

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and the Bonds are “qualified tax-exempt obligations” with the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$3,245,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series A (Wastewater System)
(Bank Qualified)

\$2,210,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series B (Water System)
(Bank Qualified)

Dated: Date of Delivery

Due: May 1, as shown on inside cover

Authority for Issuance. The City of Wheatland (the “City”) is issuing its 2019 Revenue Refunding Bonds, Series A (Wastewater System) (the “Series A Bonds”) and its 2019 Revenue Refunding Bonds, Series B (Water System) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”) under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”), an Indenture of Trust dated as of December 1, 2019, between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”) with respect to each series of Bonds (each, an “Indenture”), and a resolution of the City Council of the City adopted on November 12, 2019. See “THE BONDS – Authority for Issuance.”

Purpose. The proceeds of the Series A Bonds will be used to (i) refinance outstanding obligations of the City’s wastewater system (as further defined herein, the “Wastewater System”); and (ii) pay the costs of issuing the Series A Bonds. The proceeds of the Series B Bonds will be used to (i) refinance outstanding obligations of the City’s water system (as further defined herein, the “Water System”); and (ii) pay the costs of issuing the Series B Bonds. See “THE REFINANCING PLAN.”

Security for the Bonds. The Series A Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term is defined in the Indenture for the Series A Bonds) of the Wastewater System and from amounts on deposit in certain funds and accounts established under said Indenture. The Series B Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term is defined in the Indenture for the Series B Bonds) of the Water System and from amounts on deposit in certain funds and accounts established under said Indenture. The Series A Bonds and Series B Bonds will each be issued under different Indentures and secured by separate and distinct sources of revenues as described in this Official Statement. The Series A Bonds and Series B Bonds are not cross-collateralized in any manner. The City is funding a reserve fund for each series of Bonds through the purchase of a reserve fund surety in the amount of the reserve requirement for each series of Bonds. See “SECURITY FOR THE BONDS.”

Parity Obligations. Effective upon the issuance of the Bonds, there will be no additional bonds or other obligations of the City payable from the Wastewater System or Water System on a parity with the Series A Bonds or Series B Bonds, respectively. However, in the future, the City may issue additional debt secured by the Net Revenues of the Wastewater System or Water System on a parity basis, subject to the conditions set forth in the applicable Indenture. See “SECURITY FOR THE BONDS – Parity Obligations.”

Bond Terms; Book-Entry Only. The Series A Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2020, and will be issued in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Series B Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2020, and will be issued in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Description” and “APPENDIX F – DTC and the Book-Entry Only System.”

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

Bond Insurance and Reserve Surety. The scheduled payment of principal of and interest on each series of Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the applicable series of Bonds by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). The Insurer is also providing a reserve fund insurance policy to meet the reserve requirement for each series of Bonds.



This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the City. Certain matters will be passed upon by for the City by the City Attorney, and by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in book-entry form on or about December 19, 2019.



MATURITY SCHEDULE

\$3,245,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series A (Wastewater System)
(Bank Qualified)

(Base CUSIP†: 96260C)

Maturity (May 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Number
2020	\$75,000	3.000%	1.130%	100.681	AA4
2021	70,000	3.000	1.150	102.500	AB2
2022	75,000	3.000	1.180	104.234	AC0
2023	75,000	3.000	1.240	105.784	AD8
2024	80,000	3.000	1.300	107.192	AE6
2025	80,000	4.000	1.350	113.672	AF3
2026	85,000	4.000	1.430	115.585	AG1
2027	90,000	4.000	1.490	117.448	AH9
2028	90,000	4.000	1.590	118.808	AJ5
2029	95,000	4.000	1.730	119.549	AK2
2030	100,000	4.000	1.850	118.410 ^C	AL0
2031	100,000	4.000	1.960	117.377 ^C	AM8
2032	105,000	4.000	2.040	116.632 ^C	AN6
2033	110,000	4.000	2.140	115.709 ^C	AP1
2034	115,000	4.000	2.230	114.885 ^C	AQ9

**\$635,000 2.750% Term Bond due May 1, 2039, Yield: 2.910%, Price: 97.641%,
CUSIP† No. 96260C AR7**

**\$1,265,000 4.000% Term Bond due May 1, 2047, Yield: 2.670%, Price: 110.955%^C,
CUSIP† No. 96260C AS5**

^C Priced to the first optional redemption date of May 1, 2029.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein.

