Capital outlay	31,722	-	(31,722)
Proposition A			
Public Works	152,022	146,033	(5,989)
State Asset Forfeiture			
Capital outlay	2,720	-	(2,720)
Traffic Mitigation Fees			
Capital outlay	166,896	-	(166,896)
Park Land Fees			
Recreation services	203,670	-	(203,670)
Measure R			
Capital outlay	799,130	581,402	(217,728)
Police grants			
Capital outlay	18,675	-	(18,675)
Housing Authority			
Community development	5,240,659	5,144,701	(95,958)

Deficit Fund Balance

The following funds have deficit fund balances or net position at June 30, 2018. Management expects to eliminate the deficits with subsequent revenue in the funds or transfers from the General Fund.

Major Governmental Funds:	
Baldwin Park Financing Authority	\$ <u>30,707</u>
Nonmajor Governmental Funds:	
Bicycle and Pedestrian Safety	2,046
Federal Surface Transportation Program	73,439
Other Grants	1,330,749
Cooperative Agreements Contributions	<u>26,393</u>
Total nonmajor governmental funds	<u>1,432,627</u>
Proprietary funds:	
Internal Service Funds	
Fleet Services	399,874
Information Services	447,037
Internal Insurance	<u>2,312,439</u>
Total internal service funds	<u>3,159,350</u>
	<u>\$ 4,622,684</u>

City of Baldwin Park
Notes to the Basic Financial Statements
Year ended June 30, 2018

NOTE 4 CASH AND INVESTMENTS

At June 30, 2018, the City's cash and investments consist of:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Unrestricted assets				
Cash and investments	\$ 34,362,052	\$ 34,542	\$ 2,334,566	\$ 36,731,160
Restricted assets				
Cash and investments with fiscal agent	14,704	-	1,860,950	1,875,654
Total cash and Investments	<u>\$ 34,376,756</u>	<u>\$ 34,542</u>	<u>\$ 4,195,516</u>	<u>\$ 38,606,814</u>

Cash and investments at June 30, 2018, consisted of the following:

Cash on hand	\$ 833
Deposits with financial institutions	5,332,135
Investments	<u>33,273,846</u>
 Total cash and investments	 <u>\$ 38,606,814</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income is allocated quarterly to the various funds based on monthly balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investment Policy

The City's investment policy outlines the guidelines required to be used in effectively managing the City's available cash in accordance with the California Government Code. Summarized below are the investment vehicles that are authorized and certain provisions of the policy that address interest rate risk and concentration of credit risk.

	Maturity	Maximum Allowable Investment Percentage	Maximum Percentage per Issuer
U.S. Treasury Obligations	365 days	Unlimited	N/A
U.S. Agency Securities and Instrumentalities of Government Sponsored Corporation	365 days	Unlimited	N/A
Negotiable Certificates of Deposit	365 days	30%	N/A
Time Deposits - Collateralized	365 days	Unlimited	\$ 500,000
Time Deposits - Uncollateralized	365 days	Unlimited	\$ 100,000
Banker's Acceptances	180 days	40%	
Repurchase Agreements	180 days	Unlimited	N/A
Commercial Paper Rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Investors Services, Inc.	180 days	30%	10%
Local Agency Investment Fund (LAIF)	N/A	Unlimited	\$ 40,000,000

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Cash and Investments with Fiscal Agents

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain notes, bonds, and certain construction projects. Money market mutual funds may be purchased as allowed under California Government Code. Only funds holding U.S. Treasury or Agency obligations can be utilized.

Interest Rate Risk

Interest rate risk, as defined under GASB Statement No. 40, is the risk that changes in interest rates will adversely affect the fair value of an investment. Most of the City's investments are held in trust by the fiscal agents as required by the bond indenture. The following table summarizes the distribution of the City's investments according to maturity at June 30, 2018.

	Less than 1 year	1 -5 years	More than 5 years	Total
Local Agency Investment Fund	\$ 31,398,192	\$ -	\$ -	\$ 31,398,192
Unrestricted cash and investments	<u>31,398,192</u>	<u>-</u>	<u>-</u>	<u>31,398,192</u>
Cash and investments with fiscal agents	-	-	1,875,654	1,875,654
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>1,875,654</u>	<u>1,875,654</u>
Total cash and investments	\$ <u>31,398,192</u>	\$ <u>-</u>	\$ <u>1,875,654</u>	\$ <u>33,273,846</u>

Concentration of Credit Risk

Under GASB Statement No. 40, concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City's investment policy imposes restrictions for certain types of investments with any one issuer to 10% of the total investment pool except for the types of investments described in the investment policy table above. As of June 30, 2018, the City is in compliance with the investment policy restrictions.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. In accordance with GASB Statement No. 40, deposits are exposed to custodial credit risk if they are uninsured and either:

- a. Uncollateralized or
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the depositor-government's name.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

The carrying amounts of the City's cash deposits were \$5,332,135 at June 30, 2018. Bank balances before reconciling items were \$6,347,521 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institution in the City's name.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits:

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

Credit Risk and Fair Value of Investments

Investments are exposed to custodial credit risk if they are uninsured, unregistered, and held by either:

- a. The counterparty or
- b. The counterparty's trust department or agent but not in the government's name.

The City's investments are in external investment pools and in mutual funds, which are not exposed to custodial credit risk.

Presented below is the minimum rating as required by (where applicable) the California Government Code, the City's investment policy, or debt agreement and the actual rating as reported by Standard & Poor's Corporation as of year-end for each investment type.

<u>Investment Type</u>	<u>Totals as of June 30, 2018</u>	<u>Minimum Legal Rating</u>	<u>Rating Not Available</u>	<u>Unrated</u>
Local Agency Investment Fund	\$ 31,398,192	(1)	\$ -	\$ 31,398,192
Held by bond trustee:				
Mutual Funds	<u>1,875,654</u>	(2)	<u>1,875,654</u>	<u>-</u>
Total cash and investments	\$ <u>33,273,846</u>		\$ <u>1,875,654</u>	\$ <u>31,398,192</u>

(1) Not applicable

(2) Acceptable to the Municipal Bond Insurer

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the portion in the investment pool approximates the amortized value of the pool shares. The City can withdraw its deposits to LAIF anytime without restriction.

Restricted Cash and Investments

The City has monies held by financial institutions, which are restricted for the payment of certain notes and bonds.

Fair Value Measurement

During the fiscal year ended June 30 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following table represents the City's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

Investment Type	Totals as of June 30, 2017	Level of Inputs
Local Agency Investment Fund	\$ 31,398,192	Uncategorized
Held by bond trustee:		
Mutual Funds	1,875,654	Level 2
Total cash and investments	\$ 33,273,846	

The City's investment in LAIF as of June 30, 2018 is reported at the City's pro-rata share of the amortized cost provided by LAIF. This amount approximates fair value.

City of Baldwin Park
Notes to the Basic Financial Statements
Year ended June 30, 2018

NOTE 5 LOANS RECEIVABLE AND UNAVAILABLE REVENUES

Loans receivable and unavailable revenues at June 30, 2018, consisted of the following:

	Loans Receivable	Unavailable Revenues
General Fund	\$ 8,794,449	\$ 8,794,449
Special Revenue Funds:		
Loans receivable from Residential Rehabilitation Program	320,897	320,897
Loans receivable from HOME Program	3,004,506	3,004,506
Loans receivable from CalHOME Program	89,743	89,743
Loans receivable from Developers and First Time Home Buyer Program	2,988,673	2,988,673
Total	\$ 15,198,268	\$ 15,198,268

Unavailable revenues in the General Fund of \$8,794,449 pertain to interest on advances to the Successor Agency, which is not available for current operations. The other unavailable revenues pertain to long-term loans receivable related to the City's housing and community development programs, including interest receivable of \$784,965 on the loans receivable and reported in the other receivable account.

NOTE 6 INTERFUND BALANCES

At June 30, 2018, the City's interfund receivables and payables were as follows:

	Due from Other Funds	Due to Other Funds	Advances to Successor Agency	Advances from City
Major governmental funds				
General Fund	\$ 130,153	\$ 4,410	\$ 22,530,413	\$ -
Housing and Community Development	4,882	-	-	-
Housing Asset	-	-	-	-
Total major governmental funds	135,035	4,410	22,530,413	-
Nonmajor governmental funds	-	2,239,234	-	-
Total governmental funds	135,035	2,243,644	22,530,413	-
Proprietary funds				
Enterprise Fund	-	3,763	-	-
Internal Service Funds	2,132,485	14,647	-	-
Total proprietary funds	2,132,485	18,410	-	-
Fiduciary funds				
Total fiduciary funds	-	5,466	-	22,530,413
Total fiduciary funds	-	5,466	-	22,530,413
Total funds	\$ 2,267,520	\$ 2,267,520	\$ 22,530,413	\$ 22,530,413

NOTE 6 INTERFUND BALANCES (CONTINUED)

Due To and Due From Other Funds

Amounts due to the Internal Service Funds represent short-term borrowings by the Nonmajor Funds. These balances are expected to be repaid within the next fiscal year.

Advances to the Successor Agency

The City has an agreement with the Baldwin Park Successor Agency (the Successor Agency) (formerly the Redevelopment Agency) providing for the advance of funds to finance improvements and operations relating to and within the project areas. The Successor Agency accrues interest on the original advances at LAIF's prevailing interest rate. At June 30, 2018, the City has advanced \$22,530,413 which includes accrued interest of \$8,794,449.

In June 2011, Assembly Bill 26 (1st extraordinary session) dissolved the former Redevelopment Agency, effective (after some litigation on the matter) February 1, 2012. As part of the dissolution process set forth in that bill and a later bill clarifying and modifying the terms of the dissolution (Assembly Bill 1484, adopted in June 2012), the existing loan from the City to the Redevelopment Agency was considered by the Department of Finance to be not enforceable. The Successor Agency to the former Redevelopment Agency has sought reconsideration by the Department of Finance as to the enforceability of the loan. In addition, the loan may be reinstated (but is not required to be) under Assembly Bill 1484 following the completion of a due diligence process being undertaken by the Successor Agency. The loan has been reinstated on the Recognized Obligation Payment Schedule and approved by the State of California, Department of Finance.

Interfund Transfers

Interfund transfers at June 30, 2018, are as follows:

	Transfers in	Transfers out
Major governmental funds		
General Fund	\$ -	\$ 679,857
Housing and Community Development	-	425,124
Baldwin Park Financing Authority	915,121	-
Total major governmental funds	915,121	1,104,981
Nonmajor governmental funds	589,798	414,857
Total governmental funds	1,504,919	1,519,838
Proprietary funds		
Enterprise Fund	14,919	-
Total funds	\$ 1,519,838	\$ 1,519,838

Transfers to other governmental funds were to fund the matching requirements on certain grants and capital projects and fund debt service payments.

City of Baldwin Park
Notes to the Basic Financial Statements
Year ended June 30, 2018

NOTE 7 CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2018, were as follows:

	Balance June 30, 2017 (Restated)	Additions	Deletions/ Adjustments	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,576,794	\$ -	\$ -	\$ 1,576,794
Construction in progress	3,976,408	1,672,538	(1,141,610)	4,507,336
Total capital assets not being depreciated	<u>5,553,202</u>	<u>1,672,538</u>	<u>(1,141,610)</u>	<u>6,084,130</u>
Capital assets being depreciated				
Buildings and improvements	44,908,164	-	-	44,908,164
Vehicles and equipment	15,937,957	1,215,682	(2,626,205)	14,527,434
Infrastructure	202,424,893	2,669,843	(416,936)	204,677,800
Total	<u>263,271,014</u>	<u>3,885,525</u>	<u>(3,043,141)</u>	<u>264,113,398</u>
Less accumulated depreciation for:				
Buildings and improvements	14,916,351	748,469	-	15,664,820
Vehicles and equipment	13,109,654	954,728	(2,635,873)	11,428,509
Infrastructure	138,569,106	5,520,112	(340,498)	143,748,720
Total	<u>166,595,111</u>	<u>7,223,309</u>	<u>(2,976,371)</u>	<u>170,842,049</u>
Net capital assets being depreciated	<u>96,675,903</u>	<u>(3,337,784)</u>	<u>(66,770)</u>	<u>93,271,349</u>
Net capital assets - governmental activities	<u>\$ 102,229,105</u>	<u>\$ (1,665,246)</u>	<u>\$ (1,208,380)</u>	<u>\$ 99,355,479</u>

Business-type Activities

	Balance July 1, 2017	Additions	Deletions/ Adjustments	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 159,644	\$ -	\$ -	\$ 159,644
Total	<u>159,644</u>	<u>-</u>	<u>-</u>	<u>159,644</u>
Capital assets being depreciated				
Buildings and improvements	657,585	-	-	657,585
Equipment	38,602	-	-	38,602
Total	<u>696,187</u>	<u>-</u>	<u>-</u>	<u>696,187</u>
Less accumulated depreciation for:				
Buildings and improvements	389,209	14,507	-	403,716
Equipment	38,602	-	-	38,602
Total	<u>427,811</u>	<u>14,507</u>	<u>-</u>	<u>442,318</u>
Net capital assets being depreciated	<u>268,376</u>	<u>(14,507)</u>	<u>-</u>	<u>253,869</u>
Net capital assets - governmental activities	<u>\$ 428,020</u>	<u>\$ (14,507)</u>	<u>\$ -</u>	<u>\$ 413,513</u>

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the governmental and business-type activities as follows:

Governmental Activities

General government	\$	200,826
Public safety		148,555
Public works		6,407,453
Parks, recreation and culture		90,948
Community Development		254,208
Internal service fund		121,319
Total	\$	<u>7,223,309</u>

Business-type Activities

Public housing	\$	14,507
Total	\$	<u>14,507</u>

NOTE 8 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Composition of accounts payable and other current liabilities at June 30, 2018 is as follows:

	<u>Vendors</u>	<u>Accrued Liabilities</u>	<u>Deposits</u>	<u>Total</u>
Major governmental funds				
General Fund	\$ 1,182,250	\$ 256,681	\$ -	\$ 1,438,931
Housing and Community Development Grant	8,854	-	-	8,854
Housing Assets	110	1,394	-	1,504
Baldwin Park Financing Authority	-	62,574	-	62,574
Total major governmental fund	<u>1,191,214</u>	<u>320,649</u>	<u>-</u>	<u>1,511,863</u>
Nonmajor governmental funds	<u>2,188,853</u>	<u>23,021</u>	<u>299,482</u>	<u>2,511,356</u>
Total funds	<u>\$ 3,380,067</u>	<u>\$ 343,670</u>	<u>\$ 299,482</u>	<u>\$ 4,023,219</u>

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Summary of changes in long-term liabilities during the year ended June 30, 2018 (\$ in thousands):

	Balance July 1, 2017	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2018	Due Within One Year
2017 Lease Agreement	\$ 9,785	\$ 7,276	\$ 9,785	\$ 7,276	\$ 404
Notes and Loans payable	4,146	1,423	781	4,788	556
Compensated absences	1,712	1,229	1,071	1,870	1,071
Net OPEB liability	40,557	3,421	1,107	42,871	-
Net pension liability	45,931	15,545	7,993	53,483	-
Total	<u>\$ 102,131</u>	<u>\$ 28,894</u>	<u>\$ 20,737</u>	<u>\$ 110,288</u>	<u>\$ 2,031</u>

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

2017 Lease Agreement

At June 30, 2018, 2017 Lease Agreement consisted of (\$ in thousands):

	Date Issued	Final Maturity	Interest Rate %	Amount Issued	Outstanding Balance
2017 Lease Agreement	December 2017	August 2032	2.58	\$ 7,276	\$ 7,276

In December 2017, the City refinanced its 2004 Lease Revenue Refunding Bonds by entering into a Lease Agreement with the Baldwin Park Municipal Financing Authority and sale and assignment of the Lease Agreement to Branch Banking and Trust Company for \$7,276,000. Of the total proceeds from sale of the Lease Agreement, \$7,160,831 was used to defease the City's 2004 Lease Revenue Refunding Bonds and \$115,169 was used to pay for the financing cost. No gain or loss was recognized from the debt defeasance.

The following are future scheduled Annual Debt Service Requirements for the 2017 Lease Agreement (\$ in thousands):

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 404	\$ 183	\$ 587
2020	416	172	588
2021	427	161	588
2022	437	150	587
2023	446	139	585
2024-2028	2,413	511	2,924
2029-2033	2,733	180	2,913
Total	\$ 7,276	\$ 1,495	\$ 8,771

Debt Covenants and Other Requirements

The City is in compliance with all the provisions of the debt covenants and the requirements regarding arbitrage rebates.

Notes and Loans Payable

Notes and loans payable is composed of:

Section 108 Loan from the Department of Housing and Urban Development (HUD) for the City's real property acquisitions. The loan is payable annually from August 2008 through August 2021 with interest payable semi-annually with rates ranging from 5.25% to 5.46%. The loan will be repaid through future HUD entitlements. \$ 1,799,000

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The following are future scheduled Annual Debt Service Requirements for the Notes Payable (\$ in thousands):

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 412	\$ 32	\$ 444
2020	436	25	461
2021	462	16	478
2022	489	6	495
Total	<u>\$ 1,799</u>	<u>\$ 78</u>	<u>\$ 1,877</u>

Loan from the California Energy Resources Conservation and Development Commission for the City's energy savings project.

The loan is payable semi-annually and bears interest of 1%. \$ 2,988,974

The following are future scheduled Annual Debt Service Requirements for the Loan Payable (\$ in thousands):

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 144	\$ 29	\$ 173
2020	145	28	173
2021	146	27	173
2022	148	25	173
2023	149	24	173
2024-2028	770	96	866
2029-2033	809	56	865
2034-2037	678	15	693
Total	<u>\$ 2,989</u>	<u>\$ 300</u>	<u>\$ 3,289</u>

Compensated Absences Payable

The City's policies relating to compensated absences are described in Note 1. The outstanding balance at June 30, 2018, was \$1,869,707. The estimated amount of compensated absences due within one year is \$1,071,683. The liability for governmental activities is primarily liquidated from the General Fund while the liability for business-type activities is liquidated from the Enterprise Fund.

City of Baldwin Park
Notes to the Basic Financial Statements
Year ended June 30, 2018

NOTE 10 FUND BALANCE

The City's fund balance consisted of the following:

	General	Special Revenue		Debt Service		Total Governmental Funds
		Housing and Community Development Grant	Housing Assets	Baldwin Park Financing Authority	Other Governmental Funds	
Fund Balances:						
Nonspendable						
Advances to other funds, net of accrued interest	\$ 13,735,964	\$ -	\$ -	\$ -	\$ -	\$ 13,735,964
Property held for resale	376,800	-	-	-	-	376,800
Prepaid items	23,487	-	-	-	-	23,487
Restricted for						
Housing and Community	-	257,718	8,644,943	-	-	8,902,661
Business Improvement Fees	-	-	-	-	106,262	106,262
Air Quality Improvement	-	-	-	-	264,208	264,208
Federal Asset Forfeiture	-	-	-	-	9,527	9,527
Park Maintenance District	-	-	-	-	4,176	4,176
State Gasoline Tax	-	-	-	-	454,411	454,411
Proposition A	-	-	-	-	620,562	620,562
Proposition C	-	-	-	-	2,250,303	2,250,303
Street Light and Landscape	-	-	-	-	498,169	498,169
Public Art Fees	-	-	-	-	485,350	485,350
Residential Development Tax	-	-	-	-	4	4
Integrated Waste Management	-	-	-	-	194,243	194,243
Assessment District	-	-	-	-	380,296	380,296
State Asset Forfeiture	-	-	-	-	226,352	226,352
Local Law Enforcement Block Grant	-	-	-	-	14,799	14,799
Law Enforcement Development	-	-	-	-	88,600	88,600
Economic Development Administration	-	-	-	-	524	524
Traffic Mitigation Fees	-	-	-	-	78,175	78,175
Park Land and Public Art Fees	-	-	-	-	2,144,555	2,144,555
Storm Drain NPDS	-	-	-	-	115,327	115,327
Calhome Grant	-	-	-	-	16,297	16,297
General Plan Fees	-	-	-	-	1,090,233	1,090,233
Measure R	-	-	-	-	1,030,891	1,030,891
Police Grants	-	-	-	-	234,747	234,747
Housing Authority	-	-	-	-	204,195	204,195
Measure M	-	-	-	-	272,619	272,619
SB1 Road Repair and Accountability	-	-	-	-	327,752	327,752
City Debt Service Fund	-	-	-	-	48,302	48,302
Capital Projects	-	-	-	-	9,655	9,655
Committed to						
Future Development	6,276,472	-	-	-	-	6,276,472
10% Budget Stabilization Fund	2,759,802	-	-	-	-	2,759,802
Assigned						
Community Development	740,398	-	-	-	-	740,398
Unassigned	5,724,902	-	-	(30,707)	(1,432,627)	4,261,568
Total Fund Balances	\$ 29,637,825	\$ 257,718	\$ 8,644,943	\$ (30,707)	\$ 9,737,907	\$ 48,247,686

The City's Fund Balance Policy delegates authority to the City Chief Executive Officer to assign amounts, which are neither restricted nor committed, to be used for specific purposes for annual financial statement reporting.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

NOTE 11 COMMITMENTS AND CONTINGENCIES

There are various litigations and claims pending against the City, which have been considered in determining the estimated liability for self-insurance. The outcome of these cases and eventual liability to the City, if any, is unknown at this time. The City estimates that the self-insurance liability and cash reserve are adequate to cover any claims not otherwise covered by insurance.