\$2,210,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series B (Water System)
(Bank Qualified)

(Base CUSIP†: 96260C)

Maturity (May 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Number
2021	\$40,000	3.000%	1.150%	102.500	AT3
2022	70,000	3.000	1.180	104.234	AU0
2023	75,000	3.000	1.240	105.784	AV8
2024	75,000	3.000	1.300	107.192	AW6
2025	75,000	4.000	1.350	113.672	AX4
2026	80,000	4.000	1.430	115.585	AY2
2027	85,000	4.000	1.490	117.448	AZ9
2028	85,000	4.000	1.590	118.808	BA3
2029	90,000	4.000	1.730	119.549	BB1
2030	95,000	4.000	1.850	118.410 ^C	BC9
2031	95,000	4.000	1.960	117.377 ^C	BD7
2032	100,000	4.000	2.040	116.632 ^C	BE5
2033	105,000	4.000	2.140	115.709 ^C	BF2
2034	110,000	4.000	2.230	114.885 ^C	BG0
2035	115,000	3.000	2.670	102.716 ^C	BH8
2036	120,000	3.000	2.760	101.967 ^C	BJ4

**\$795,000 4.000% Term Bond due May 1, 2042, Yield: 2.600%, Price: 111.569%^C,
CUSIP† No. 96260C BK1**

^C Priced to the first optional redemption date of May 1, 2029.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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.

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have 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 issuance and sale 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.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot 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 cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Insurer Disclaimer. Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G – Specimen Municipal Bond Insurance Policy."

Website. The City maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

CITY OF WHEATLAND
(Yuba County, California)

CITY COUNCIL

Joseph Henderson, *Mayor*
Rick West, *Vice Mayor*
Robert Coe, *Council Member*
Lisa McIntosh, *Council Member*
James Pendergraph, *Council Member*

CITY OFFICIALS

Jim Goodwin, *City Manager*
Susan Mahoney, *Finance Director*
Don Scott, *Public Works Director*
Lisa J. Thomason, MMC, *City Clerk*
Richard Shanahan of Bartkiewicz, Kronick & Shanahan, P.C., *City Attorney*

MUNICIPAL ADVISOR

NHA Advisors, LLC
San Rafael, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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OFFICIAL STATEMENT

\$3,245,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series A (Wastewater System)
(Bank Qualified)

\$2,210,000
CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series B (Water System)
(Bank Qualified)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the City of Wheatland (the “City”) of the above-referenced bonds. This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES.”

The City. The City is located in Yuba County (the “County”), in the State of California (the “State”), approximately 34 miles north of Sacramento and 107 miles northeast of San Francisco. The City is nestled at the northeastern edge of the State’s vast central Sacramento Valley and home to many Beale Air Force Base personnel. It is the second-largest city of population in the County, with an estimated population of 3,703, as of January 1, 2019, according to the California Department of Finance. For certain additional information concerning the City and the County, see “APPENDIX C – CITY OF WHEATLAND AND YUBA COUNTY GENERAL INFORMATION.”

Authority for Issuance. The City is issuing its 2019 Revenue Refunding Bonds, Series A (Wastewater System) (the “Series A Bonds”) and its 2019 Revenue Refunding Bonds, Series B (Water System) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”) under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”), an Indenture of Trust dated as of December 1, 2019, between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”) with respect to each series of Bonds (each, an “Indenture”), and a resolution of the City Council of the City adopted on November 12, 2019. See “THE BONDS – Authority for Issuance.”

Purpose. The proceeds of the Series A Bonds will be used to (i) refinance outstanding obligations of the City’s wastewater system (as further defined herein, the “Wastewater System”) and (ii) pay the costs of issuing the Series A Bonds. The proceeds of the Series B Bonds will be used to (i) refinance outstanding obligations of the City’s water system (as further defined herein, the “Water System”) and (ii) pay the costs of issuing the Series B Bonds. See “THE REFINANCING PLAN.”