NOTE 12 RETIREMENT PLANS

General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent, multiple-employer defined benefit pension plan, in addition to a cost-sharing, multiple-employer defined benefit pension plan administered for miscellaneous and safety employees, respectively, by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL); the California Public Employees' Pension Reform Act of 2013 (PEPRA); and the regulations, procedures, and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California State legislature and in some cases require approval by the CalPERS Board of Administration.

NOTE 12 RETIREMENT PLANS (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2017 (the measurement date) are summarized as follows:

	CalPERS			
	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50	50-57
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	3%	2.0% to 2.7%
Required employee contribution rates	8.00%	5.50%	9.00%	11.50%
Required employer contribution rates	9.269%	9.269%	19.723%	19.723%

Employees Covered

At June 30, 2016, the actuarial valuation date, the following employees were covered by the benefit terms:

	CalPERS	
	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	237	138
Inactive employees entitled but not yet receiving benefits	454	57
Active employees	157	56
Total	848	251

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate for the miscellaneous plan 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. For public agency cost-sharing plans covered by the safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE 12 RETIREMENT PLANS (CONTINUED)

For the years ended June 30, 2018 and 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	2018		2017	
	Miscellaneous	Safety	Miscellaneous	Safety
Contributions - employer	\$ 663,184	\$ 1,425,369	\$ 1,616,453	\$ 1,286,885
Contributions - employee	532,203	720,547	686,354	638,583

Net Pension Liability

The City's net pension liability for the miscellaneous and safety plans is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	CaIPERS	
	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	(3)	(3)

(1) Varies by entry age and service

(2) Net of pension plan investment and administrative expenses, including inflation

(3) Derived using CaIPERS' Membership Data for all funds

NOTE 12 RETIREMENT PLANS (CONTINUED)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase and mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, none of the tested plans ran out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expenses and will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that 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 following table 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.

NOTE 12 RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	0.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	<u>2.00%</u>	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for the agent, multiple-employer miscellaneous plan.

Miscellaneous Plan

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (Measurement date)	\$ 70,983,441	\$ 51,278,475	\$ 19,704,966
Changes Recognized for the			
Service Cost	1,285,491	-	1,285,491
Interest on the Total Pension Liability	5,343,805	-	5,343,805
Differences between expected and actual experiences	285,824	-	285,824
Changes of assumptions	4,582,858	-	4,582,858
Contributions from the employer	-	1,612,907	(1,612,907)
Contributions from the employee	-	692,083	(692,083)
Net Investment Income	-	5,688,146	(5,688,146)
Benefit payments	(3,512,638)	(3,512,638)	-
Administrative Expenses	-	(75,709)	75,709
Net Changes during measurement period 2016-2017	<u>7,985,340</u>	<u>4,404,789</u>	<u>3,580,551</u>
Balance at June 30, 2017 (Measurement date)	<u>\$ 78,968,781</u>	<u>\$ 55,683,264</u>	<u>\$ 23,285,517</u>

NOTE 12 RETIREMENT PLANS (CONTINUED)

The following table shows the cost-sharing, multiple-employer plan's proportionate share of the net pension liability over the measurement period.

Safety Plan

Measurement Date	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 99,285,023	\$ 73,058,678	\$ 26,226,345
Balance at June 30, 2017	<u>110,071,375</u>	<u>79,873,989</u>	<u>30,197,386</u>
Net changes during 2016-2017 measurement period	<u>\$ 10,786,352</u>	<u>\$ 6,815,311</u>	<u>\$ 3,971,041</u>

Effective for measurement period 2015, CalPERS provides GASB 68 Accounting Valuation Report for the Safety pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include allocation ratios for the Total Pension Liability and other pension amounts and Plan Fiduciary Net Position. The Total Pension Liability and other pension amounts are allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2016 used for funding purposes. The Plan Fiduciary Net Position is allocated based on the sum of the Market Value of Assets from the most recent Actuarial Valuation as of June 30, 2016 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities.

The City's allocation bases for the Safety Pool pension items are as follows:

	<u>Safety</u>
Total pension liability and other pension amounts	0.520560%
Plan fiduciary net position	0.526540%

NOTE 12 RETIREMENT PLANS (CONTINUED)

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	CalPERS	
	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 34,428,609	\$ 45,598,251
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 23,285,517	\$ 30,197,386
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 14,194,579	\$ 17,607,949

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2017 (the measurement date), the City reported a pension expense of \$5,216,509 and \$3,394,011 for the Miscellaneous Plan and Safety Plan, respectively.

As of June 30, 2018, the City has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	CalPERS				Total	
	<u>Miscellaneous</u>		<u>Safety</u>		<u>Deferred</u>	<u>Deferred</u>
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>		
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>	<u>Resources</u>	<u>Resources</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Contributions subsequent to measurement date	\$ 663,184	\$ -	\$ 1,425,369	\$ -	\$ 2,088,553	\$ -
Changes of assumptions	2,036,826	-	4,661,863	(357,671)	6,698,689	(357,671)
Difference between expected and actual experience	127,033	-	321,452	(83,811)	448,485	(83,811)
Net difference between projected and actual earnings on investments	719,896	-	1,016,469	-	1,736,365	-
Difference between actual and proportionate share in contribution	-	-	-	(1,514,366)	-	(1,514,366)
Change in Employer's Proportion	-	-	306,868	(413,608)	306,868	(413,608)
Total	<u>\$ 3,546,939</u>	<u>\$ -</u>	<u>\$ 7,732,021</u>	<u>\$ (2,369,456)</u>	<u>\$ 11,278,960</u>	<u>\$ (2,369,456)</u>

NOTE 12 RETIREMENT PLANS (CONTINUED)

These amounts above are net of deferred outflows of resources and deferred inflows of resources recognized in the 2016-17 measurement period expense. \$663,184 and \$1,425,369 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2019, of the Miscellaneous Plan and Safety Plan, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30	Amount	
	CalPERS	
	Miscellaneous	Safety
2019	\$ 2,122,607	\$ -
2020	865,076	592,740
2021	311,111	2,498,021
2022	(415,039)	1,441,206
2023	-	(594,772)
Thereafter	-	-

Payable to the Pension Plans

At June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

Typically, the City liquidates its pension liabilities with General Fund resources.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

The City provides postretirement health care benefits, as per the requirements of CalPERS, with which the City contracts for health care benefits, for employees who retire while employed with the City. As provided by the Public Employees' Medical and Hospital Care Act (PEMHCA), the City has been under contract with CalPERS for medical plan coverage since at least 1999. As a PEMHCA employer, the City has chosen to satisfy its retiree medical benefit commitment using an equal contribution approach, where it contributes exactly the same amount for retirees as contributed toward active employee medical plan coverage.

The benefit level varies depending upon the bargaining group that represents the employee. Employees represented by S.E.I.U. Local 347 will receive a varying flat monthly amount that has been negotiated through the meet and confer process and all other employees will receive the equivalent of the single party premium for the plan of their choice that has been negotiated through the meet and confer process.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided

SEIU Employees receive a capped amount (currently \$718/month) towards their medical premium.

Other employees receive an amount towards retiree-only coverage. The amount is a vested percentage based on years of service.

Participants not meeting the above requirements who remain enrolled in a City plan receive the PEMHCA minimum payment, currently \$128 per month.

Other benefit provisions apply.

Funding Policy and Contributions

As of June 30, 2018, the City has not established a trust or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The City finances these postemployment benefits on a pay-as-you-go basis. Its share of the annual premiums for these benefits are payable as they become due.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Employees Covered Benefit Terms

At June 30, 2017 (the valuation date), the following employees were covered by the benefit terms:

Category	Count
Active employees	230
Inactive employees or beneficiaries currently receiving benefit payments	199
Inactive employees entitled to but not yet receiving benefit payment	-

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability for the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Aggregate salary increases of 3.00%. Individual salary increases based on CalPERS.
Investment rate of return	3.50%
Healthcare cost trend rates	7.00% in the first year, trending down to 3.94% over 57 years
Mortality rates	were based on CalPERS tables

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Change in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	\$ 40,557,136	\$ -	\$ 40,557,136
Changes for the year:			
Service cost	2,021,197	-	2,021,197
Interest on the total OPEB liability	1,400,122	-	1,400,122
Benefit payments	(784,133)	-	(784,133)
Implicit rate subsidy fulfilled	(323,140)	-	(323,140)
Net Changes	<u>2,314,046</u>	<u>-</u>	<u>2,314,046</u>
Balance at June 30, 2017 (measurement date)	<u>\$ 42,871,182</u>	<u>\$ -</u>	<u>\$ 42,871,182</u>

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the City's Net OPEB liability if it were calculated using a discount rate that is 1% point lower (2.50%) or 1% point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Net OPEB liability \$	51,263,623 \$	42,871,182 \$	36,423,736

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's Net OPEB liability if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than current rate:

	1% Decrease 6.00% decreasing to 2.94%	Healthcare Cost Trend Rate 7.00 %decreasing to 3.94%	1% Increase 8.00% decreasing to 4.94%
Net OPEB liability \$	35,803,159 \$	42,871,182 \$	52,118,870

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,421,319. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 824,524	\$ -
	\$ 824,524	\$ -

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The \$824,524 deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ending June 30, 2019.

NOTE 14 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. At June 30, 2018, the amount held by trustee for employees was \$8,411,598.

NOTE 15 INSURANCE PROGRAM

Self-Insurance Programs

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The City is a member of the Independent Cities Risk Management Authority (ICRMA), a public entity risk pool, formed to enable individual cities to join together to obtain various insurance coverages as a group, coverages at an affordable cost. ICRMA has 20 member cities, and each city appoints a delegate, alternate and substitute alternate to the ICRMA Governing Board. The City's contributions reflect 3.36% of ICRMA's total budget, which is computed based on the City's self-insurance retention levels, exposure and losses. ICRMA provides coverage for its members for up to \$30,000,000 for liability claims, and statutory limits for workers' compensation claims and \$1,000,000 for employer's liability claims. Other coverages provided through ICRMA's programs include Property, Automobile Physical Damage, Crime, and Cyber Liability.

NOTE 15 INSURANCE PROGRAM (CONTINUED)

Changes in the balances of claims liabilities for the three years ended June 30, 2018, were as follows:

Insurance	Year Ended June 30,	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
General Liability	2018	\$ 1,130,243	\$ 2,786,378	\$ 1,651,692	\$ 2,264,929
	2017	1,212,384	383,262	465,403	1,130,243
	2016	593,876	887,466	268,958	1,212,384
Workers' Compensation	2018	5,273,234	2,495,974	1,674,656	6,094,552
	2017	5,297,815	574,880	599,461	5,273,234
	2016	6,404,118	(562,953)	543,350	5,297,815

There were no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past three fiscal years.

Purchased Insurance

Property Insurance – The properties of the City are covered by commercial insurance purchased from independent third parties. The City is currently insured according to a schedule of covered property submitted by the City to the insurance company. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection

During the past fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 16 RISKS AND UNCERTAINTIES

The City invests in various investment securities, including LAIF, which are exposed to various risks such as interest rate, market, and credit risks. Because of the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the values of investments as of June 30, 2018. The actual amount of exposure as of June 30, 2018, is not determinable.

**NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the City.

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 "Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

NOTE 18 SUCCESSOR AGENCY DISCLOSURES

The accompanying financial statements also include the Private-Purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Long-Term Liabilities

Summary of changes in long-term liabilities during the year ended June 30, 2018 follow:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Bonded indebtedness	\$ 17,030	\$ -	\$ 5,705	\$ 11,325	\$ 1,690
County deferral	16,846	385	100	17,131	-
	<u>\$ 33,876</u>	<u>\$ 385</u>	<u>\$ 5,805</u>	<u>\$ 28,456</u>	<u>\$ 1,690</u>

Bonded Indebtedness

At June 30, 2018, bonded indebtedness consisted of (\$ in thousands):

	Date Issued	Final Maturity	Interest Rate %	Amount Issued	Outstanding
Tax Allocation Bonds:					
Tax Allocation Refunding Bonds, Series 2017	May-17	Sep-30	2.96	\$ 12,985	\$ 11,325
Total bonded indebtedness				<u>\$ 12,985</u>	<u>\$ 11,325</u>

On May 16, 2017, the Successor Agency issued \$12,985,000 Tax Allocation Refunding Bonds, Series 2017. The proceeds of the bonds were used to refund the Baldwin Park Public Financing Authority's outstanding Revenue (Tax Allocation) Bonds, 1990 Series A (the "1990 Authority Bonds") and Sales Tax and Tax Allocation Refunding Bonds (Puente Merced Redevelopment Project), Series 2003 (the "2003 Authority Bonds"), the Baldwin Park Financing Authority's outstanding San Gabriel River Tax Allocation Bonds (Refunding and Housing Projects), Series 1998 (the "1998 Authority Bonds") and the Baldwin Park Redevelopment Agency's outstanding Merged Redevelopment Project, 2000 Tax Allocation Refunding Bonds (the "2000 Bonds"). The bonds bear interest of 2.96%, payable semi-annually until maturity date of September 1, 2030.

NOTE 18 SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Sources of Debt Service

Tax allocation bond interest and principal redemptions are to be funded by incremental tax revenues derived from the redevelopment project areas.

Bond Covenants and Other Requirements

The Successor Agency is in compliance with all the provisions of the bond covenants and the requirements on arbitrage rebate calculations.

Debt Service Requirements

The following are future scheduled Annual Debt Service Requirements:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 1,690	\$ 310	\$ 2,000
2020	1,755	259	2,014
2021	1,160	216	1,376
2022	1,190	181	1,371
2023	785	152	937
2024-2028	3,375	401	3,776
2029-2031	1,370	47	1,417
Total	\$ 11,325	\$ 1,567	\$ 12,892

County Deferral

The Successor Agency and County entered into an agreement whereby the County will defer tax increment (County Deferral) generated within the project area to meet the Successor Agency's debt service obligations. Only the County Deferrals for Sierra Vista accrue interest of 2.42%. The County Deferrals are to be repaid whenever there is an excess of property tax revenues received by the Successor Agency in excess of its bonded debt payment requirements. At June 30, 2018, the balance of the County Deferrals including interest was \$17,131,383.

NOTE 19 SUBSEQUENT EVENTS

On June 20, 2018, the City Council approved the issuance of 2019 Pension Obligation Bonds for \$53.7 million. As of the date of this report, the bond issuance is still subject to the judicial validation by the court.

The City has evaluated events subsequent to June 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 31, 2018, the date the financial statements were available to be issued. Other than noted above, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 20 RESTATEMENT OF BEGINNING NET POSITION OF THE GOVERNMENTAL ACTIVITIES

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net position of the governmental activities in the government-wide financial statements. The following schedule summarizes the effect of the restatement of the net position as of July 1, 2017:

Government-wide Financial Statements

	Governmental Activities
Net Position at July 1, 2017, as previously reported	\$ 91,874,408
Prior Period Adjustments:	
Capital assets adjustment (1)	5,074,908
Recognition of net OPEB liability under GASB Statement No.75 (2)	<u>(27,478,288)</u>
Net Position at July 1, 2017, as restated	<u>\$ 69,471,028</u>

- 1) This adjustment is to capitalize infrastructure and construction in progress not reported by the City in prior years.
- 2) This adjustment is to recognize the retroactive effect of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

REQUIRED SUPPLEMENTARY INFORMATION

City of Baldwin Park

Schedule Of Changes In Net Pension Liability And Related Ratios – Miscellaneous Plan

Last Ten Years*

	Measurement Period			
	2013-2014	2014-2015	2015-2016	2016-2017
Total Pension Liability				
Service Cost	\$ 1,102,612	\$ 974,416	\$ 1,109,496	\$ 1,285,491
Interest on total pension liability	4,713,690	4,888,264	5,120,476	5,343,805
Differences between expected and actual experience	-	(433,114)	344,186	285,824
Changes of assumptions	-	(1,235,648)	-	4,582,858
Benefit payments, including refunds of employee contributions	(2,841,840)	(3,225,709)	(3,252,202)	(3,512,638)
Net change in total pension liability	<u>2,974,462</u>	<u>968,209</u>	<u>3,321,956</u>	<u>7,985,340</u>
Total pension liability - beginning	<u>63,718,814</u>	<u>66,693,276</u>	<u>67,661,485</u>	<u>70,983,441</u>
Total pension liability - ending (a)	<u>\$ 66,693,276</u>	<u>\$ 67,661,485</u>	<u>\$ 70,983,441</u>	<u>\$ 78,968,781</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 891,325	\$ 1,010,130	\$ 1,262,395	\$ 1,612,907
Contributions - employer paid member contributions	700,907	752,636	775,242	692,083
Contributions - employee	99,353	-	-	-
Net investment income	7,912,332	1,181,946	306,866	5,688,146
Benefit payments	(2,841,840)	(3,225,709)	(3,252,202)	(3,512,638)
Administrative expenses	-	(58,778)	(31,824)	(75,709)
Net change in plan fiduciary net position	<u>6,762,077</u>	<u>(339,775)</u>	<u>(939,523)</u>	<u>4,404,789</u>
Plan fiduciary net position - beginning	<u>45,795,696</u>	<u>52,557,773</u>	<u>52,217,998</u>	<u>51,278,475</u>
Plan fiduciary net position - ending (b)	<u>\$ 52,557,773</u>	<u>\$ 52,217,998</u>	<u>\$ 51,278,475</u>	<u>\$ 55,683,264</u>
Net pension liability - ending (a)-(b)	<u>\$ 14,135,503</u>	<u>\$ 15,443,487</u>	<u>\$ 19,704,966</u>	<u>\$ 23,285,517</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.81%</u>	<u>77.18%</u>	<u>72.24%</u>	<u>70.51%</u>
Covered - employee payroll	<u>\$ 5,563,628</u>	<u>\$ 5,852,700</u>	<u>\$ 6,763,571</u>	<u>\$ 7,077,918</u>
Net pension liability as percentage of covered-employee payroll	<u>254.07%</u>	<u>263.87%</u>	<u>291.34%</u>	<u>328.99%</u>

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumption - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Baldwin Park
Schedule Of Plan Contributions - Miscellaneous Plan
Last Ten Years*

	Fiscal Year End			
	2015	2016	2017	2018
Actually determined contributions	\$ 1,010,130	\$ 1,262,395	\$ 1,612,907	\$ 663,184
Contributions in relation to the actuarially determined contributions	(1,010,130)	(1,262,395)	(1,612,907)	(663,184)
Contribution deficiency / (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 <u>\$ 5,852,700</u>	 <u>\$ 6,763,571</u>	 <u>\$ 7,077,918</u>	 <u>\$ 6,923,829</u>
Contributions as a percentage of Covered-Employee Payroll	<u>17.26%</u>	<u>18.66%</u>	<u>22.79%</u>	<u>9.58%</u>
Notes to Schedule:				
Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 funding valuation report.

Actuarial Cost Method	Entry age normal
Amortization method / Period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Baldwin Park
Schedule of the City's Proportionate Share of the
Net Pension Liability And Related Ratios – Safety Plan
As of the Measurement Date
Last Ten Years*

	Measurement Period			
	2013-2014	2014-2015	2015-2016	2016-2017
City's Proportion of the Fiduciary Net Position	N/A	0.520478%	0.523620%	0.520560%
City's Proportion of the Total Pension Liability	0.275300%	0.529502%	0.530100%	0.526540%
City's Proportion of the Other Pension Items	N/A	0.396436%	0.446440%	N/A
City's Proportionate Share of the Total Pension Liability	\$ 92,190,535	\$ 94,371,584	\$ 99,285,023	\$ 110,071,376
City's Proportionate Share of the Fiduciary Net Position	\$ 75,060,283	\$ 74,189,953	\$ 73,058,679	\$ 79,873,989
City's Proportionate Share of the Net Pension Liability	\$ 17,130,252	\$ 20,181,631	\$ 26,226,345	\$ 30,197,386
Covered - employee payroll ⁽¹⁾	\$ 5,701,386	\$ 5,713,436	\$ 6,874,715	\$ 6,874,715
City's Proportionate Share of the net pension liability as percentage of covered-employee payroll	300.46%	353.23%	381.49%	439.25%
City's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%	78.61%	73.58%	72.57%
City's Proportionate Share of Aggregate Employer Contributions ⁽²⁾	\$ 2,125,045	\$ 1,889,766	\$ 2,524,386	\$ 2,756,455

Notes to Schedule

¹ GASB Statement Nos. 68 and 82 define covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan or the payroll on which contributions are made.

² The City's proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**City of Baldwin Park
Schedule Of Plan Contributions – Safety Plan
Last Ten Years***

	Fiscal Year End			
	2015	2016	2017	2018
Actuarially determined contributions	\$ 1,491,478	\$ 1,575,644	\$ 1,286,885	\$ 2,088,553
Contributions in relation to the actuarially determined contributions	(1,491,478)	(1,575,644)	(1,286,885)	(2,088,553)
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 5,701,386	\$ 5,713,436	\$ 6,874,715	\$ 7,488,183
Contributions as a percentage of Covered-Employee Payroll	<u>26.16%</u>	<u>27.58%</u>	<u>18.72%</u>	<u>27.89%</u>

Notes to Schedule:

Valuation date	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 funding valuation report.

Actuarial Cost Method	Entry age normal
Amortization method / Period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Baldwin Park
Other Postemployment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years*

	Fiscal Year Ended <u>June 30, 2018 *</u>
Total OPEB Liability	
Service cost	\$ 2,021,197
Interest on total OPEB liability	1,400,122
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(784,133)
Implicit rate subsidy fulfilled	<u>(323,140)</u>
Net change in total OPEB liability	2,314,046
Total OPEB liability - beginning of year	40,557,136
Total OPEB liability - end of year (a)	<u>\$ 42,871,182</u>
 Plan Fiduciary Net Position	
Net investment income	\$ -
Contributions - employer	-
Benefit payments, including refunds of employee contributions	-
Administrative expenses	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning of year	-
Plan fiduciary net position - end of year (b)	<u>\$ -</u>
 Net OPEB liability - end of year (a)-(b)	<u>\$ 42,871,182</u>
 Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>
 Covered - employee payroll	<u>\$ 13,351,723</u>
 Net OPEB liability as percentage of covered-employee payroll	<u>321.09%</u>

* Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

**City of Baldwin Park
Other Postemployment Benefits (OPEB)
Schedule of OPEB Contribution**

The Plan is not funded. The City finances the benefits on a pay-as-you-go basis, thus, this schedule is not required.

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
General Fund
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 24,325,388	\$ 24,566,982	\$ 24,691,034	\$ 124,052
Licenses and permits	593,659	733,500	842,666	109,166
Fines, forfeitures and penalties	550,000	492,000	672,890	180,890
Use of money and property	237,000	237,000	834,779	597,779
Intergovernmental	236,201	428,489	486,992	58,503
Charges for services	1,640,777	1,842,923	2,162,576	319,653
Other	35,000	1,077,340	1,737,979	660,639
Total revenues	<u>27,618,025</u>	<u>29,378,234</u>	<u>31,428,916</u>	<u>2,050,682</u>
Expenditures				
Current				
General government	2,919,194	3,276,973	3,153,094	123,879
Public safety	19,588,289	20,679,307	21,112,430	(433,123)
Public works	28,788	198,753	1,448,569	(1,249,816)
Community development	1,167,019	1,201,152	1,496,599	(295,447)
Recreation services	3,311,570	3,376,461	3,407,173	(30,712)
Capital outlay	-	84,472	62,276	22,196
Total expenditures	<u>27,014,860</u>	<u>28,817,118</u>	<u>30,680,141</u>	<u>(1,863,023)</u>
Excess of revenues over expenditures	<u>603,165</u>	<u>561,116</u>	<u>748,775</u>	<u>187,659</u>
Other financing sources (uses)				
Proceeds from loan payable	-	-	1,423,256	1,423,256
Transfers out	(834,608)	(834,608)	(679,857)	154,751
Net other financing sources (uses)	<u>(834,608)</u>	<u>(834,608)</u>	<u>743,399</u>	<u>1,578,007</u>
Net change in fund balances	(231,443)	(273,492)	1,492,174	1,765,666
Beginning fund balance, as restated	<u>28,145,651</u>	<u>28,145,651</u>	<u>28,145,651</u>	<u>-</u>
Ending fund balances	<u>\$ 27,914,208</u>	<u>\$ 27,872,159</u>	<u>\$ 29,637,825</u>	<u>\$ 1,765,666</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
Housing and Community Development Fund
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Use of money and property	\$ -	\$ -	\$ 3,319	\$ 3,319
Intergovernmental	1,967,358	1,967,358	996,326	(971,032)
Other	-	-	5,507	5,507
Total revenues	<u>1,967,358</u>	<u>1,967,358</u>	<u>1,005,152</u>	<u>(962,206)</u>
Expenditures				
Current				
Community development	1,514,150	1,533,038	576,410	956,628
Total expenditures	<u>1,514,150</u>	<u>1,533,038</u>	<u>576,410</u>	<u>956,628</u>
Excess of revenues over expenditures	<u>453,208</u>	<u>434,320</u>	<u>428,742</u>	<u>(5,578)</u>
Other financing uses				
Transfers out	(425,125)	(425,125)	(425,124)	(1)
Net change in fund balances	28,083	9,195	3,618	(5,577)
Beginning fund balance	254,100	254,100	254,100	-
Ending fund balances	<u>\$ 282,183</u>	<u>\$ 263,295</u>	<u>\$ 257,718</u>	<u>\$ (5,577)</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
Housing Asset Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Use of money and property	\$ -	\$ -	\$ 37,751	\$ 37,751
Other	-	-	59,547	59,547
Total revenues	<u>-</u>	<u>-</u>	<u>97,298</u>	<u>97,298</u>
Expenditures				
Current				
Community development	413,514	421,906	255,026	166,880
Total expenditures	<u>413,514</u>	<u>421,906</u>	<u>255,026</u>	<u>166,880</u>
Net change in fund balances	(413,514)	(421,906)	(157,728)	264,178
Beginning fund balances	<u>8,802,671</u>	<u>8,802,671</u>	<u>8,802,671</u>	-
Ending fund balances	<u>\$ 8,389,157</u>	<u>\$ 8,380,765</u>	<u>\$ 8,644,943</u>	<u>\$ 264,178</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Debt Service Fund
Baldwin Park Financing Authority
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,890	\$ 1,890
Total revenues	<u>-</u>	<u>-</u>	<u>1,890</u>	<u>1,890</u>
Expenditures				
Debt Service				
Principal retirement	682,000	682,000	8,382,000	(7,700,000)
Interest expense and fiscal charges	395,918	395,918	557,872	(161,954)
Total expenditures	<u>1,077,918</u>	<u>1,077,918</u>	<u>8,939,872</u>	<u>(7,861,954)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,077,918)</u>	<u>(1,077,918)</u>	<u>(8,937,982)</u>	<u>(7,860,064)</u>
Other financing sources (uses)				
Proceeds from debt issuance	-	-	7,276,000	7,276,000
Transfers in	1,077,918	1,077,918	915,121	(162,797)
Net other financing sources (uses)	<u>1,077,918</u>	<u>1,077,918</u>	<u>8,191,121</u>	<u>7,113,203</u>
Net change in fund balances	-	-	(746,861)	(746,861)
Beginning fund balances	716,154	716,154	716,154	-
Ending fund balances	<u>\$ 716,154</u>	<u>\$ 716,154</u>	<u>\$ (30,707)</u>	<u>\$ (746,861)</u>

NOTE 1 BASIS OF PRESENTATION

Budgets for the General Fund and certain Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures are comparable to budgeted amounts.

NOTE 2 BUDGETARY CONTROL AND ACCOUNTING

The City of Baldwin Park (the City) budget is prepared under the direction of the Chief Executive Officer. Revenues are budgeted by source. Expenditures are budgeted by function, with sub classifications by department, cost center, object of expenditure, and project. A cost center represents a particular area of operations within a department; for example, within the Police Department there are cost centers for the Chief of Police, Patrol, Investigations, Administration, Communications, and Records. Total budgeted expenditures of each Governmental Fund may not legally exceed such fund's appropriations.

The City Council approves total budgeted appropriations and any amendments to total appropriations made during the year. This "appropriated budget" covers substantially all City expenditures, with the exception of Assessment District and Low/Moderate Income Housing Special Revenue Funds and Debt Service and Capital Projects Funds, which have legally authorized "nonappropriated budgets." Department heads are authorized to transfer budgeted amounts up to \$10,000 between cost centers and any amount which does not alter total budgeted appropriations to a cost center. The Chief Executive Officer is authorized to transfer amounts in excess of \$10,000. City Council approval is required for any overall increase in total appropriations to a fund. The legal level of budgetary control is the fund level. All appropriations lapse at year-end and are appropriated and budgeted again, if necessary. Supplemental appropriations during the year ended June 30, 2018, were not significant.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Such encumbrances are reappropriated into the City's budget for the next fiscal year.

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes. If proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised rates, revised fee schedules, or other arrangements. For the fiscal year ended June 30, 2018, proceeds of taxes did not exceed allowed appropriations.

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted for expenditures related to specific purposes. Funds included are:

<i>Business Improvement Fees</i>	To account for the Parking and Business Improvement Law (Assembly Bill (AB) 1693) revenue. The revenue is collected through a City-wide Business Improvement District and used to promote local business activities.
<i>Air Quality Improvement</i>	To account for monies received from the South Coast Air Quality Management District. These monies are to be used for programs that reduce air pollution from motor vehicles.
<i>Federal Asset Forfeiture Fund</i>	To account for monies received from Federal agencies in Asset Forfeiture cases. These monies are restricted solely for law enforcement purposes.
<i>Park Maintenance District</i>	To account for revenues received from a City-wide Park Maintenance Assessment District. The District is responsible for landscaping, tree trimming, irrigation, and maintenance of parks within the City.
<i>State Gasoline Tax Fund</i>	To account for the City's share of tax revenues collected by the State on the sale of fuel for motor vehicles. The use of these funds is restricted to the construction, improvement, or maintenance of public streets.
<i>Bicycle and Pedestrian Safety</i>	To account for revenues received from the State under the Transportation Development Act. Their use is restricted to the construction of bicycle and pedestrian facilities.
<i>Proposition A Fund</i>	To account for the City's share of an additional one-half percent sales tax that was approved by the electorate in November 1980 and is collected by the County of Los Angeles to finance certain transportation projects.
<i>Proposition C Fund</i>	To account for the City's share of a sales tax increase approved by Los Angeles County voters in 1990 to fund transportation projects.
<i>Street Light and Landscape Fund</i>	To account for revenues received from a City-wide Landscape Maintenance District. The District is responsible for the maintenance of streetlights and the landscaping of median islands, parkways, street trees, and City parks.

City of Baldwin Park, California
Description of Nonmajor Governmental Funds

<i>Public Art Fees</i>	To account for development of cultural and artistic assets, including but not limited to art work and performing arts that are financed by the development and revitalization of the City which diminishes the availability of community resources those opportunities and contributes to community urbanization.
<i>Residential Development Tax</i>	To account for fees received from developers constructing new residential units. These monies are used to help defray the cost of providing public services for the new residents.
<i>Integrated Waste Management Fund</i>	To account for revenues received from AB 939 fees. These monies are used for waste management projects.
<i>Summer Food Program Fund</i>	To account for revenues received from the U.S. Department of Agriculture (USDA), which are used to provide meals to youths.
<i>Federal Surface Transportation Program Fund</i>	To account for monies received from the Federal government to improve designated public right-of-ways.
<i>Proposition A Parks Fund</i>	To account for monies received from the County of Los Angeles to construct and improve parks.
<i>Assessment District Fund</i>	To account for the revenues collected through assessments of property owners within Assessment District 93-1. Assessment District 93-1 was formed to construct certain public improvements.
<i>State Asset Forfeiture Fund</i>	To account for monies received from State agencies in Asset Forfeiture cases. These monies are restricted solely for law enforcement purposes.
<i>Local Law Enforcement Block Grant Fund</i>	To account for monies received from the Federal government to be used for basic law enforcement purposes.
<i>Law Enforcement Development Fund</i>	To account for revenue collected to cover any additional need for basic police equipment and infrastructure to continue to provide the current level of police service required with the new development/growth.
<i>Economic Development Administration Grant</i>	To account for monies received from the Economic Development Administration to improve designated public right-of-ways.
<i>Traffic Mitigation Fees</i>	This fund was created to monitor the use of funds provided by the State of California for street and highway pavement maintenance, rehabilitation, and reconstruction of necessary associated facilities such as drainage and traffic control devices.

City of Baldwin Park, California
Description of Nonmajor Governmental Funds

<i>Park Land Fees</i>	May only be utilized for the acquisition of new and rehabilitation of existing community park and recreational facilities.
<i>Storm Drain National Pollutant Discharge System (NPDS)</i>	These are developer fees to be used for storm drain protection, master planning updates, and system upgrade.
<i>CalHOME Grant</i>	This fund is used to account for revenues and expenditures for grants restricted for residential rehabilitation program.
<i>General Plan Fees</i>	May be utilized toward activities that support and implement the goals and policies contained within the General Plan (i.e., Housing Element updates and Zoning Code changes). The technology portion of this fee shall only be utilized toward the purchase and ongoing maintenance of an electronic permitting system for primary use by Building, Planning, Code Enforcement, and Public Works.
<i>Measure R</i>	These are similar to local return type funds to be used for traffic relief and transportation upgrades City-wide over the next 30 years. These funds may be for projects such as pothole repairs, major street resurfacing, left-turn signals, pedestrian improvements, streetscapes, traffic signal synchronization, bikeways, and local transit services and programs.
<i>Other Grants</i>	To account for revenues and expenditures for various grants that are restricted for specific use.
<i>Police Grants</i>	To account for revenues and expenditures for police grants that are restricted for specific use.
<i>Housing Authority</i>	This fund accounts for housing assistance programs, which include the Voucher and Capital Grant Program, administered by the City's Housing Authority under the rules and regulations of the U.S. Department of Housing and Urban Development.
<i>Cooperative Agreements Contributions</i>	To account for funding Contributions from LA County for cost sharing of the Compressed Natural Gas (CNG) project and Storm Drain Improvements project with the City of Irwindale.
<i>Measure M</i>	To account for revenues and expenditures for Measure M Local Return money from LACMTA that are restricted for specific use.
<i>SB1 Road Repair and Accountability</i>	To account for revenues and expenditures for SB1 grants that are restricted for specific use.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of debt.

City This fund is used to account for the receipt of revenues and debt service payments on the City's debts.

Pension Obligation This fund is used to account for the receipt of revenues and debt service payments on the pension obligation bond.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Building Reserve This fund is used to account for the receipt of resources for the 2004 Community Center Lease Revenue Bonds.

**City of Baldwin Park
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
Assets				
Pooled cash and investments	\$ 12,213,673	\$ 34,775	\$ 9,683	\$ 12,258,131
Cash with fiscal agent	-	14,704	-	14,704
Property taxes receivable	150,719	-	-	150,719
Intergovernmental receivables	1,908,114	-	-	1,908,114
Loans receivable	89,743	-	-	89,743
Other receivables, net	33,521	98	27	33,646
Long-term receivables	324,814	-	-	324,814
Prepays	37,995	-	-	37,995
Total assets	\$ 14,758,579	\$ 49,577	\$ 9,710	\$ 14,817,866
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 2,188,798	\$ -	\$ 55	\$ 2,188,853
Accrued liabilities	23,021	-	-	23,021
Deposits and others	299,482	-	-	299,482
Due to other funds	2,237,959	1,275	-	2,239,234
Unearned revenue	239,626	-	-	239,626
Total liabilities	4,988,886	1,275	55	4,990,216
Deferred inflows of resources				
Unavailable revenue	89,743	-	-	89,743
Fund balances				
Restricted				
Special revenue funds	11,112,577	-	-	11,112,577
Debt service funds	-	48,302	-	48,302
Capital projects funds	-	-	9,655	9,655
Unrestricted				
Unassigned	(1,432,627)	-	-	(1,432,627)
Total fund balances	9,679,950	48,302	9,655	9,737,907
Total liabilities, deferred inflows of resources and fund balances	\$ 14,758,579	\$ 49,577	\$ 9,710	\$ 14,817,866

City of Baldwin Park
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
Revenues				
Taxes	\$ 3,117,181	\$ -	\$ -	\$ 3,117,181
Licenses and permits	23,803	-	-	23,803
Fines, forfeitures and penalties	42,759	-	-	42,759
Use of money and property	93,875	13,383	80	107,338
Intergovernmental	13,346,544	-	-	13,346,544
Charges for services	1,506,348	-	-	1,506,348
Other	549,561	1,891,392	-	2,440,953
Total revenues	<u>18,680,071</u>	<u>1,904,775</u>	<u>80</u>	<u>20,584,926</u>
Expenditures				
General government	69,197	-	-	69,197
Public safety	403,879	-	-	403,879
Public works	6,543,075	-	-	6,543,075
Community development	5,613,176	-	-	5,613,176
Recreation services	1,070,105	-	-	1,070,105
Capital outlay	4,969,497	-	-	4,969,497
Debt service				
Principal retirement	-	2,184,000	-	2,184,000
Interest and fiscal charges	-	134,061	-	134,061
Total expenditures	<u>18,668,929</u>	<u>2,318,061</u>	<u>-</u>	<u>20,986,990</u>
Excess (deficiency) of revenues over expenditures	<u>11,142</u>	<u>(413,286)</u>	<u>80</u>	<u>(402,064)</u>
Other financing sources (uses)				
Transfers in	164,674	425,124	-	589,798
Transfers out	(414,857)	-	-	(414,857)
Net other financing sources (uses)	<u>(250,183)</u>	<u>425,124</u>	<u>-</u>	<u>174,941</u>
Net change in fund balances	(239,041)	11,838	80	(227,123)
Beginning fund balances	<u>9,918,991</u>	<u>36,464</u>	<u>9,575</u>	<u>9,965,030</u>
Ending fund balances	<u>\$ 9,679,950</u>	<u>\$ 48,302</u>	<u>\$ 9,655</u>	<u>\$ 9,737,907</u>