Security for the Bonds. The Series A Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term

is defined in the Indenture for the Series A Bonds) of the Wastewater System and from amounts on deposit in certain funds and accounts established under said Indenture. The Series B Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term is defined in the Indenture for the Series B Bonds) of the Water System and from amounts on deposit in certain funds and accounts established under said Indenture. The Series A Bonds and Series B Bonds will each be issued under different Indentures and secured by separate and distinct sources of revenues as described in this Official Statement. The Series A Bonds and Series B Bonds are not cross-collateralized in any manner. The City is funding a reserve fund for each series of Bonds through the purchase of a reserve fund surety in the amount of the reserve requirement for each series of Bonds. See "SECURITY FOR THE BONDS."

Parity Obligations. Effective upon the issuance of the Bonds, there will be no additional bonds or other obligations of the City payable from the Wastewater System or Water System on a parity with the Series A Bonds or Series B Bonds, respectively. However, in the future, the City may issue additional debt secured by the Net Revenues of the Wastewater System or Water System on a parity basis, subject to the conditions set forth in the Indenture. See "SECURITY FOR THE BONDS – Parity Obligations."

Form of Bonds; Book-Entry Only. The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company ("DTC"), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See "THE BONDS – Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption. The Bonds are subject to redemption prior to maturity as described in "THE BONDS – Redemption" herein.

Rate Covenant. In the Indenture for each series of Bonds, the City covenants to fix, prescribe and collect rates, fees and charges to generate sufficient Gross Revenues (defined in each Indenture and described herein) which are sufficient to pay certain amounts set forth in the Indenture and described herein, including, but not limited to, debt service on the applicable series of Bonds and any Parity Obligations. See "SECURITY FOR THE BONDS – Rate Covenant; Collection of Rates and Charges."

Bond Insurance and Reserve Surety. The scheduled payment of principal of and interest on each series of Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the applicable series of Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" and "APPENDIX G – Specimen Municipal Bond Insurance Policy."

The Insurer is also providing a reserve fund insurance policy to meet the reserve requirement for each series of Bonds. See "SECURITY FOR THE BONDS – Reserve Fund."

Limited Obligation. Neither the Bonds nor the obligation to pay principal of or interest thereon constitutes a debt, obligation or liability of the City, the State of California or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the City. The Bonds are secured solely by the pledge of Net Revenues of the Wastewater System or Water System, as applicable, and certain funds held under the applicable Indenture. The Bonds are not secured by a pledge of the taxing power of the City.

Certain Risk Factors. The purchase of the Bonds involves certain risks. For a description of some of these risks, see “CERTAIN RISK FACTORS.”

References to Documents. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES.”

THE REFINANCING PLAN

General

The Bonds are being issued to prepay, in full, certain prior obligations of the City, as well as pay the costs of issuing the Bonds.

Series A Bonds (Wastewater System). Net proceeds of the Series A Bonds will be used to prepay, in full, the outstanding principal amount of certificates of participation issued to the United States Department of Agriculture, Rural Development (“USDA”), pursuant to a Trust Agreement, dated May 8, 2007, which are payable from the Net Revenues of the Wastewater System.

Series B Bonds (Water System). Net proceeds of the Series B Bonds will be used to prepay, in full, (1) the outstanding principal amount of certificates of participation issued to USDA, pursuant to a Trust Agreement, dated December 1, 2001 and (2) the outstanding principal amount of certificates of participation issued to USDA, pursuant to a Trust Agreement, dated October 1, 2002, each of which are payable from the Net Revenues of the Water System.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources:	Series A Bonds	Series B Bonds	Total
Principal Amount of Bonds	\$3,245,000.00	\$2,210,000.00	\$5,455,000.00
Plus Net Premium	302,164.00	265,784.45	567,948.45
<i>Total Sources:</i>	<u>\$3,547,164.00</u>	<u>\$2,475,784.45</u>	<u>\$6,022,948.45</u>
Uses:			
Prepayment of Prior Obligations	\$3,400,468.47	\$2,363,353.83	\$5,763,822.30
Costs of Issuance ⁽¹⁾	146,695.53	112,430.62	259,126.15
<i>Total Uses:</i>	<u>\$3,547,164.00</u>	<u>\$2,475,784.45</u>	<u>\$6,022,948.45</u>

(1) Includes Underwriter’s discount, Trustee fees, Municipal Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees, bond insurance and reserve fund insurance premiums, and other related costs.

Debt Service Schedule

The scheduled aggregate annual principal and interest amounts payable with respect to the Series A Bonds and Series B Bonds, without regard to any optional redemption, is set forth below.

Bond Year (May 1)	Series A (Wastewater System)			Series B (Water System)		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$75,000	\$43,307.92	\$118,307.92	--	--	--
2021	70,000	115,862.50	185,862.50	\$40,000	\$114,048.33	\$154,048.33
2022	75,000	113,762.50	188,762.50	70,000	82,250.00	152,250.00
2023	75,000	111,512.50	186,512.50	75,000	80,150.00	155,150.00
2024	80,000	109,262.50	189,262.50	75,000	77,900.00	152,900.00
2025	80,000	106,862.50	186,862.50	75,000	75,650.00	150,650.00
2026	85,000	103,662.50	188,662.50	80,000	72,650.00	152,650.00
2027	90,000	100,262.50	190,262.50	85,000	69,450.00	154,450.00
2028	90,000	96,662.50	186,662.50	85,000	66,050.00	151,050.00
2029	95,000	93,062.50	188,062.50	90,000	62,650.00	152,650.00
2030	100,000	89,262.50	189,262.50	95,000	59,050.00	154,050.00
2031	100,000	85,262.50	185,262.50	95,000	55,250.00	150,250.00
2032	105,000	81,262.50	186,262.50	100,000	51,450.00	151,450.00
2033	110,000	77,062.50	187,062.50	105,000	47,450.00	152,450.00
2034	115,000	72,662.50	187,662.50	110,000	43,250.00	153,250.00
2035	120,000	68,062.50	188,062.50	115,000	38,850.00	153,850.00
2036	125,000	64,762.50	189,762.50	120,000	35,400.00	155,400.00
2037	125,000	61,325.00	186,325.00	120,000	31,800.00	151,800.00
2038	130,000	57,887.50	187,887.50	125,000	27,000.00	152,000.00
2039	135,000	54,312.50	189,312.50	130,000	22,000.00	152,000.00
2040	135,000	50,600.00	185,600.00	135,000	16,800.00	151,800.00
2041	145,000	45,200.00	190,200.00	140,000	11,400.00	151,400.00
2042	150,000	39,400.00	189,400.00	145,000	5,800.00	150,800.00
2043	155,000	33,400.00	188,400.00	--	--	--
2044	160,000	27,200.00	187,200.00	--	--	--
2045	165,000	20,800.00	185,800.00	--	--	--
2046	175,000	14,200.00	189,200.00	--	--	--
2047	180,000	7,200.00	187,200.00	--	--	--
Totals	\$3,245,000	\$1,944,082.92	\$5,189,082.92	\$2,210,000	\$1,146,298.33	\$3,356,298.33

Source: Underwriter.

THE BONDS

Authority for Issuance

The City is issuing the Bonds under the provisions of the Bond Law, the Indenture for each series of Bonds, and a resolution of the City Council of the City adopted on November 12, 2019. *The Series A Bonds and the Series B bonds are not cross-collateralized; the Series A Bonds are secured by and payable from the Net Revenues of the Wastewater System, while the Series B Bonds are secured by and payable from the Net Revenues of the Water System.*

Description

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on May 1 and November 1 (each, an “**Interest Payment Date**”), commencing May 1, 2020 (with respect to the Series A Bonds) and November 1, 2020 (with respect to the Series B Bonds), and will mature on the dates and in the amounts set forth on the inside cover page. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond may have more than one maturity date. The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indentures. See the discussion under “–Transfer and Exchange” below.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless: (i) a Bond is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the Bonds; or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request. The principal of the Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

While the Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”

Redemption

Series A Bonds (Wastewater System) – Optional Redemption. The Series A Bonds maturing on or before May 1, 2029, are not subject to redemption prior to their respective stated maturities. The Series A Bonds maturing on or after May 1, 2030, are subject to redemption in whole, or in part among maturities on such basis as set forth in a certificate of the City filed with the Trustee, and in any event by lot within a maturity, at the option of the City, from any available source of funds, on any date on or after May 1, 2029, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, without premium.