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	Business Improvement Fees	Air Quality Improvement	Federal Asset Forfeiture	Park Maintenance District
Assets				
Pooled cash and investments	\$ 108,477	\$ 238,808	\$ -	\$ 33,714
Property taxes receivable	-	-	-	15,964
Intergovernmental receivables	-	24,869	2,487	-
Loans receivable	-	-	-	-
Other receivables, net	827	672	45	162
Long-term receivables	-	-	-	-
Prepays	15,453	-	22,542	-
Total assets	\$ 124,757	\$ 264,349	\$ 25,074	\$ 49,840
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 18,495	\$ 141	\$ 14,738	\$ 45,664
Accrued liabilities	-	-	-	-
Deposits and others	-	-	-	-
Due to other funds	-	-	809	-
Unearned revenue	-	-	-	-
Total liabilities	18,495	141	15,547	45,664
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Restricted				
Special revenue funds	106,262	264,208	9,527	4,176
Unrestricted				
Unassigned	-	-	-	-
Total fund balances	106,262	264,208	9,527	4,176
Total liabilities, deferred inflows of resources and fund balances	\$ 124,757	\$ 264,349	\$ 25,074	\$ 49,840

**City of Baldwin Park
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018**

State Gasoline Tax	Bicycle and Pedestrian Safety	Prop A Fund	Prop C Fund	Street Light and Landscape	Public Art Fees
\$ 577,674	\$ 4,552	\$ 813,457	\$ 2,352,532	\$ 521,870	\$ 484,162
-	-	-	-	69,069	-
-	-	-	-	-	-
795	97	2,319	7,499	1,808	1,188
-	-	-	-	-	-
<u>\$ 578,469</u>	<u>\$ 4,649</u>	<u>\$ 815,776</u>	<u>\$ 2,360,031</u>	<u>\$ 592,747</u>	<u>\$ 485,350</u>
\$ 123,586	\$ 6,695	\$ 195,214	\$ 109,728	\$ 94,578	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
472	-	-	-	-	-
-	-	-	-	-	-
<u>124,058</u>	<u>6,695</u>	<u>195,214</u>	<u>109,728</u>	<u>94,578</u>	<u>-</u>
-	-	-	-	-	-
454,411	-	620,562	2,250,303	498,169	485,350
-	(2,046)	-	-	-	-
<u>454,411</u>	<u>(2,046)</u>	<u>620,562</u>	<u>2,250,303</u>	<u>498,169</u>	<u>485,350</u>
<u>\$ 578,469</u>	<u>\$ 4,649</u>	<u>\$ 815,776</u>	<u>\$ 2,360,031</u>	<u>\$ 592,747</u>	<u>\$ 485,350</u>

	Residential Development Tax	Integrated Waste Management	Summer Food Program	Federal Surface Transportation Program
Assets				
Pooled cash and investments	\$ 4	\$ 495,415	\$ 855	\$ -
Property taxes receivable	-	-	-	-
Intergovernmental receivables	-	57,795	-	-
Loans receivable	-	-	-	-
Other receivables, net	-	1,469	-	-
Long-term receivables	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 4</u>	<u>\$ 554,679</u>	<u>\$ 855</u>	<u>\$ -</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 60,954	\$ 855	\$ -
Accrued liabilities	-	-	-	-
Deposits and others	-	299,482	-	-
Due to other funds	-	-	-	73,439
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>360,436</u>	<u>855</u>	<u>73,439</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Restricted				
Special revenue funds	4	194,243	-	-
Unrestricted				
Unassigned	-	-	-	(73,439)
Total fund balances	<u>4</u>	<u>194,243</u>	<u>-</u>	<u>(73,439)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4</u>	<u>\$ 554,679</u>	<u>\$ 855</u>	<u>\$ -</u>

City of Baldwin Park
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2018

Prop A Parks	Assessment District	State Asset Forfeiture	Local Law Enforcement Block Grant	Law Enforcement Development
\$ -	\$ 379,226	\$ 225,863	\$ 14,757	\$ 88,473
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,070	766	42	127
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 380,296</u>	<u>\$ 226,629</u>	<u>\$ 14,799</u>	<u>\$ 88,600</u>
\$ -	\$ -	\$ 277	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>277</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	380,296	226,352	14,799	88,600
-	-	-	-	-
<u>-</u>	<u>380,296</u>	<u>226,352</u>	<u>14,799</u>	<u>88,600</u>
<u>\$ -</u>	<u>\$ 380,296</u>	<u>\$ 226,629</u>	<u>\$ 14,799</u>	<u>\$ 88,600</u>

	Economic Development Administration Grant	Traffic Mitigation Fees	Park Land Fees	Storm Drain NPDS	CalHome Grant
Assets					
Pooled cash and investments	\$ 524	\$ 79,227	\$ 2,148,209	\$ 115,125	\$ 16,251
Property taxes receivable	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-
Loans receivable	-	-	-	-	89,743
Other receivables, net	-	228	5,716	202	46
Long-term receivables	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	\$ 524	\$ 79,455	\$ 2,153,925	\$ 115,327	\$ 106,040
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 1,280	\$ 9,370	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Deposits and others	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	1,280	9,370	-	-
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	89,743
Fund balances					
Restricted					
Special revenue funds	524	78,175	2,144,555	115,327	16,297
Unrestricted					
Unassigned	-	-	-	-	-
Total fund balances	524	78,175	2,144,555	115,327	16,297
Total liabilities, deferred inflows of resources and fund balances	\$ 524	\$ 79,455	\$ 2,153,925	\$ 115,327	\$ 106,040

**City of Baldwin Park
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2018**

General Plan Fees	Measure R	Other Grants	Police Grants	Housing Authority	Cooperative Agreements Contributions	Measure M	SB1 Road Repair and Accountability	Totals
\$ 1,136,653	\$ 1,202,383	\$ -	\$ 383,458	\$ 250,372	\$ -	\$ 278,140	\$ 263,492	\$ 12,213,673
-	-	-	-	-	-	-	65,686	150,719
-	-	1,765,059	43,050	14,854	-	-	-	1,908,114
-	-	-	-	-	-	-	-	89,743
3,184	3,764	-	670	-	-	301	524	33,521
-	-	-	-	324,814	-	-	-	324,814
-	-	-	-	-	-	-	-	37,995
<u>\$ 1,139,837</u>	<u>\$ 1,206,147</u>	<u>\$ 1,765,059</u>	<u>\$ 427,178</u>	<u>\$ 590,040</u>	<u>\$ -</u>	<u>\$ 278,441</u>	<u>\$ 329,702</u>	<u>\$ 14,758,579</u>
\$ 49,604	\$ 175,256	\$ 1,095,802	\$ -	\$ 178,789	\$ -	\$ 5,822	\$ 1,950	\$ 2,188,798
-	-	-	-	23,021	-	-	-	23,021
-	-	-	-	-	-	-	-	299,482
-	-	1,952,811	-	184,035	26,393	-	-	2,237,959
		47,195	192,431	-	-	-	-	239,626
<u>49,604</u>	<u>175,256</u>	<u>3,095,808</u>	<u>192,431</u>	<u>385,845</u>	<u>26,393</u>	<u>5,822</u>	<u>1,950</u>	<u>4,988,886</u>
-	-	-	-	-	-	-	-	89,743
1,090,233	1,030,891	-	234,747	204,195	-	272,619	327,752	11,112,577
-	-	(1,330,749)	-	-	(26,393)	-	-	(1,432,627)
<u>1,090,233</u>	<u>1,030,891</u>	<u>(1,330,749)</u>	<u>234,747</u>	<u>204,195</u>	<u>(26,393)</u>	<u>272,619</u>	<u>327,752</u>	<u>9,679,950</u>
<u>\$ 1,139,837</u>	<u>\$ 1,206,147</u>	<u>\$ 1,765,059</u>	<u>\$ 427,178</u>	<u>\$ 590,040</u>	<u>\$ -</u>	<u>\$ 278,441</u>	<u>\$ 329,702</u>	<u>\$ 14,758,579</u>

	Business Improvement Fees	Air Quality Improvement	Federal Asset Forfeiture	Park Maintenance District
Revenues				
Taxes	\$ 131,825	\$ -	\$ -	\$ 719,930
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	21,074	-
Use of money and property	884	2,219	655	168
Intergovernmental	-	96,874	-	-
Charges for services	-	-	-	-
Other	-	-	54,977	-
Total revenues	<u>132,709</u>	<u>99,093</u>	<u>76,706</u>	<u>720,098</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	192,317	-
Public works	-	4,901	2,822	-
Community development	218,324	1,520	-	-
Recreation services	-	-	-	715,922
Capital outlay	-	135,109	60,950	-
Total expenditures	<u>218,324</u>	<u>141,530</u>	<u>256,089</u>	<u>715,922</u>
Excess (deficiency) of revenues over expenditures	<u>(85,615)</u>	<u>(42,437)</u>	<u>(179,383)</u>	<u>4,176</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(85,615)	(42,437)	(179,383)	4,176
Beginning fund balances	191,877	306,645	188,910	-
Ending fund balances	<u>\$ 106,262</u>	<u>\$ 264,208</u>	<u>\$ 9,527</u>	<u>\$ 4,176</u>

City of Baldwin Park
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

State Gasoline Tax	Bicycle and Pedestrian Safety	Prop A Fund	Prop C Fund	Street Light and Landscape	Public Art Fees
\$ -	\$ -	\$ -	\$ -	\$ 1,883,807	\$ -
-	-	23,803	-	-	-
-	-	-	-	-	-
2,292	528	6,323	24,449	2,811	8,295
1,724,408	-	1,525,845	1,152,551	-	-
-	-	-	-	-	-
-	-	126,473	-	-	132,572
<u>1,726,700</u>	<u>528</u>	<u>1,682,444</u>	<u>1,177,000</u>	<u>1,886,618</u>	<u>140,867</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,303,249	-	1,366,747	1,007,129	1,393,440	-
-	-	-	-	-	-
-	-	132,448	-	-	-
484,796	106,141	6,000	1,064,668	-	-
<u>1,788,045</u>	<u>106,141</u>	<u>1,505,195</u>	<u>2,071,797</u>	<u>1,393,440</u>	<u>-</u>
<u>(61,345)</u>	<u>(105,613)</u>	<u>177,249</u>	<u>(894,797)</u>	<u>493,178</u>	<u>140,867</u>
-	-	-	-	-	-
<u>(399,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(399,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(461,283)	(105,613)	177,249	(894,797)	493,178	140,867
915,694	103,567	443,313	3,145,100	4,991	344,483
<u>\$ 454,411</u>	<u>\$ (2,046)</u>	<u>\$ 620,562</u>	<u>\$ 2,250,303</u>	<u>\$ 498,169</u>	<u>\$ 485,350</u>

	Residential Development Tax	Integrated Waste Management	Summer Food Program
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines, forfeitures and penalties	-	-	-
Use of money and property	-	3,726	-
Intergovernmental	-	287,566	-
Charges for services	-	27,091	-
Other	-	-	-
Total revenues	<u>-</u>	<u>318,383</u>	<u>-</u>
Expenditures			
General government	-	-	-
Public safety	-	-	-
Public works	-	291,922	-
Community development	-	-	-
Recreation services	-	-	12,652
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>291,922</u>	<u>12,652</u>
	<u>-</u>	<u>26,461</u>	<u>(12,652)</u>
Other financing sources (uses)			
Transfers in	-	-	12,652
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,652</u>
Net change in fund balances	-	26,461	-
Beginning fund balances	<u>4</u>	<u>167,782</u>	<u>-</u>
Ending fund balances	<u>\$ 4</u>	<u>\$ 194,243</u>	<u>\$ -</u>

City of Baldwin Park
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2018

Surface Transportation Program	Prop A Parks	Assessment District	State Asset Forfeiture	Local Law Enforcement Block Grant	Law Enforcement Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,172	2,341	124	164
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	84,998
<u>-</u>	<u>-</u>	<u>3,172</u>	<u>2,341</u>	<u>124</u>	<u>85,162</u>
-	-	-	-	-	-
-	-	-	76,112	-	-
-	152,022	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,722	-	-	2,720	-	-
<u>31,722</u>	<u>152,022</u>	<u>-</u>	<u>78,832</u>	<u>-</u>	<u>-</u>
<u>(31,722)</u>	<u>(152,022)</u>	<u>3,172</u>	<u>(76,491)</u>	<u>124</u>	<u>85,162</u>
-	152,022	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>152,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(31,722)	-	3,172	(76,491)	124	85,162
(41,717)	-	377,124	302,843	14,675	3,438
<u>\$ (73,439)</u>	<u>\$ -</u>	<u>\$ 380,296</u>	<u>\$ 226,352</u>	<u>\$ 14,799</u>	<u>\$ 88,600</u>

	Development Administration Grant	Traffic Mitigation Fees	Park Land Fees	Storm Drain NPDS	CalHome Grant
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines, forfeitures and penalties	-	21,685	-	-	-
Use of money and property	6	936	7,933	342	135
Intergovernmental	-	-	-	-	-
Charges for services	-	-	1,047,533	171,624	-
Other	-	-	-	-	-
Total revenues	<u>6</u>	<u>22,621</u>	<u>1,055,466</u>	<u>171,966</u>	<u>135</u>
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	17,721	2,452	94,778	-
Community development	-	-	-	-	-
Recreation services	-	-	203,670	-	-
Capital outlay	-	166,896	-	-	-
Total expenditures	<u>-</u>	<u>184,617</u>	<u>206,122</u>	<u>94,778</u>	<u>-</u>
	<u>6</u>	<u>(161,996)</u>	<u>849,344</u>	<u>77,188</u>	<u>135</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6	(161,996)	849,344	77,188	135
Beginning fund balances	518	240,171	1,295,211	38,139	16,162
Ending fund balances	<u>\$ 524</u>	<u>\$ 78,175</u>	<u>\$ 2,144,555</u>	<u>\$ 115,327</u>	<u>\$ 16,297</u>

**City of Baldwin Park
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2018**

General Plan Fees	Measure R	Other Grants	Police Grant	Housing Authority	Cooperative Agreements Contributions	Measure M	SB1 Road Repair and Accountability	Totals
\$ -	\$ -	\$ -	\$ 33,420	\$ -	\$ -	\$ -	\$ 348,199	\$ 3,117,181
-	-	-	-	-	-	-	-	23,803
-	-	-	-	-	-	-	-	42,759
9,035	11,731	182	1,397	2,779	-	618	630	93,875
-	866,113	1,797,961	74,275	5,036,055	-	784,896	-	13,346,544
215,500	-	-	44,600	-	-	-	-	1,506,348
-	-	29,300	-	121,241	-	-	-	549,561
<u>224,535</u>	<u>877,844</u>	<u>1,827,443</u>	<u>153,692</u>	<u>5,160,075</u>	<u>-</u>	<u>785,514</u>	<u>348,829</u>	<u>18,680,071</u>
-	-	29,300	-	-	-	39,897	-	69,197
-	-	-	135,450	-	-	-	-	403,879
-	728,408	99,927	-	-	-	77,557	-	6,543,075
152,673	-	-	-	5,240,659	-	-	-	5,613,176
-	-	5,413	-	-	-	-	-	1,070,105
-	799,130	1,649,779	18,675	-	26,393	395,441	21,077	4,969,497
<u>152,673</u>	<u>1,527,538</u>	<u>1,784,419</u>	<u>154,125</u>	<u>5,240,659</u>	<u>26,393</u>	<u>512,895</u>	<u>21,077</u>	<u>18,668,929</u>
<u>71,862</u>	<u>(649,694)</u>	<u>43,024</u>	<u>(433)</u>	<u>(80,584)</u>	<u>(26,393)</u>	<u>272,619</u>	<u>327,752</u>	<u>11,142</u>
-	-	-	-	-	-	-	-	164,674
-	-	-	-	(14,919)	-	-	-	(414,857)
-	-	-	-	(14,919)	-	-	-	(250,183)
71,862	(649,694)	43,024	(433)	(95,503)	(26,393)	272,619	327,752	(239,041)
1,018,371	1,680,585	(1,373,773)	235,180	299,698	-	-	-	9,918,991
<u>\$ 1,090,233</u>	<u>\$ 1,030,891</u>	<u>\$ (1,330,749)</u>	<u>\$ 234,747</u>	<u>\$ 204,195</u>	<u>\$ (26,393)</u>	<u>\$ 272,619</u>	<u>\$ 327,752</u>	<u>\$ 9,679,950</u>

City of Baldwin Park
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2018

	Pension Obligation	City	Totals
Assets			
Pooled cash and investments	\$ -	\$ 34,775	\$ 34,775
Cash with fiscal agent	14,704	-	14,704
Other receivables, net	-	98	98
Total assets	\$ 14,704	\$ 34,873	\$ 49,577
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ 1,275	\$ -	\$ 1,275
Total liabilities	1,275	-	1,275
Fund balances			
Restricted			
Debt service funds	13,429	34,873	48,302
Total fund balances	13,429	34,873	48,302
Total liabilities and fund balances	\$ 14,704	\$ 34,873	\$ 49,577

City of Baldwin Park
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2018

	Pension Obligation	City	Totals
Revenues			
Use of money and property	\$ 13,092	\$ 291	\$ 13,383
Other	1,891,392	-	1,891,392
Total revenues	1,904,484	291	1,904,775
Expenditures			
Debt Service			
Principal retirement	1,795,000	389,000	2,184,000
Interest and fiscal charges	97,937	36,124	134,061
Total expenditures	1,892,937	425,124	2,318,061
Excess (deficiency) of revenues over expenditures	11,547	(424,833)	(413,286)
Other financing sources (uses)			
Transfers in	-	425,124	425,124
Transfers out	-	-	-
Net other financing sources (uses)	-	425,124	425,124
Net change in fund balances	11,547	291	11,838
Beginning fund balances	1,882	34,582	36,464
Ending fund balances	\$ 13,429	\$ 34,873	\$ 48,302

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Business Improvement Fees
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 125,000	\$ 125,000	\$ 131,825	\$ 6,825
Use of money and property	600	600	884	284
Total revenues	<u>125,600</u>	<u>125,600</u>	<u>132,709</u>	<u>7,109</u>
 Expenditures				
Current				
Community development	181,782	220,735	218,324	2,411
Total expenditures	<u>181,782</u>	<u>220,735</u>	<u>218,324</u>	<u>2,411</u>
 Net change in fund balances	(56,182)	(95,135)	(85,615)	9,520
 Beginning fund balances	191,877	191,877	191,877	-
Ending fund balances	<u>\$ 135,695</u>	<u>\$ 96,742</u>	<u>\$ 106,262</u>	<u>\$ 9,520</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Air Quality Improvement
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 2,219	\$ 1,219
Intergovernmental	96,900	96,900	96,874	(26)
Total revenues	<u>97,900</u>	<u>97,900</u>	<u>99,093</u>	<u>1,193</u>
Expenditures				
Current				
Public works	-	188,000	4,901	183,099
Community development	5,000	5,000	1,520	3,480
Capital outlay	-	183,000	135,109	47,891
Total expenditures	<u>5,000</u>	<u>376,000</u>	<u>141,530</u>	<u>234,470</u>
Net change in fund balances	92,900	(278,100)	(42,437)	235,663
Beginning fund balances	306,645	306,645	306,645	-
Ending fund balances	<u>\$ 399,545</u>	<u>\$ 28,545</u>	<u>\$ 264,208</u>	<u>\$ 235,663</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Federal Asset Forfeiture
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 150,000	\$ 150,000	\$ 21,074	\$ (128,926)
Use of money and property	3,000	3,000	655	(2,345)
Other	-	-	54,977	54,977
Total revenues	<u>153,000</u>	<u>153,000</u>	<u>76,706</u>	<u>(76,294)</u>
Expenditures				
Current				
Public safety	-	103,157	192,317	(89,160)
Public works	-	75,000	2,822	72,178
Capital outlay	-	60,950	60,950	-
Total expenditures	<u>-</u>	<u>239,107</u>	<u>256,089</u>	<u>(16,982)</u>
Net change in fund balances	153,000	(86,107)	(179,383)	(93,276)
Beginning fund balances	<u>188,910</u>	<u>188,910</u>	<u>188,910</u>	<u>-</u>
Ending fund balances	<u>\$ 341,910</u>	<u>\$ 102,803</u>	<u>\$ 9,527</u>	<u>\$ (93,276)</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Park Maintenance District
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 717,086	\$ 717,086	\$ 719,930	\$ 2,844
Use of money and property	-	-	168	168
Total revenues	<u>717,086</u>	<u>717,086</u>	<u>720,098</u>	<u>3,012</u>
Expenditures				
Current				
Recreation services	772,648	772,040	715,922	56,118
Total expenditures	<u>772,648</u>	<u>772,040</u>	<u>715,922</u>	<u>56,118</u>
Excess (deficiency) of revenues over expenditures	<u>(55,562)</u>	<u>(54,954)</u>	<u>4,176</u>	<u>59,130</u>
Other financing sources (uses)				
Transfers in	55,562	55,562	-	(55,562)
Net change in fund balances	-	608	4,176	3,568
Beginning fund balances	-	-	-	-
Ending fund balances	<u>\$ -</u>	<u>\$ 608</u>	<u>\$ 4,176</u>	<u>\$ 3,568</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
State Gasoline Tax
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 6,000	\$ 6,000	\$ 2,292	\$ (3,708)
Intergovernmental	1,692,000	1,692,000	1,724,408	32,408
Total revenues	<u>1,698,000</u>	<u>1,698,000</u>	<u>1,726,700</u>	<u>28,700</u>
Expenditures				
Current				
Public works	1,637,591	1,807,439	1,303,249	504,190
Capital outlay	-	474,340	484,796	(10,456)
Total expenditures	<u>1,637,591</u>	<u>2,281,779</u>	<u>1,788,045</u>	<u>493,734</u>
Excess (deficiency) of revenues over expenditures	<u>60,409</u>	<u>(583,779)</u>	<u>(61,345)</u>	<u>522,434</u>
Other financing sources (uses)				
Transfers out	<u>(399,938)</u>	<u>(399,938)</u>	<u>(399,938)</u>	<u>-</u>
Net change in fund balances	(339,529)	(983,717)	(461,283)	522,434
Beginning fund balances	915,694	915,694	915,694	-
Ending fund balances	<u>\$ 576,166</u>	<u>\$ (68,023)</u>	<u>\$ 454,411</u>	<u>\$ 522,434</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Bicycle and Pedestrian Safety
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 500	\$ 500	\$ 528	\$ 28
Intergovernmental	50,165	50,165	-	(50,165)
Total revenues	<u>50,665</u>	<u>50,665</u>	<u>528</u>	<u>(50,137)</u>
 Expenditures				
Capital outlay	-	168,000	106,141	61,859
Total expenditures	<u>-</u>	<u>168,000</u>	<u>106,141</u>	<u>61,859</u>
 Net change in fund balances	50,665	(117,335)	(105,613)	11,722
 Beginning fund balances	<u>103,567</u>	<u>103,567</u>	<u>103,567</u>	<u>-</u>
Ending fund balances	<u>\$ 154,232</u>	<u>\$ (13,768)</u>	<u>\$ (2,046)</u>	<u>\$ 11,722</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Prop A Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 44,000	\$ 44,000	\$ 23,803	\$ (20,197)
Use of money and property	1,500	1,500	6,323	4,823
Intergovernmental	1,390,026	1,390,026	1,525,845	135,819
Other	149,019	149,019	126,473	(22,546)
Total revenues	<u>1,584,545</u>	<u>1,584,545</u>	<u>1,682,444</u>	<u>97,899</u>
Expenditures				
Current				
Public works	1,535,813	1,586,481	1,366,747	219,734
Recreation services	146,731	147,125	132,448	14,677
Capital outlay	-	200,000	6,000	194,000
Total expenditures	<u>1,682,544</u>	<u>1,933,606</u>	<u>1,505,195</u>	<u>428,411</u>
Net change in fund balances	(97,999)	(349,061)	177,249	526,310
Beginning fund balances	443,313	443,313	443,313	-
Ending fund balances	<u>\$ 345,314</u>	<u>\$ 94,252</u>	<u>\$ 620,562</u>	<u>\$ 526,310</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Prop C Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 6,000	\$ 6,000	\$ 24,449	\$ 18,449
Intergovernmental	1,152,990	1,152,990	1,152,551	(439)
Total revenues	<u>1,158,990</u>	<u>1,158,990</u>	<u>1,177,000</u>	<u>18,010</u>
Expenditures				
Current				
Public works	804,692	1,560,947	1,007,129	553,819
Capital outlay	2,000	2,460,593	1,064,668	1,395,925
Total expenditures	<u>806,692</u>	<u>4,021,540</u>	<u>2,071,797</u>	<u>1,949,743</u>
Net change in fund balances	352,298	(2,862,550)	(894,797)	1,967,753
Beginning fund balances	<u>3,145,100</u>	<u>3,145,100</u>	<u>3,145,100</u>	<u>-</u>
Ending fund balances	<u>\$ 3,497,398</u>	<u>\$ 282,550</u>	<u>\$ 2,250,303</u>	<u>\$ 1,967,753</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Street Light and Landscape
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,786,000	\$ 1,786,000	\$ 1,883,807	\$ 97,807
Other	2,000	2,000	2,811	811
Total revenues	<u>1,788,000</u>	<u>1,788,000</u>	<u>1,886,618</u>	<u>98,618</u>
 Expenditures				
Current				
Public works	1,527,451	1,546,710	1,393,440	153,270
Capital outlay	-	3,538	-	3,538
Total expenditures	<u>1,527,451</u>	<u>1,550,248</u>	<u>1,393,440</u>	<u>156,808</u>
 Net change in fund balances	260,549	237,752	493,178	255,426
 Beginning fund balances	4,991	4,991	4,991	-
Ending fund balances	<u>\$ 265,540</u>	<u>\$ 242,743</u>	<u>\$ 498,169</u>	<u>\$ 255,426</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Public Art Fees
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 8,295	\$ 8,295
Other	95,000	95,000	132,572	37,572
Total revenues	<u>95,000</u>	<u>95,000</u>	<u>140,867</u>	<u>45,867</u>
Expenditures				
Current				
Public works	-	550,000	-	550,000
Total expenditures	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Net change in fund balances	95,000	(455,000)	140,867	595,867
Beginning fund balances	344,483	344,483	344,483	-
Ending fund balances	<u>\$ 439,483</u>	<u>\$ (110,517)</u>	<u>\$ 485,350</u>	<u>\$ 595,867</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Residential Development Tax
Year Ended June 30, 2018

		<u>Budgeted Amounts</u>			Variance with
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget-
					Positive
					(Negative)
Revenues					
	Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures					
	Total expenditures	-	-	-	-
	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Net change in fund balances	-	-	-	-
	Beginning fund balances	-	-	4	4
	Ending fund balances	\$ -	\$ -	\$ 4	\$ 4

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Integrated Waste Management
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 1,100	\$ 1,100	\$ 3,726	\$ 2,626
Intergovernmental	341,000	341,000	287,566	(53,434)
Charges for services	7,600	7,600	27,091	19,491
Total revenues	<u>349,700</u>	<u>349,700</u>	<u>318,383</u>	<u>(31,317)</u>
 Expenditures				
Current				
Public works	342,682	349,868	291,922	57,946
Total expenditures	<u>342,682</u>	<u>349,868</u>	<u>291,922</u>	<u>57,946</u>
 Net change in fund balances	7,018	(168)	26,461	26,629
 Beginning fund balances	167,782	167,782	167,782	-
Ending fund balances	<u>\$ 174,800</u>	<u>\$ 167,614</u>	<u>\$ 194,243</u>	<u>\$ 26,629</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Summer Food Program
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
Recreation services	24,690	24,690	12,652	12,038
Total expenditures	<u>24,690</u>	<u>24,690</u>	<u>12,652</u>	<u>12,038</u>
Excess (deficiency) of revenues over expenditures	<u>(24,690)</u>	<u>(24,690)</u>	<u>(12,652)</u>	<u>12,038</u>
Other financing sources (uses)				
Transfers in	24,690	24,690	12,652	(12,038)
Net change in fund balances	-	-	-	-
Beginning fund balances	-	-	-	-
Ending fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Federal Surface Transportation Program
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,200	\$ 1,200	\$ -	\$ (1,200)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
Expenditures				
Current				
Public works	-	1,138,000	-	1,138,000
Capital outlay	-	-	31,722	(31,722)
Total expenditures	<u>-</u>	<u>1,138,000</u>	<u>31,722</u>	<u>1,106,278</u>
Net change in fund balances	1,200	(1,136,800)	(31,722)	1,105,078
Beginning fund balances	<u>(41,717)</u>	<u>(41,717)</u>	<u>(41,717)</u>	<u>-</u>
Ending fund balances	<u>\$ (40,517)</u>	<u>\$ (1,178,517)</u>	<u>\$ (73,439)</u>	<u>\$ 1,105,078</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Prop A Parks
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 64,300	\$ 64,300	\$ -	\$ (64,300)
Use of money and property	60	60	-	(60)
Total revenues	<u>64,360</u>	<u>64,360</u>	<u>-</u>	<u>(64,360)</u>
Expenditures				
Current				
Public works	140,736	146,033	152,022	(5,989)
Total expenditures	<u>140,736</u>	<u>146,033</u>	<u>152,022</u>	<u>(5,989)</u>
Excess (deficiency) of revenues over expenditures	<u>(76,376)</u>	<u>(81,673)</u>	<u>(152,022)</u>	<u>(70,349)</u>
Other financing sources (uses)				
Transfers in	76,376	76,376	152,022	75,646
Net change in fund balances	-	(5,297)	-	5,297
Beginning fund balances	-	-	-	-
Ending fund balances	<u>\$ -</u>	<u>\$ (5,297)</u>	<u>\$ -</u>	<u>\$ 5,297</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Assessment District
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 800	\$ 800	\$ 3,172	\$ 2,372
Intergovernmental	11,630	11,630	-	(11,630)
Total revenues	<u>12,430</u>	<u>12,430</u>	<u>3,172</u>	<u>(9,258)</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,430	12,430	3,172	(9,258)
Beginning fund balances	<u>377,124</u>	<u>377,124</u>	<u>377,124</u>	<u>-</u>
Ending fund balances	<u>\$ 389,554</u>	<u>\$ 389,554</u>	<u>\$ 380,296</u>	<u>\$ (9,258)</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
State Asset Forfeiture
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 600	\$ 600	\$ 2,341	\$ 1,741
Intergovernmental	3,000	3,000	-	(3,000)
Total revenues	<u>3,600</u>	<u>3,600</u>	<u>2,341</u>	<u>(1,259)</u>
Expenditures				
Current				
Public safety	-	200,000	76,112	123,888
Capital outlay	-	-	2,720	(2,720)
Total expenditures	<u>-</u>	<u>200,000</u>	<u>78,832</u>	<u>121,168</u>
Net change in fund balances	3,600	(196,400)	(76,491)	119,909
Beginning fund balances	302,843	302,843	302,843	-
Ending fund balances	<u>\$ 306,443</u>	<u>\$ 106,443</u>	<u>\$ 226,352</u>	<u>\$ 119,909</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Local Law Enforcement Block Grant
Year Ended June 30, 2018

		<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
	Use of money and property	\$ 100	\$ 100	\$ 124	\$ 24
	Total revenues	<u>100</u>	<u>100</u>	<u>124</u>	<u>24</u>
Expenditures		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
	Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net change in fund balances	100	100	124	24
	Beginning fund balances	<u>14,675</u>	<u>14,675</u>	<u>14,675</u>	<u>-</u>
	Ending fund balances	<u>\$ 14,775</u>	<u>\$ 14,775</u>	<u>\$ 14,799</u>	<u>\$ 24</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Law Enforcement Development
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 164	\$ 164
Other	-	-	84,998	84,998
Total revenues	<u>-</u>	<u>-</u>	<u>85,162</u>	<u>85,162</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	85,162	85,162
Beginning fund balances	3,438	3,438	3,438	-
Ending fund balances	<u>\$ 3,438</u>	<u>\$ 3,438</u>	<u>\$ 88,600</u>	<u>\$ 85,162</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Economic Development Administration Grant
Year Ended June 30, 2018

		Budgeted Amounts			Variance with Final Budget- Positive (Negative)
		Original	Final	Actual	
Revenues					
	Use of money and property	\$ -	\$ -	\$ 6	\$ 6
	Total revenues	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Expenditures					
	Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net change in fund balances	-	-	6	6
	Beginning fund balances	518	518	518	-
	Ending fund balances	<u>\$ 518</u>	<u>\$ 518</u>	<u>\$ 524</u>	<u>\$ 6</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Traffic Mitigation Fees
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Fines, forfeitures and penalties	\$ 1,000	\$ 1,000	\$ 21,685	20,685
Use of money and property	9,000	9,000	936	(8,064)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>22,621</u>	<u>12,621</u>
Expenditures				
Current				
Public works	-	231,357	17,721	213,636
Capital outlay	-	-	166,896	(166,896)
Total expenditures	<u>-</u>	<u>231,357</u>	<u>184,617</u>	<u>46,740</u>
Net change in fund balances	10,000	(221,357)	(161,996)	59,361
Beginning fund balances	240,171	240,171	240,171	-
Ending fund balances	<u>\$ 250,171</u>	<u>\$ 18,814</u>	<u>\$ 78,175</u>	<u>\$ 59,361</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Park Land Fees
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 1,800	\$ 1,800	\$ 7,933	\$ 6,133
Charges for services	300,000	300,000	1,047,533	747,533
Total revenues	<u>301,800</u>	<u>301,800</u>	<u>1,055,466</u>	<u>753,666</u>
Expenditures				
Current				
Public works	-	-	2,452	2,452
Recreation services	-	-	203,670	(203,670)
Capital outlay	-	931,000	-	931,000
Total expenditures	<u>-</u>	<u>931,000</u>	<u>206,122</u>	<u>724,878</u>
Net change in fund balances	301,800	(629,200)	849,344	1,478,544
Beginning fund balances	<u>1,295,211</u>	<u>1,295,211</u>	<u>1,295,211</u>	<u>-</u>
Ending fund balances	<u>\$ 1,597,011</u>	<u>\$ 666,011</u>	<u>\$ 2,144,555</u>	<u>\$ 1,478,544</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Storm Drain NPDS
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 100	\$ 100	\$ 342	\$ 242
Charges for services	90,000	90,000	171,624	81,624
Total revenues	<u>90,100</u>	<u>90,100</u>	<u>171,966</u>	<u>81,866</u>
Expenditures				
Current				
Public works	95,000	95,000	94,778	222
Total expenditures	<u>95,000</u>	<u>95,000</u>	<u>94,778</u>	<u>222</u>
Net change in fund balances	(4,900)	(4,900)	77,188	82,088
Beginning fund balances	38,139	38,139	38,139	-
Ending fund balances	<u>\$ 33,239</u>	<u>\$ 33,239</u>	<u>\$ 115,327</u>	<u>\$ 82,088</u>

City of Baldwin Park
Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Cal Home Grant
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 30	\$ 30	\$ 135	\$ 105
Other	300	300	-	(300)
Total revenues	<u>330</u>	<u>330</u>	<u>135</u>	<u>(195)</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	330	330	135	(195)
Beginning fund balances	16,162	16,162	16,162	-
Ending fund balances	<u>\$ 16,492</u>	<u>\$ 16,492</u>	<u>\$ 16,297</u>	<u>\$ (195)</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
General Plan Fees
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 1,200	\$ 1,200	\$ 9,035	\$ 7,835
Charges for services	112,000	112,000	215,500	103,500
Total revenues	<u>113,200</u>	<u>113,200</u>	<u>224,535</u>	<u>111,335</u>
Expenditures				
Current				
Community development	101,741	227,634	152,673	74,961
Total expenditures	<u>101,741</u>	<u>227,634</u>	<u>152,673</u>	<u>74,961</u>
Net change in fund balances	11,459	(114,434)	71,862	186,296
Beginning fund balances	<u>1,018,371</u>	<u>1,018,371</u>	<u>1,018,371</u>	<u>-</u>
Ending fund balances	<u>\$ 1,029,830</u>	<u>\$ 903,937</u>	<u>\$ 1,090,233</u>	<u>\$ 186,296</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Measure R
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 2,600	\$ 2,600	\$ 11,731	\$ 9,131
Intergovernmental	864,760	864,760	866,113	1,353
Total revenues	<u>867,360</u>	<u>867,360</u>	<u>877,844</u>	<u>10,484</u>
Expenditures				
Current				
Public works	689,091	1,759,403	728,408	1,030,995
Community development	-	3,315	-	3,315
Capital outlay	-	581,402	799,130	(217,728)
Total expenditures	<u>689,091</u>	<u>2,344,120</u>	<u>1,527,538</u>	<u>816,582</u>
Net change in fund balances	178,269	(1,476,760)	(649,694)	827,066
Beginning fund balances	<u>1,680,585</u>	<u>1,680,585</u>	<u>1,680,585</u>	-
Ending fund balances	<u>\$ 1,858,854</u>	<u>\$ 203,825</u>	<u>\$ 1,030,891</u>	<u>\$ 827,066</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Other Grants
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 182	182
Intergovernmental	50,000	50,000	1,797,961	\$ 1,747,961
Other	30,000	30,000	29,300	(700)
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>1,827,443</u>	<u>1,747,443</u>
Expenditures				
Current				
General government	30,000	30,000	29,300	700
Public works	-	1,964,789	99,927	1,864,862
Recreation services	-	6,326	5,413	913
Capital outlay	-	5,494,253	1,649,779	3,844,474
Total expenditures	<u>30,000</u>	<u>7,495,368</u>	<u>1,784,419</u>	<u>5,710,949</u>
Net change in fund balances	50,000	(7,415,368)	43,024	7,458,392
Beginning fund balances	<u>(1,373,773)</u>	<u>(1,373,773)</u>	<u>(1,373,773)</u>	-
Ending fund balances	<u>\$ (1,323,773)</u>	<u>\$ (8,789,141)</u>	<u>\$ (1,330,749)</u>	<u>\$ 7,458,392</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Police Grants
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 170,000	\$ 170,000	\$ 33,420	\$ (136,580)
Use of money and property	-	-	1,397	1,397
Intergovernmental	116,894	116,894	74,275	(42,619)
Charges for services	50,000	50,000	44,600	(5,400)
Total revenues	<u>336,894</u>	<u>336,894</u>	<u>153,692</u>	<u>(183,202)</u>
Expenditures				
Current				
Public safety	207,000	357,000	135,450	221,550
Capital outlay	-	-	18,675	(18,675)
Total expenditures	<u>207,000</u>	<u>357,000</u>	<u>154,125</u>	<u>202,875</u>
Net change in fund balances	129,894	(20,106)	(433)	19,673
Beginning fund balances	235,180	235,180	235,180	-
Ending fund balances	<u>\$ 365,074</u>	<u>\$ 215,074</u>	<u>\$ 234,747</u>	<u>\$ 19,673</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
Housing Authority
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Use of money and property	\$ -	\$ -	\$ 2,779	\$ 2,779
Intergovernmental	5,085,313	5,085,313	5,036,055	(49,258)
Other	35,940	35,940	121,241	85,301
Total revenues	<u>5,121,253</u>	<u>5,121,253</u>	<u>5,160,075</u>	<u>38,822</u>
Expenditures				
Current				
Community development	5,132,393	5,144,701	5,240,659	(95,958)
Total expenditures	<u>5,132,393</u>	<u>5,144,701</u>	<u>5,240,659</u>	<u>(95,958)</u>
Excess (deficiency) of revenues over expenditures	<u>(11,140)</u>	<u>(23,448)</u>	<u>(80,584)</u>	<u>(57,136)</u>
Other financing uses				
Transfers out	<u>(11,000)</u>	<u>(11,000)</u>	<u>(14,919)</u>	<u>(3,919)</u>
Net change in fund balances	(22,140)	(34,448)	(95,503)	(61,055)
Beginning fund balances	299,698	299,698	299,698	-
Ending fund balances	<u>\$ 277,558</u>	<u>\$ 265,250</u>	<u>\$ 204,195</u>	<u>\$ (61,055)</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
Cooperative Agreements Contributions
Year Ended June 30, 2018

		<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
Revenues		<u>Original</u>	<u>Final</u>	<u>Actual</u>	
	Total revenues	\$ -	\$ -	\$ -	-
Expenditures					
	Capital outlay	-	400,000	26,393	373,607
	Total expenditures	-	400,000	26,393	373,607
	Net change in fund balances	-	(400,000)	(26,393)	373,607
	Beginning fund balances	-	-	-	-
	Ending fund balances	\$ -	\$ (400,000)	\$ (26,393)	\$ 373,607

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
Measure M
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 618	618
Intergovernmental	931,039	931,039	784,896	(146,143)
Total revenues	<u>931,039</u>	<u>931,039</u>	<u>785,514</u>	<u>(145,525)</u>
Expenditures				
Current				
General government	96,893	101,447	39,897	61,550
Public works	295,471	304,383	77,557	226,826
Capital outlay	-	500,000	395,441	104,559
Total expenditures	<u>392,364</u>	<u>909,145</u>	<u>512,895</u>	<u>396,250</u>
Net change in fund balances	538,675	21,894	272,619	250,725
Beginning fund balances	-	-	-	-
Ending fund balances	<u>\$ 538,675</u>	<u>\$ 21,894</u>	<u>\$ 272,619</u>	<u>\$ 250,725</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget And Actual
SB1 Road Repair and Accountability
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ 348,199	\$ 348,199
Use of money and property	-	-	630	630
Total revenues	<u>-</u>	<u>-</u>	<u>348,829</u>	<u>348,829</u>
Expenditures				
Current				
Public safety	-	527	-	527
Capital outlay	-	425,961	21,077	404,884
Total expenditures	<u>-</u>	<u>426,488</u>	<u>21,077</u>	<u>405,411</u>
Net change in fund balances	-	(426,488)	327,752	754,240
Beginning fund balances	-	-	-	-
Ending fund balances	<u>\$ -</u>	<u>\$ (426,488)</u>	<u>\$ 327,752</u>	<u>\$ 754,240</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Debt Service Funds
Pension Obligation
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 13,092	\$ 13,092
Other	1,894,492	1,894,492	1,891,392	(3,100)
Total revenues	<u>1,894,492</u>	<u>1,894,492</u>	<u>1,904,484</u>	<u>9,992</u>
Expenditures				
Debt service				
Principal retirement	1,795,000	1,795,000	1,795,000	-
Interest expense and fiscal charges	99,492	99,492	97,937	1,555
Total expenditures	<u>1,894,492</u>	<u>1,894,492</u>	<u>1,892,937</u>	<u>1,555</u>
Net change in fund balances	-	-	11,547	11,547
Beginning fund balances	1,882	1,882	1,882	-
Ending fund balances	<u>\$ 1,882</u>	<u>\$ 1,882</u>	<u>\$ 13,429</u>	<u>\$ 11,547</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Debt Service Funds
City
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 100	\$ 100	\$ 291	\$ 191
Total revenues	<u>100</u>	<u>100</u>	<u>291</u>	<u>191</u>
Expenditures				
Debt Service				
Principal retirement	389,000	389,000	389,000	-
Interest expense and fiscal charges	36,124	36,124	36,124	-
Total expenditures	<u>425,124</u>	<u>425,124</u>	<u>425,124</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(425,024)</u>	<u>(425,024)</u>	<u>(424,833)</u>	<u>191</u>
Other financing sources (uses)				
Transfers in	<u>425,125</u>	<u>425,125</u>	<u>425,124</u>	<u>-</u>
Net change in fund balances	101	101	291	190
Beginning fund balances	<u>34,582</u>	<u>34,582</u>	<u>34,582</u>	<u>-</u>
Ending fund balances	<u>\$ 34,683</u>	<u>\$ 34,683</u>	<u>\$ 34,873</u>	<u>\$ 190</u>

City of Baldwin Park
Schedule of Revenues, Expenditures, and Changes In Fund Balances –
Budget And Actual
Capital Projects Fund
Year Ended June 30, 2018

		<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
Revenues		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
	Use of money and property	\$ -	\$ -	\$ 80	\$ 80
	Total revenues	<u>-</u>	<u>-</u>	<u>80</u>	<u>80</u>
Expenditures		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
	Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net change in fund balances	-	-	80	80
	Beginning fund balances	9,575	9,575	9,575	-
	Ending fund balances	<u>\$ 9,575</u>	<u>\$ 9,575</u>	<u>\$ 9,655</u>	<u>\$ 80</u>

City of Baldwin Park
Description Of Internal Service Funds
June 30, 2018

Internal Service Funds are used to account for services provided to City departments and agencies on a user charge basis.

- | | |
|---|--|
| <i>Fleet Services Fund</i> | To account for the acquisition, operation, and maintenance of all City-owned or leased motorized vehicles. |
| <i>Information Services Fund</i> | This fund provides printing, copying, mail, central stores, and data processing services to the various departments and programs. |
| <i>Internal Insurance Fund</i> | To account for the City's risk management program and various insurance-related costs. Its activities relate principally to general liability, workers' compensation, long-term disability, property damage, and unemployment insurance. |
| <i>Capital Equipment Fund</i> | To account for the City's capital equipment acquisition and replacement program. Its activities relate principally to funding and acquisition of capital equipment of various departments of the City. |

City of Baldwin Park
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Fleet Services	Information Services	Internal Insurance	Capital Equipment	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 360,034	\$ 140,625	\$ 4,323,965	\$ -	\$ 4,824,624
Interest receivable	965	474	21,415	-	22,854
Prepaid expenses	-	1,260	-	-	1,260
Due from other funds	550	31,084	2,100,851	-	2,132,485
Total current assets	<u>361,549</u>	<u>173,443</u>	<u>6,446,231</u>	<u>-</u>	<u>6,981,223</u>
Noncurrent assets					
Capital assets					
Vehicle and equipment	2,785,906	1,390,755	-	286,057	4,462,718
Less accumulated depreciation	<u>(2,773,419)</u>	<u>(1,333,849)</u>	<u>-</u>	<u>(180,633)</u>	<u>(4,287,901)</u>
Net capital assets	<u>12,487</u>	<u>56,906</u>	<u>-</u>	<u>105,424</u>	<u>174,817</u>
Total noncurrent assets	<u>12,487</u>	<u>56,906</u>	<u>-</u>	<u>105,424</u>	<u>174,817</u>
Total assets	<u>374,036</u>	<u>230,349</u>	<u>6,446,231</u>	<u>105,424</u>	<u>7,156,040</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>130,882</u>	<u>118,822</u>	<u>68,101</u>	<u>-</u>	<u>317,805</u>
Total deferred outflows of resources	<u>130,882</u>	<u>118,822</u>	<u>68,101</u>	<u>-</u>	<u>317,805</u>
LIABILITIES					
Current liabilities					
Accounts payable	45,556	16,144	20,209	-	81,909
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	14,647	14,647
Current portion of insurance liabilities	-	-	361,680	-	361,680
Total current liabilities	<u>45,556</u>	<u>16,144</u>	<u>381,889</u>	<u>14,647</u>	<u>458,236</u>
Noncurrent liabilities					
Workers' compensation liability	-	-	5,732,872	-	5,732,872
General insurance liability	-	-	2,169,929	-	2,169,929
Unemployment insurance liability	-	-	20,000	-	20,000
Disability insurance liability	-	-	75,000	-	75,000
Net pension plan liability	<u>859,236</u>	<u>780,064</u>	<u>447,081</u>	<u>-</u>	<u>2,086,381</u>
Total noncurrent liabilities	<u>859,236</u>	<u>780,064</u>	<u>8,444,882</u>	<u>-</u>	<u>10,084,182</u>
Total liabilities	<u>904,792</u>	<u>796,208</u>	<u>8,826,771</u>	<u>14,647</u>	<u>10,542,418</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Invested in capital assets	12,487	56,906	-	105,424	174,817
Unrestricted	<u>(412,361)</u>	<u>(503,943)</u>	<u>(2,312,439)</u>	<u>(14,647)</u>	<u>(3,243,390)</u>
Total net position (deficit)	<u>\$ (399,874)</u>	<u>\$ (447,037)</u>	<u>\$ (2,312,439)</u>	<u>\$ 90,777</u>	<u>\$ (3,068,573)</u>

City of Baldwin Park
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2018

	Fleet Services	Information Services	Internal Insurance	Capital Equipment	Total
Operating revenues					
Charges for services	\$ 1,068,138	\$ 767,028	\$ 2,655,507	\$ -	\$ 4,490,673
Total operating revenue	<u>1,068,138</u>	<u>767,028</u>	<u>2,655,507</u>	<u>-</u>	<u>4,490,673</u>
Operating expenses					
Maintenance and operations	441,292	184,901	9,172	-	635,365
Provision for insurance claims	-	-	4,497,506	-	4,497,506
Depreciation	8,865	33,879	-	78,575	121,319
Lease and equipment purchase	-	21,800	-	-	21,800
Personnel services	438,430	546,609	302,324	-	1,287,363
Contractual services	68,581	81,189	5,625	-	155,395
Total operating expenses	<u>957,168</u>	<u>868,378</u>	<u>4,814,627</u>	<u>78,575</u>	<u>6,718,748</u>
Operating income (loss)	<u>110,970</u>	<u>(101,350)</u>	<u>(2,159,120)</u>	<u>(78,575)</u>	<u>(2,228,075)</u>
Nonoperating income					
Interest	2,178	1,109	34,754	-	38,041
Total nonoperating income	<u>2,178</u>	<u>1,109</u>	<u>34,754</u>	<u>-</u>	<u>38,041</u>
Income (loss) before transfers	113,148	(100,241)	(2,124,366)	(78,575)	(2,190,034)
Transfers					
Transfers in	-	-	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	113,148	(100,241)	(2,124,366)	(78,575)	(2,190,034)
Net position (deficit) - beginning	<u>(513,022)</u>	<u>(346,796)</u>	<u>(188,073)</u>	<u>169,352</u>	<u>(878,539)</u>
Net position (deficit) - ending	<u>\$ (399,874)</u>	<u>\$ (447,037)</u>	<u>\$ (2,312,439)</u>	<u>\$ 90,777</u>	<u>\$ (3,068,573)</u>

**City of Baldwin Park
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2018**

	Fleet Services	Information Services	Internal Insurance	Capital Equipment	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 1,068,138	\$ 767,028	\$ 2,655,507	\$ -	\$ 4,490,673
Payments to suppliers	(500,760)	(279,560)	(20,610)	-	(800,930)
Payments to employees	(277,723)	(405,314)	(220,832)	-	(903,869)
Payments for insurance	-	-	(2,541,502)	-	(2,541,502)
Net cash provided by (used in) operating activities	<u>289,655</u>	<u>82,154</u>	<u>(127,437)</u>	<u>-</u>	<u>244,372</u>
Cash flows from capital and related financing activities					
Net acquisition (disposal) of equipment	(6,550)	(65,399)	-	21,949	(50,000)
Net cash used in capital and related financing activities	<u>(6,550)</u>	<u>(65,399)</u>	<u>-</u>	<u>21,949</u>	<u>(50,000)</u>
Cash flows from non-capital financing activities					
Interfund advances	-	-	1,423,158	(21,949)	1,401,209
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>1,423,158</u>	<u>(21,949)</u>	<u>1,401,209</u>
Cash flows from investing activities					
Interest received	1,288	762	27,107	-	29,157
Net increase (decrease) in cash and cash equivalents	284,393	17,517	1,322,828	-	1,624,738
Beginning cash and cash equivalents	75,641	123,108	3,001,137	-	3,199,886
Ending cash and cash equivalents	<u>\$ 360,034</u>	<u>\$ 140,625</u>	<u>\$ 4,323,965</u>	<u>\$ -</u>	<u>\$ 4,824,624</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 110,970	\$ (101,350)	\$ (2,159,120)	\$ (78,575)	\$ (2,228,075)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	8,865	33,879	-	78,575	121,319
(Increase) decrease in:					
Prepaid expenses	-	(1,260)	-	-	(1,260)
Deferred outflows of resources	102,913	93,431	53,549	-	249,893
Increase (decrease) in:					
Accounts payable	9,113	9,590	(5,813)	-	12,890
Accrued liabilities	(7,442)	(11,360)	(6,001)	-	(24,803)
Net pension liability	132,123	119,948	68,747	-	320,818
Insurance liabilities	-	-	1,956,004	-	1,956,004
Deferred inflows of resources	(66,887)	(60,724)	(34,803)	-	(162,414)
Net cash provided by (used in) operating activities	<u>\$ 289,655</u>	<u>\$ 82,154</u>	<u>\$ (127,437)</u>	<u>\$ -</u>	<u>\$ 244,372</u>

City of Baldwin Park
Description of Fiduciary Funds – Agency Funds

The City's Agency Funds, which are fiduciary funds, are used to account for assets held by the City, as an agent for individuals, private organizations, and other governments.

City Of Baldwin Park
Statement Of Changes In Assets And Liabilities – Fiduciary (Agency) Funds
Year Ended June 30, 2018

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Assets				
Pooled cash investments	\$ 1,125,200	\$ 1,889,815	\$ 1,569,862	\$ 1,445,153
Interest receivable	1,051	3,867	1,051	3,867
Total	<u>\$ 1,126,251</u>	<u>\$ 1,893,683</u>	<u>\$ 1,570,914</u>	<u>\$ 1,449,020</u>
Liabilities				
Accounts payable	\$ 54,490	\$ 522,423	\$ 461,808	\$ 115,105
Deposit accounts:				
Contingency deposits	30,000	-	-	30,000
Crime prevention	-	245	-	245
Donations community center	57,314	311,660	260,561	108,413
Engineering trust deposits	529,413	73,275	57,000	545,688
Explorer (benefit program)	1,710	-	-	1,710
Family impact/domestic violence	5,852	391	-	6,243
Family impact	1,400	-	-	1,400
Fingerprints - clients	1,403	2,547	2,374	1,576
Inmate welfare fund	2,501	930	2,254	1,177
Miscellaneous trust	73,869	49,796	17,787	105,878
Offsite improvement bond	42,385	-	-	42,385
Police foundation trust	4,669	-	-	4,669
Police training	355	70,964	635	70,684
Pride program	73,810	-	-	73,810
Recycling proceeds	1,654	1,865	2,633	886
Rental cleaning deposits	6,355	40,453	39,613	7,195
Revolving nuisance abatement	2,911	-	-	2,911
Seized money	-	232,321	48,716	183,605
Street signs	4,877	-	-	4,877
Swim team / interpreting	84,756	15,742	57,765	42,733
Temporary wireless communications facility	20,000	-	-	20,000
Three party agreements	112,594	20,000	75,629	56,965
Uncashed checks	13,933	4,488	480	17,941
Zoning fees	-	2,923	-	2,923
Total	<u>\$ 1,126,251</u>	<u>\$ 1,350,023</u>	<u>\$ 1,027,254</u>	<u>\$ 1,449,020</u>

STATISTICAL SECTION

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This part of the City of Baldwin Park's Comprehensive Annual Financial Report provides information to better understand the City's overall financial condition. This has not been audited by an independent auditor.

Financial Trends Information contains information to assist the reader understand how the City's financial performance has changed over time.

Revenue Capacity Information contains information to help the reader assess the City's ability to generate its own revenue.

Debt Capacity Information contains information to assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt.

Demographic and Economic Information assists the user in understanding the environment within which the City's financial activities take place.

Operating Information provides service and infrastructure data to help the reader understand how the City provides the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive reports for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2003. Schedules presenting government-wide financial statements include information beginning in that year.

**City of Baldwin Park
Net Position By Category (Unaudited)
Last Ten Fiscal Years**

Government-Wide Activities	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Investment in capital assets, net of related debt	\$ 99,355,479	\$ 97,154,197	\$ 103,664,486	\$ 95,158,509	\$ 99,199,731	\$ 103,095,241	\$ 99,405,627	\$ 77,370,913	\$ 81,853,878	\$ 85,159,651
Restricted	35,271,463	25,184,419	22,821,363	23,666,635	26,281,738	26,523,624	29,720,564	13,839,466	9,097,505	6,720,929
Unrestricted	(73,930,933)	(30,464,208)	(21,285,903)	(17,566,606)	(25,529,788)	19,340,524	18,567,955	14,200,476	11,916,764	13,367,098
Total governmental activities net position	\$ 60,696,009	\$ 91,874,408	\$ 105,199,946	\$ 101,258,538	\$ 99,951,681	\$ 148,959,389	\$ 147,694,146	\$ 105,410,855	\$ 102,868,147	\$ 105,247,678
Business-Type Activities										
Investment in capital assets, net of related debt	\$ 413,513	\$ 428,020	\$ 442,527	\$ 457,667	\$ 469,158	\$ 479,111	\$ 491,094	\$ 503,077	\$ 515,062	\$ 400,875
Unrestricted	21,531	16,763	(95,680)	(151,753)	(107,709)	96,844	99,841	69,633	72,373	75,835
Total business-type activities net position	\$ 435,044	\$ 444,783	\$ 346,847	\$ 305,914	\$ 361,449	\$ 575,955	\$ 590,935	\$ 572,710	\$ 587,435	\$ 476,710
Total Governmental Wide Activities										
Investment in capital assets, net of related debt	\$ 99,768,992	\$ 97,582,217	\$ 104,107,013	\$ 95,616,176	\$ 99,668,889	\$ 103,574,352	\$ 99,896,721	\$ 77,873,990	\$ 82,368,940	\$ 85,560,526
Restricted	35,271,463	25,184,419	22,821,363	23,666,635	26,281,738	26,523,624	29,720,564	13,839,466	9,097,505	6,720,929
Unrestricted	(73,909,402)	(30,447,445)	(21,381,583)	(17,718,359)	(25,637,497)	19,437,368	18,667,796	14,270,109	11,989,137	13,442,933
Total government-wide activities net position	\$ 61,131,053	\$ 92,319,191	\$ 105,546,793	\$ 101,564,452	\$ 100,313,130	\$ 149,535,344	\$ 148,285,081	\$ 105,983,565	\$ 103,455,582	\$ 105,724,388
Percent change from prior year	-33.8%	-12.5%	3.9%	1.2%	-32.9%	0.8%	39.9%	2.4%	-2.1%	-2.0%

Source: City of Baldwin Park, Department of Finance

Note: The City implemented GASB 75 in the FY 2018. Prior year information was not restated to reflect the impact of this implementation.

City Of Baldwin Park
Fund Balances Of Governmental Funds (Unaudited)
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Reserved									\$ 13,705,002	\$ 13,268,093
Unreserved									5,213,836	5,187,803
Total general fund									<u>\$ 18,918,838</u>	<u>\$ 18,455,896</u>
All other governmental funds										
Reserved									\$ 9,944,381	\$ 13,250,641
Unreserved, reported in:										
Special revenue funds									17,187,651	14,572,267
Capital projects funds									(17,125,366)	(16,450,152)
Debt service funds									2,465,756	(588,740)
Total all other governmental funds									<u>\$ 12,472,422</u>	<u>\$ 10,784,016</u>
General fund										
Nonspendable	\$ 14,136,251	\$ 14,136,252	\$ 14,240,315	\$ 14,665,029	\$ 11,196,457	\$ 11,262,955	\$ 11,173,252	\$ 11,170,510		
Restricted	-	-	-	-	-	-	-	-		
Committed	9,036,274	9,036,274	10,284,411	2,502,377	2,444,184	2,477,618	2,477,618	2,477,618		
Assigned	740,398	740,398	-	-	606,926	606,926	606,926	-		
Unassigned	5,724,902	5,724,902	4,939,534	5,735,419	3,865,040	2,648,039	1,826,473	3,429,025		
Total general fund	<u>\$ 29,637,825</u>	<u>\$ 29,637,827</u>	<u>\$ 29,464,260</u>	<u>\$ 22,902,825</u>	<u>\$ 18,112,607</u>	<u>\$ 16,995,538</u>	<u>\$ 16,084,269</u>	<u>\$ 17,077,153</u>		
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 7,595,941	\$ 97,150	\$ 107,252	\$ 69,709	\$ 465,992	\$ 6,456,699		
Restricted	20,073,195	20,073,196	15,225,422	23,666,635	26,281,738	24,880,669	27,732,162	31,656,729		
Committed	-	-	-	-	-	1,642,953	1,649,752	1,662,234		
Assigned	-	-	-	-	-	-	-	-		
Unassigned	(1,463,334)	(1,432,627)	(494,014)	(76,007)	(101,290)	98,651	(144,174)	(18,419,711)		
Total all other governmental funds	<u>\$ 18,609,861</u>	<u>\$ 18,640,568</u>	<u>\$ 22,327,349</u>	<u>\$ 23,687,778</u>	<u>\$ 26,287,700</u>	<u>\$ 26,691,982</u>	<u>\$ 29,703,732</u>	<u>\$ 21,355,951</u>		

Note: In 2011, the City adopted GASB 54 which revised the reporting of Fund Balance.

Source: City of Baldwin Park, Department of Finance

**City Of Baldwin Park
Change In Net Position (Unaudited)
Last Ten Fiscal Years**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Governmental activities:										
General government	\$ 4,289,453	\$ 3,934,170	\$ 3,685,485	\$ 1,739,253	\$ 3,569,287	\$ 1,970,961	\$ 3,672,805	\$ 4,313,307	\$ 3,095,391	\$ 2,651,181
Public safety	24,520,278	22,840,607	18,502,015	18,910,033	19,016,856	19,404,669	19,929,293	18,819,467	18,810,685	18,917,403
Public works	17,204,596	18,128,344	17,119,952	14,396,628	12,759,502	11,850,568	13,442,178	13,518,003	13,549,660	13,730,184
Community development	10,255,744	8,832,071	8,323,589	8,673,128	10,122,573	6,730,380	9,504,536	10,968,474	14,060,899	11,931,976
Recreation services	5,729,841	4,950,577	5,387,714	3,111,822	4,041,002	4,061,719	4,110,432	4,462,052	4,383,579	4,666,863
Net transfers out to successor agency	-	1,003,790	-	-	-	-	716,587	-	-	-
Interest and fiscal charges	505,629	567,180	925,917	1,040,660	1,118,400	1,188,460	2,140,361	3,440,701	3,424,605	3,658,849
Total governmental activities expenses	62,505,541	60,256,739	53,944,672	47,871,524	50,627,620	45,206,757	53,516,192	55,522,004	57,324,819	55,556,456
Business-type activities:										
Public Housing	61,773	55,381	7,526	87,064	107,886	62,055	58,008	47,541	47,294	47,237
Total business-type expenses	61,773	55,381	7,526	87,064	107,886	62,055	58,008	47,541	47,294	47,237
Total expenses	62,567,314	60,312,120	53,952,198	47,958,588	50,735,506	45,268,812	53,574,200	55,569,545	57,372,113	55,603,693
Program revenues:										
Governmental activities:										
Charges for services										
General government	1,046,886	303,237	97,651	1,147,204	154,183	165,064	174,299	575,404	71,654	4,725,440
Public safety	1,224,003	1,109,054	1,074,318	1,487,966	1,483,193	1,623,462	1,574,992	1,757,968	1,987,795	27,622
Public works	489,668	386,340	447,414	228,799	187,289	183,478	232,553	157,631	222,191	67,512
Community development	3,257,615	3,389,351	1,478,362	1,957,406	1,726,032	1,621,642	1,496,976	1,602,720	1,256,198	97,944
Recreation services	597,595	595,376	519,338	457,800	357,425	399,481	485,263	496,518	569,345	-
Operating grants and contributions										
General government	17,314	14,932	90,098	274,897	20,873	23,613	25,328	31,913	-	309,644
Public safety	593,057	896,368	790,062	1,050,268	613,243	643,037	1,816,475	798,702	2,422,392	1,118,516
Public works	8,437,834	5,258,466	5,673,930	4,743,282	4,915,099	2,838,026	4,822,508	4,104,695	3,400,330	1,768,134
Community development	6,256,541	7,854,992	6,081,792	7,001,052	9,161,667	6,518,932	5,359,522	7,421,769	8,132,297	9,120,098
Recreation services	74,977	44,710	172,793	111,860	89,251	134,159	276,815	175,407	216,980	551,636
Capital grants and contributions										
General government	-	-	-	-	23,344	11,222	44,654	-	-	-
Public safety	-	-	-	-	-	-	-	2,041	-	2,857,802
Public works	-	46,286	1,962,029	2,376,883	1,859,363	6,105,164	4,203,011	3,836,812	5,007,296	-
Community development	-	-	13,653	503,875	219,750	609,592	385,888	884,820	-	-
Total governmental activities revenues	21,995,490	19,899,112	18,401,440	21,341,292	20,810,712	20,876,872	20,898,284	21,846,400	23,286,478	20,644,348
Business-type activities:										
Public Housing	37,115	33,736	34,806	31,529	56,689	47,077	76,231	32,817	158,046	44,526
Total business-type activities revenues	37,115	33,736	34,806	31,529	56,689	47,077	76,231	32,817	158,046	44,526
Total revenues	22,032,605	19,932,848	18,436,246	21,372,821	20,867,401	20,923,949	20,974,515	21,879,217	23,444,524	20,688,874
Net revenues (expenses):										
Governmental activities	(40,510,051)	(40,357,627)	(35,543,232)	(26,530,232)	(29,816,908)	(24,329,885)	(32,617,908)	(33,675,604)	(34,038,341)	(34,912,108)
Business-type activities	(24,658)	(21,645)	27,280	(55,535)	(51,197)	(14,978)	18,223	(14,724)	110,752	(2,711)
Total net revenues (expenses)	(40,534,709)	(40,379,272)	(35,515,952)	(26,585,767)	(29,868,105)	(24,344,863)	(32,599,685)	(33,690,328)	(33,927,589)	(34,914,819)
General revenues and other changes to net position:										
Taxes										
Property taxes	13,966,896	13,517,129	12,862,879	12,685,172	12,111,840	12,465,052	11,420,680	11,645,328	11,944,651	13,372,060
Motor vehicle in lieu	-	-	-	-	-	-	-	5,713,857	6,244,987	6,900,045
Sales tax	6,095,478	5,402,494	5,614,000	5,067,921	5,289,403	5,612,549	5,324,720	5,418,895	5,251,513	5,625,840
Tax increment	-	-	-	-	-	-	2,956,160	-	-	-
Franchise tax	2,596,774	2,457,753	2,530,504	2,316,498	2,296,371	2,285,759	2,368,974	2,239,905	2,312,090	1,997,823
Utility users tax	2,449,027	2,401,252	2,305,780	2,395,922	2,325,395	2,252,168	2,215,756	2,266,892	2,407,299	2,459,483
Other taxes	2,187,416	1,546,154	1,878,295	1,585,951	1,156,959	1,144,346	1,142,083	1,084,450	1,145,692	1,129,061
Use of money and property										
Interest	986,292	466,942	222,210	133,422	63,329	89,714	119,287	721,172	388,977	1,190,007
Other	3,468,068	2,196,065	1,906,251	3,652,203	1,340,746	1,920,821	1,441,891	7,127,812	1,963,573	73,358
Total general revenues and other changes	31,749,951	27,987,789	27,319,919	27,837,089	24,584,043	25,770,409	27,734,756	36,218,311	31,658,782	32,747,677
Changes in net position	\$ (8,784,758)	\$(12,391,483)	\$(8,196,033)	\$ 1,251,322	\$(5,284,062)	\$ 1,425,546	\$(4,864,929)	\$ 2,527,983	\$(2,268,807)	\$(2,167,142)

Source: City of Baldwin Park, Department of Finance

City Of Baldwin Park
Changes In Fund Balances Of Governmental Funds (Unaudited)
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes	\$ 27,808,215	\$ 25,494,897	\$ 25,375,613	\$ 24,621,704	\$ 23,380,086	\$ 23,948,416	\$ 26,010,242	\$ 28,781,829	\$ 29,176,659	\$ 31,794,891
Licenses and permits	866,469	867,491	647,237	727,345	480,163	410,422	570,982	583,935	625,889	564,596
Fines and forfeitures	715,649	869,921	940,494	1,547,815	1,328,768	1,435,656	2,132,229	1,741,941	3,379,541	2,039,461
Use of money and property	985,077	590,760	313,157	355,455	232,573	623,138	552,322	563,120	449,266	723,158
Intergovernmental	14,829,862	13,313,996	13,779,022	14,991,699	13,894,777	16,484,837	15,365,584	17,148,467	17,611,402	14,885,994
Charges for services	3,668,924	3,246,729	2,076,545	3,337,421	2,093,492	1,687,331	1,903,087	1,900,607	1,830,657	1,546,595
Others	4,243,986	3,369,839	3,198,282	3,234,325	4,357,507	1,767,995	1,990,337	2,114,796	2,193,287	2,053,604
Total revenues	53,118,182	47,753,633	46,330,350	48,815,764	45,767,366	46,357,795	48,524,783	52,834,695	55,266,701	53,608,299
Expenditures										
Current:										
General government	3,222,291	3,576,247	3,189,841	2,966,952	2,944,980	2,566,058	3,470,852	3,071,399	2,882,320	3,031,641
Public safety	21,516,309	19,229,288	18,629,710	18,501,597	17,131,533	17,452,849	18,055,455	17,132,322	17,006,136	17,164,777
Public works	7,991,644	10,739,404	8,941,242	8,266,399	6,284,794	7,246,257	5,907,233	5,360,016	5,462,651	6,204,823
Community development	7,941,211	8,654,300	7,508,322	8,898,699	10,438,893	6,321,635	9,219,672	10,870,890	14,252,879	12,366,593
Recreation services	4,477,278	4,498,631	4,717,096	2,701,780	3,744,883	3,719,236	3,839,072	4,203,053	4,078,500	4,336,564
Capital outlay:	5,031,773	1,250,739								
Public works	-	-	3,975,529	591,396	646,996	2,450,014	1,378,864	5,271,250	3,673,895	663,045
Community development	-	-	-	150,970	606,438	5,366,122	2,898,564	16,709	-	584,672
Debt service:										
Principal retirement	10,566,000	2,669,000	2,480,000	2,306,000	2,145,000	1,989,000	3,003,000	2,924,000	2,870,000	5,638,000
Interest and fiscal charges	691,933	650,255	833,872	1,005,038	1,098,642	1,195,720	2,131,081	2,948,628	3,148,521	3,615,036
Total expenditures	61,438,439	51,267,864	50,275,612	45,388,831	45,042,159	48,306,891	49,903,793	51,798,267	53,374,902	53,605,151
Excess (deficiency) of revenues over expenditures	(8,320,257)	(3,514,231)	(3,945,262)	3,426,933	725,207	(1,949,096)	(1,379,010)	1,036,428	1,891,799	3,148
Other financing sources (uses):										
Gain on sale of properties	-	-	-	-	-	-	-	522,745	-	-
Loan proceeds	8,699,256	1,565,718	-	-	-	-	-	109,869	158,922	-
Transfers in	1,504,919	1,832,091	1,734,428	2,133,768	1,883,876	2,449,890	3,311,585	5,089,645	4,605,577	3,178,433
Transfers out	(1,519,838)	(2,850,109)	(2,097,259)	(2,133,768)	(1,907,220)	(2,601,275)	(4,069,825)	(5,089,645)	(4,484,544)	(3,775,309)
Issuance of bonds	-	-	-	-	-	-	-	-	-	3,022,000
Total other financing sources (uses)	8,684,337	547,700	(362,831)	-	(23,344)	(151,385)	(758,240)	632,614	279,955	2,425,124
Special items										
Gain on sale of properties	-	-	-	-	-	-	-	4,988,913	-	-
Items related to payment of loans	-	-	-	-	-	-	-	383,889	-	-
RDA dissolution transactions	-	-	-	-	-	-	9,492,143	-	-	-
Net special items	-	-	-	-	-	-	9,492,143	5,372,802	-	-
Net change in fund balance	\$ 364,080	\$ (2,966,531)	\$ (4,308,093)	\$ 3,426,933	\$ 701,863	\$ (2,100,481)	\$ 7,354,893	\$ 7,041,844	\$ 2,171,754	\$ 2,428,272
Debt service as a percentage of noncapital expenditures	19.96%	6.64%	7.16%	7.42%	7.41%	7.87%	11.25%	12.63%	12.11%	17.67%

Source: City of Baldwin Park, Department of Finance

City Of Baldwin Park
Assessed Value And Estimated Value Of Taxable Property (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended	City			Taxable Assessed Value	Direct Tax Rate (1)
	Secured	Unsecured	Less Exemptions		
2009	\$ 2,981,835,548	\$ 61,073,837	\$ 34,382,263	\$ 3,008,527,122	1.590%
2010	3,800,274,206	196,070,446	302,325,645	3,694,019,007	1.470%
2011	3,753,103,235	189,227,317	305,138,330	3,637,192,222	1.540%
2012	3,807,825,639	186,940,080	325,255,386	3,669,510,333	1.320%
2013	3,847,566,860	184,329,274	328,124,599	3,703,771,535	1.320%
2014	3,964,547,207	184,504,677	341,289,168	3,807,762,716	1.270%
2015	4,176,607,323	203,549,310	340,987,144	4,039,169,489	1.080%
2016	4,369,302,134	202,574,912	358,469,991	4,213,407,055	0.920%
2017	4,553,828,855	204,539,343	365,616,653	4,392,751,545	0.290%
2018	4,751,028,710	174,734,412	341,176,468	4,584,586,654	0.630%

Note (1): Beginning in fiscal year 1982, the valuation provided are equal to the full cash value of the the assessed valuations reflected only 25% on the full cash value. This change reflects California Constitution (Proposition 13).

Source: Los Angeles County Assessor's Office.
Hdl, Coren & Cone

City Of Baldwin Park
Direct Overlapping Property Tax Rates (Unaudited)
(Rate Per \$100 Of Assessed Value)
Last Ten Fiscal Years

<u>Agency</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Basic Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Baldwin Park Unified School District	0.13039	0.10510	0.16288	0.16519	0.15842	0.16406	0.17506	0.16673	0.16101	0.15384
Bassett United School Dist	0.17443	0.16781	0.15771	0.11539	0.11632	0.12773	0.11628	0.12316	0.10877	0.08990
El Monte City School District	0.00000	0.00000	0.00000	0.00000	0.12735	0.13288	0.12733	0.12388	0.11907	0.09045
El Monte Union High School	0.08243	0.08469	0.09155	0.08418	0.09799	0.08992	0.09591	0.08475	0.09654	0.05160
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00370	0.00370	0.00430	0.00430
Mountain View Sd 2016 Series A	0.04770	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Mt. San Antonio College	0.02371	0.02400	0.02154	0.02129	0.02023	0.02896	0.02642	0.02636	0.02571	0.02333
Rio Hondo Community College Dist	0.02748	0.02808	0.02712	0.02821	0.02892	0.02812	0.03418	0.03439	0.02714	0.02320
West Covina Unified	0.09514	0.04914	0.04205	0.05412	0.03626	0.04965	0.05377	0.05920	0.05258	0.06041
Total Direct & Overlapping Tax Rates	1.58478	1.46232	1.50635	1.47188	1.58899	1.62482	1.63265	1.62217	1.59512	1.40657
City Share of 1% Levy Per Prop 13	0.12058	0.12058	0.12058	0.12058	0.12058	0.12058	0.12058	0.12058	0.12058	0.12058
Redevelopment Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00370	1.00370	1.00430	1.00430
Total Direct Rate	0.11674	0.11735	0.11716	0.11697	0.11484	0.27229	0.27179	0.27918	0.28157	0.26810

**City Of Baldwin Park
Ten Principal Property Taxpayers (Unaudited)
Current Year And Ten Years Ago**

Property Taxpayer	2018		2009	
	Assessed Value	Percentage Total	Assessed Value	Percentage Total
In N Out Burger Inc.	\$ 37,389,032	0.82%	\$ 30,666,294	0.78%
State of California	-	0.00%	27,182,092	0.69%
Kaiser Foundation Hospitals	-	0.00%	19,329,832	0.49%
Wal Mart Real Estate Business Trust	31,756,863	0.69%	-	0.00%
Sierra Center Investments LLC	27,186,315	0.59%	24,021,000	0.61%
Home Depot USA	20,027,925	0.44%	18,556,590	0.47%
Baldwin Park Commerce Center LP	-	0.00%	16,088,351	0.41%
J&J Warehouse Company LLC	18,224,120	0.40%	16,116,834	0.41%
LBA RV Company XII LP	17,176,800	0.37%	-	0.00%
Target Corporation	16,096,583	0.35%	-	0.00%
M and A Gabae LP	15,813,678	0.34%	11,227,557	0.29%
Baldwin Ohana LP	14,634,273	0.32%	-	0.00%
Dayton Hudson Corporation	-	0.00%	13,716,527	0.35%
Otting Properties	14,364,585	0.31%	12,496,571	0.32%
Total taxable assessed value of ten largest taxpayers	212,670,174	4.64%	189,401,648	4.84%
Total taxable assessed value of other taxpayers	4,371,916,480	95.36%	3,722,334,576	95.16%
Total taxable assessed value of all taxpayers	<u>\$ 4,584,586,654</u>	<u>100.00%</u>	<u>\$ 3,911,736,224</u>	<u>100.00%</u>

Note: The amounts shown above include assessed value data for both the City and the former Community Development Commission of Baldwin Park.

Source: Los Angeles County Assessor's Office, HdL, Coren & Cone

**City Of Baldwin Park
Property Tax Levies And Collections (Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Secured Tax	Unsecured Tax	Taxes Levied for the Tax Year	Collections within the Fiscal Year of Levy (1)(2)		Collections in Subsequent Years Amount	Delinquent Tax Collections Amount	Tax Collections to Date	
				Amount	Percent of Levy			Amount	Percent of Levy
2009	\$ 3,948,959	\$ 79,045	\$ 4,028,004	\$ 5,906,716	147%	(3)	(3)	\$ 5,906,716	147%
2010	4,321,922	57,803	4,379,725	5,193,394	119%	(3)	(3)	5,193,394	119%
2011	5,157,261	68,860	5,226,121	5,220,369	100%	(3)	(3)	5,220,369	100%
2012	5,114,052	48,090	5,162,141	5,182,322	100%	(3)	(3)	5,182,322	100%
2013	5,396,596	49,848	5,446,444	6,169,518	113%	(3)	(3)	6,169,518	113%
2014	5,566,627	51,978	5,618,605	5,641,888	100%	(3)	(3)	5,641,888	100%
2015	5,824,808	26,945	5,851,753	5,822,686	100%	(3)	(3)	5,822,686	100%
2016	5,699,017	46,202	5,745,219	5,700,095	99%	(3)	(3)	5,700,095	99%
2017	6,012,206	97,497	6,109,703	6,051,017	99%	(3)	(3)	6,051,017	99%
2018	6,008,474	67,462	6,075,936	6,176,434	102%	(3)	(3)	6,176,434	102%

- Note (1) The figures provided for property tax levies and collections are for the City of Baldwin Park only, and do not include tax increments levied and collected on behalf of the Baldwin Park Successor Agency (formerly Redevelopment Agency).
- (2) Article XIII A of the California Constitution limits the amount of any ad valorem tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on general obligation bonds and certain other indebtedness approved by voters. This tax is collected by the County Tax Collector and is distributed according to a formula established by the State Legislature.
- (3) The City of Baldwin Park combined the Property Taxes accounts into one.

Source: Los Angeles County Auditor-Controller, Tax Division
City of Baldwin Park, Department of Finance

**City Of Baldwin Park
Ratio Of Outstanding Debt By Type (Unaudited)
Last Ten Fiscal Years**

Fiscal Year Ended	(1) Population	Total Assessed Value	(2) Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Capital Leases	Notes Payable	Total Debt	Total Debt per Capita
2009	81,144	\$ 4,213,482,753	\$ 46,529,000	\$ 4,977,495	\$ 41,551,505	\$ 725,000	\$ 7,910,490	\$ 50,186,995	\$ 616
2010	81,604	4,611,933,343	46,927,000	3,354,699	43,572,301	514,612	4,369,000	48,455,913	594
2011	75,830	4,531,872,593	44,264,000	1,751,761	42,512,239	247,596	4,108,000	46,867,835	619
2012	76,315	4,554,676,396	41,537,000	2,323,299	39,213,701	289,037	3,832,000	43,334,738	571
2013	76,715	4,603,562,164	38,630,000	1,438,665	37,191,335	135,827	3,540,000	40,867,162	536
2014	76,749	4,752,126,081	35,505,000	2,181,717	33,323,283	48,560	3,230,000	36,601,843	477
2015	74,738	5,010,130,459	32,157,000	1,329,848	30,827,152	-	2,902,000	33,729,152	451
2016	75,537	5,214,929,748	28,564,000	72,225	28,491,775	-	2,555,000	31,046,775	411
2017	76,463	5,417,115,331	9,785,000	(3) 696,007	9,088,993	-	2,580,000	11,668,993	153
2018	76,708	5,713,224,809	7,276,000	694,125	6,581,875	-	1,799,000	8,380,875	109

Note (1) Population figures were obtained from the State of California Department of Finance.

(2) The figures presented include both bonds and notes supported by property tax allocations and by special benefit assessment for the combined entity as described in note 1 to the Basic Financial Statements.

(3) As of FY 2017 Gross Bonded debt and related services Funds are for City Bond obligations only and listed under the "Gross Bond and Debt" and the "Less Debt Service Columns"

Source: Los Angeles County Auditor-Controller, Tax Division
City of Baldwin Park, Department of Finance

**City Of Baldwin Park
Computation Of Legal Debt Margin (Unaudited)
Last Ten Fiscal Years**

Fiscal Year Ended	Assessed Valuation Amount	%	Adjusted	Debt Limit %	Amount	General Obligation Bonds	% of Debt Limit	Legal Debt Margin
2009	\$ 4,213,482,753	25%	\$ 1,053,370,688	15%	\$ 158,005,603	\$ 49,551,000	31.4%	\$ 108,454,603
2010	4,611,933,343	25%	1,152,983,336	15%	172,947,500	46,927,000	27.1%	126,020,500
2011	4,531,872,593	25%	1,132,968,148	15%	169,945,222	44,264,000	26.0%	125,681,222
2012	4,554,676,396	25%	1,138,669,099	15%	170,800,365	41,537,000	24.3%	129,263,365
2013	4,603,562,164	25%	1,150,890,541	15%	172,633,581	40,445,000	23.4%	132,188,581
2014	4,752,126,081	25%	1,188,031,520	15%	178,204,728	32,095,000	18.0%	146,109,728
2015	5,668,000,701	25%	1,417,000,175	15%	212,550,026	27,975,000	13.2%	184,575,026
2016	5,214,929,748	25%	1,303,732,437	15%	195,559,866	25,889,000	13.2%	169,670,866
2017	5,417,115,331	25%	1,354,278,833	15%	203,141,825	9,785,000	4.8%	193,356,825
2018	5,713,224,809	25%	1,428,306,202	15%	214,245,930	9,075,000	4.2%	205,170,930

City Of Baldwin Park
Direct And Overlapping Bonded Debt (Unaudited)
June 30, 2018

	Gross Bonded Debt June 30, 2018	Percent Applicable to City of Baldwin Park	Baldwin Park's Share of Debt
Direct debt: (3)			
2017 Lease Agreement	\$ 7,276,000	100.00%	\$ 7,276,000
2018 Energy Conservation Assistance Act Loan	2,988,974	100.00%	2,988,974
SA - Series 2017 Tax Allocation Refunding Bonds (2)	11,325,000	100.00%	11,325,000
Total direct Gross Lease/Loan/Bond Debt.			<u>\$ 21,589,974</u>
Gross Notes-Payable			
HUD 108 Series 2015 A Note	\$ 1,799,000	100.00%	\$ 1,799,000
Total Gross Notes Payable			<u>1,799,000</u>
Total Direct Debt			<u>\$ 23,388,974</u>
Overlapping debt: (4)			
Metropolitan Water District (1)	\$ 29,354,442	0.324%	\$ 94,995
Mountain View School District	18,000,000	0.981%	176,600
El Monte Union HSD DS 2008 Series A	617,055	0.221%	1,361
El Monte Union HSD DS 2008 Series B	30,118,828	0.221%	66,453
El Monte Union HSD DS 2015 REF Bonds	26,125,000	0.221%	57,642
El Monte Union HSD DS 2016 REF	17,110,000	0.221%	37,751
El Monte Union HSD DS 2008 SERIES C	52,990,000	0.221%	116,916
El Monte Union HSD DS 2016 REF Bonds	10,895,098	0.221%	24,039
Mt. San Antonio Community College District DS 2008 Series 13A	200,306,691	5.228%	10,471,904
Mt. San Antonio Community College District DS 2008 Series 2013B	7,350,000	5.228%	384,253
Mt. San Antonio Community College District DS 2013 REF Series A	63,210,000	5.228%	3,304,578
Mt. San Antonio Community College District DS 2013 REF Series B	37,010,000	5.228%	1,934,859
Mt. San Antonio Community College District DS 2015 REF Bonds	19,130,000	5.228%	1,000,104
Mt. San Antonio Community College District DS 2008 Series 2015C	16,750,000	5.228%	875,679
Rio Hondo Community College District DS 2005 Refunding Bonds	31,650,000	0.084%	26,742
Rio Hondo Community College District DS 2004 Series 2008	116,557,824	0.084%	98,483
Baldwin Park USD 2002 Series 2004	6,455,897	92.694%	5,984,217
Baldwin Park USD 2006 Series 2008	268,630	92.694%	249,003
Baldwin Park USD 2006 Series 2013	23,709,735	92.694%	21,977,457
Baldwin Park USD 2016 Ref Bonds	68,060,000	92.694%	63,087,409
Bassett USD DS 2004 Series 2005 A	265,953	1.428%	3,797
Bassett USD DS 2006 SER B	10,775,729	1.428%	153,862
Bassett USD DS 2014 REF Series A	8,220,000	1.428%	117,370
Bassett USD DS 2014 REF Series B	6,415,000	1.428%	91,597
Bassett USD DS 2014 Series A	8,530,000	1.428%	121,796
Bassett USD DS 2016 REF Bonds	8,645,000	1.428%	123,438
Bassett USD DS 2014 Series B	20,100,000	1.428%	286,999
West Covina USD 2002 Refunding Series A	10,655,000	0.222%	23,696
West Covina USD DS 2012 REF Bonds	11,745,000	0.222%	26,120
West Covina USD DS 2016 Series A	74,995,000	0.222%	166,784
Total overlapping debt			<u>\$ 111,085,904</u>
Total direct and overlapping debt			<u>\$ 134,474,878</u>
2017-18 Assessed Valuation:	<u>\$3,708,779,108</u>	(After deducting \$875807546 Increment Value)	
Debt to Assessed Valuation Ratios:			
Direct debt	0.63%		
Overlapping debt	<u>3.63%</u>		
Total debt (2)	<u>4.26%</u>		

Notes:

- (1) This fund is a portion of a larger agency, and is responsible for debt in areas outside the City.
(2) Debt figures include general obligation debt which is being repaid through property taxes.
It excludes revenue, mortgage revenue, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Source:

- (3) City of Baldwin Park Department of Finance
(4) HdL Coren & Cone, Los Angeles County Assessors Combined 2017/18 Lien Date Tax Rolls.

City Of Baldwin Park
Full-Time And Part-Time City Employees (Unaudited)
By Function
Last Ten Fiscal Years

<u>Function</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General government	30	31	28	27	28	32	31	32	30	31
Public safety	99	105	94	90	111	93	103	109	112	111
Community development	16	22	19	17	24	39	38	45	45	33
Public works	38	39	34	35	39	32	30	34	33	35
Park & Recreation	120	165	123	136	156	161	160	186	234	232
Total	303	362	298	305	358	357	362	406	454	442

Source: City of Baldwin Park

**City Of Baldwin Park
Pledged-Revenue Coverage
Tax Allocation Bonds (Unaudited)
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Gross Revenue	Pass Through	20% Set Aside	Net Available Revenue	Principal & Interest	Total	Coverage
2009	\$ 7,154,345	\$ 3,300,737	\$ 1,326,873	\$ 2,526,735	\$ 2,520,525	\$ 2,520,525	1.00
2010	7,050,343	2,793,546	1,312,141	2,944,656	2,524,443	2,524,443	1.17
2011	6,507,747	2,666,472	1,195,903	2,645,372	2,388,413	2,388,413	1.11
2012	3,665,710	2,247,042	647,371	771,297	2,395,605	2,395,605	0.32
2013	7,381,113	3,628,117	-	3,752,996	2,407,224	2,407,224	1.56
2014	7,292,921	3,380,446	-	3,912,474	2,418,365	2,418,365	1.62
2015	4,065,833	1,616,306	-	2,449,528	2,423,448	2,423,448	1.01
2016	4,109,417	1,949,707	-	2,159,710	2,432,348	2,432,348	0.89
2017	7,545,318	4,373,788	-	3,171,530	12,562,674	12,562,674	0.25
2018	6,378,613	4,221,311	-	2,157,302	1,939,714	1,939,714	1.11

Note: Refinanced the Merged 2000, 1998 SGR , 1990 CBD and 2003 Puente Merced Bonds and the O/S balance were paid with the proceeds from the 2017 Tax Allocation Bonds.

Source: City of Baldwin Park Department of Finance

**City Of Baldwin Park
Demographic Statistics (Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Housing Units (1)	Per Capita Personal Income (2)	School Enrollment (3)	Rate of Unemployment (4)
2009	81,144	17,751	13,915	17,514	15.7%
2010	81,604	17,736	13,614	15,497	15.9%
2011	75,830	17,750	14,177	15,202	16.1%
2012	76,315	17,774	15,139	19,500	14.5%
2013	76,715	17,799	15,356	18,845	13.3%
2014	76,749	17,797	15,269	18,767	10.9%
2015	74,738	17,792	15,150	14,007	9.0%
2016	75,537	17,800	15,764	18,407	5.6%
2017	76,463	17,878	16,000	17,733	5.2%
2018	76,708	17,923	16,398	16,695	5.0%

Source: (1) California Department of Finance
(2) US Census Bureau, most recent American Community Survey
(3) California Department of Education, Education Demographics Unit - Enrollment by Grade
(4) State Employment Development Department

City Of Baldwin Park
Operating Indicators By Function (Unaudited)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Arrests	2,533	2,081	2,286	2,504	2,639	2,143	2,734	2,738	2,533	2,561
Parking Citations	12,368	12,040	9,237	6,307	4,897	6,082	7,809	10,256	11,604	11,464
Public Works:										
Street resurfacing (miles)	2.5	9.4	3	5	-	-	4	2	9	-
Sewers new connections	31	15	74	91	4	3	18	19	34	6
Average daily sewer treatment (in 1000 gallons)	7450	7450	7,400	7,400	7,500	7,700	7,800	7,320	6,900	6,300
Parks & Recreation:										
Number of recreation classes	796	1,441	908	802	517	415	420	257	242	452
Number of facility rentals	1,158	1,285	1,086	1,240	1,008	1,036	717	706	795	470

Source: City of Baldwin Park

**City Of Baldwin Park
Capital Assets Statistics By Function (Unaudited)
Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	29	26	50	44	44	44	45	43	42	39
Public Works:										
Streets (miles)	119	119	119	119	119	119	119	118	118	118
Streetlights	521	521	519	515	505	505	505	490	480	480
Traffic signals	77	77	74	73	71	68	68	65	64	64
Parks & Recreation:										
Parks	4	4	4	4	4	4	5	5	5	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	3	3

**City Of Baldwin Park
Per Capita Cost – General Governmental
Expenditures By Function (Unaudited)
Last Ten Fiscal Years**

Fiscal Year Ended	(1) Population	General Government	Public Safety	Public Works	Community Services and Capital Outlay	Debt Service	Other	Total
2009	81,144	\$ 37	\$ 211	\$ 84	\$ 159	\$ 114	\$ 53	658
2010	81,604	35	209	72	112	95	132	655
2011	75,830	36	226	71	165	43	56	597
2012	76,315	42	238	96	160	68	51	655
2013	76,715	34	230	128	83	71	49	595
2014	76,749	38	223	90	144	42	49	586
2015	74,738	61	229	130	43	43	45	586
2016	75,537	83	252	185	25	44	70	551
2017	76,463	97	258	178	98	44	149	823
2018	76,708	120	285	177	26	157	66	830

Notes: Includes all Governmental Fund Types (General, Special Revenue, Capital Projects, and Debt Service Funds), including the Baldwin Park Redevelopment Agency and the Baldwin Park Housing Authority.

(1) Population figures were obtained from the State of California Department of Finance.

Source: City of Baldwin Park Department of Finance, except where noted above.

**City Of Baldwin Park
Construction Activity (Unaudited)
Last Ten Fiscal Years**

Year Ended	New Construction and Alterations			Total	Demolitions	New Value of Construction
	Residential	Commercial	Industrial (1)			
2009	\$ 6,442,950	\$ 7,425,132	\$ 172,000	\$ 14,040,082	\$ 129,256	\$ 13,910,826
2010	8,046,015	5,871,449	203,800	14,121,264	133,280	13,987,984
2011	9,559,585	5,748,912	-	15,308,497	251,948	15,056,549
2012	10,783,927	4,307,933	83,000	15,174,860	172,610	15,002,250
2013	4,120,244	2,929,502	620,000	7,669,746	276,221	7,393,525
2014	4,456,750	2,995,497	30,000	7,482,247	117,498	7,364,749
2015	9,729,899	5,667,731	1,118,500	16,516,130	45,936	16,470,194
2016	8,480,809	8,574,903	10,000	17,065,712	264,175	16,801,537
2017	14,811,941	8,881,004	786,499	24,479,444	12,600	24,466,844
2018	21,320,953	5,143,377	3,866,283	30,330,613	77,400	30,253,213

Note (1) The Building Division streamlined the monthly report format and began combining commercial and industrial occupancies as of September 2001.

Source: City of Baldwin Park Department of Community Development.

**City Of Baldwin Park
Ten Principal Employers (Unaudited)
June 30, 2018**

Employer	2018			2009		
	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment	Rank
So. California Permanente Medical Group	1,943	5.835%	1			
Baldwin Park Unified School District	1,903	5.715%	2	1,975	13.224%	1
United Parcel Service Inc.	841	2.526%	3			
Walmart	331	0.994%	4	350	2.343%	3
Baldwin Park City Hall	303	0.910%	5	442	2.959%	2
Lighting Technologies International LLC	185	0.556%	6			
Freudenberg Medical LLC	170	0.511%	7			
Universal Plastic Mold	167	0.502%	8			
Target	161	0.483%	9	200	1.339%	10
Home Depot	149	0.447%	10	160	1.071%	13
Total	<u>6,153</u>	<u>18.477%</u>		<u>3,127</u>	<u>20.937%</u>	
Total Employment	<u>33,300</u>	<u>100%</u>		<u>14,935</u>	<u>100%</u>	

Disclaimer: The City of Baldwin Park makes no claims concerning the accuracy of data provided nor assumes any liability resulting from the use of information herein.

Sources: HDL Report of 2009 Principal Employers
City of Baldwin Park business license estimated data.
State of California Employment Development Department - Labor Force Information
State of California Department of Education - Staffing Report

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF BALDWIN PARK (the “City”) in connection with the issuance by the Baldwin Park Municipal Financing Authority (the “Authority”) of its Baldwin Park Municipal Financing Authority (Los Angeles County, California) Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues), in the aggregate principal amount of \$6,150,000* (the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of February 1, 2019 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, Harrell & Company Advisors, LLC, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means, collectively, Samuel A. Ramirez & Company, Inc., as the original underwriter of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for fiscal year 2017-18 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 5 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 5 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The filing requirement with respect to the initial Annual Report that is due by March 31, 2019, shall be satisfied by filing the Official Statement on EMMA.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

1. Principal amount of the Bonds outstanding.
2. Balance in the funds and accounts established under the Indenture and the Installment Sale Agreement.
3. If the amount on deposit in the Reserve Fund is not equal to the Reserve Fund Requirement, the amount of the delinquency or surplus, as applicable.

4. A description of the status of construction of the City's Project, including: (i) a description of any land use entitlements acquired or amended with respect to any portion of the Project during the period covered by the Annual Report; and (ii) any previously undisclosed legislative, administrative or judicial challenges to the development of the Project, if material.

5. Updated information set forth in the tables of the Official Statement entitled "CITY OF BALDWIN PARK MEASURE M FUND BALANCE SHEET" and "CITY OF BALDWIN PARK MEASURE M FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES," and "Maximum Annual Debt Service Coverage."

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to

undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The

Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF BALDWIN PARK

By _____
Authorized Officer

ACKNOWLEDGED:

HARRELL & COMPANY ADVISORS, LLC, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Baldwin Park Municipal Financing Authority
Name of Obligor: City of Baldwin Park
Name of Issue: Baldwin Park Municipal Financing Authority (Los Angeles County, California)
Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project)
(Measure M Revenues)
Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN the Municipal Securities Rulemaking Board that the City of Baldwin Park (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated [Closing Date], executed by the City. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

HARRELL & COMPANY ADVISORS, LLC, as
Dissemination Agent

By _____
Title _____

cc: Trustee

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Baldwin Park Municipal Financing Authority
14403 East Pacific Avenue
Baldwin Park, California 91706

OPINION: \$6,150,000* Baldwin Park Municipal Financing Authority (Los Angeles County, California) Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues)

Members of the Authority:

We have acted as bond counsel in connection with the delivery by the Baldwin Park Municipal Financing Authority (the "Authority") of \$6,150,000* aggregate principal amount of the bonds of the Authority designated the "Baldwin Park Municipal Financing Authority (Los Angeles County, California) Revenue Bonds, Series 2019 (Rail Crossings Safety Improvements Project) (Measure M Revenues)" (the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), an indenture of trust, dated as of February 1, 2019 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee, and a resolution of the Authority adopted on October 17, 2018. The Bonds are secured by Revenues (as defined in the Indenture), including certain payments made by the City of Baldwin Park (the "City") under an installment sale agreement, dated as of February 1, 2019 (the "Installment Sale Agreement"), by and between the Authority and the City. The obligation of the City to make payments under the Installment Sale Agreement is, in all respects, on a parity, as to payment and security, with the City's obligations with respect to any parity obligations hereafter issued or incurred by the City (collectively, the "Parity Obligations"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture and the Installment Sale Agreement, as applicable, and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a duly constituted joint exercise of powers authority under the laws of the State of California with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

* Preliminary, subject to change.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The Installment Sale Agreement has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

6. The City is a municipal corporation and general law city duly organized and existing under the laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein.

7. The Installment Sale Agreement has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

8. The Installment Sale Agreement establishes a valid first and exclusive lien on and pledge of "Measure M Receipts" (being a portion of the revenues of the MTA allocable to the City derived from a retail transactions and use tax imposed by the County and approved by at least two-thirds of the electors of the County on November 8, 2016), and other funds pledged thereby for the security of the Installment Sale Agreement, and any Parity Obligations, in accordance with the terms of the Installment Sale Agreement.

9. Subject to compliance by the Authority and the City with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

10. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.