Series B Bonds (Water System) – Optional Redemption. The Series B Bonds maturing on or before May 1, 2029, are not subject to redemption prior to their respective stated maturities. The Series B Bonds maturing on or after May 1, 2030, are subject to redemption in whole, or in part among maturities on such basis as set forth in a certificate of the City filed with the Trustee, and in any event by lot within a maturity, at the option of the City, from any available source of funds, on any date on or after May 1, 2029, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, without premium.

Series A Bonds (Wastewater System) – Mandatory Sinking-Fund Redemption. The Series A Bonds maturing May 1, 2039 are subject to mandatory sinking payment redemption in part on May 1, 2035 and on each May 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Mandatory Redemption Date (May 1)	Sinking Fund Payment
2035	\$120,000
2036	125,000
2037	125,000
2038	130,000
2039 (maturity)	135,000

The Series A Bonds maturing May 1, 2047 are subject to mandatory sinking payment redemption in part on May 1, 2040 and on each May 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Mandatory Redemption Date (May 1)	Sinking Fund Payment
2040	\$135,000
2041	145,000
2042	150,000
2043	155,000
2044	160,000
2045	165,000
2046	175,000
2047 (maturity)	180,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption of any of the Series A Bonds.

Series B Bonds (Water System) – Mandatory Sinking-Fund Redemption. The Series B Bonds maturing May 1, 2042 are subject to mandatory sinking payment redemption in part on May 1, 2037 and on each May 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following table:

Mandatory Redemption Date (May 1)	Sinking Fund Payment
2037	\$120,000
2038	125,000
2039	130,000
2040	135,000
2041	140,000
2042 (maturity)	145,000

The amounts in the foregoing table will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption of any of the Series B Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Notice of Redemption. Notice of any redemption of the Bonds shall be mailed, postage prepaid, to the respective registered owners thereof at the addresses appearing on the Registration Books and to the Securities Depositories and the Municipal Securities Rulemaking Board, not less than 20 nor more than 60 days prior to the redemption date. The notice of redemption must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee, identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In addition, the redemption notice must state that the City has the right to rescind notice of optional redemption of the Bonds.

Right to Rescind Notice of Optional Redemption. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Selection of Bonds for Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Transfer and Exchange. *So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See APPENDIX F.* Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for registration or transfer, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of like series, maturity, interest rate and aggregate principal amount. The City shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Bond Owner of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Bonds representing other authorized denominations of the same series, interest rate and maturity. The City shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

SECURITY FOR THE BONDS

Pledge of Net Revenues

General – Series A Bonds (Wastewater System). The Series A Bonds are secured by a first pledge of and lien on all of the Net Revenues of the Wastewater System, on a parity basis with any future Parity Obligations of the Wastewater System. In addition, the Series A Bonds are secured by a pledge of all of the moneys in the Debt Service Fund established in the Indenture for the Series A Bonds, including all amounts derived from the investment of such moneys. The Series A Bonds and the Parity Obligations of the Wastewater System are equally secured by a pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date and the payment of the interest on and principal of the Series A Bonds shall be and are secured by an exclusive pledge, charge and lien upon the and such moneys. So long as any of the Series A Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture and the Parity Obligation Documents for the Wastewater System.

Definitions – Series A Bonds (Wastewater System). Set forth below are the definitions of certain terms used in the Indenture for the Series A Bonds:

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Gross Revenues” means all gross income and revenue received by the City from the ownership and operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including (a) any amounts transferred to the Wastewater Fund from a Rate Stabilization Fund in accordance with the Indenture; (b) all income, rents, rates, fees, charges or other moneys derived from the services and facilities sold, furnished or supplied through the facilities of the Wastewater System, including all amounts levied by the City as a fee for connecting to the Wastewater System; (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System; and (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted under the Indenture. “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the City with respect to the Wastewater System, and (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the City that are charged directly or apportioned to the

operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. "Operation and Maintenance Costs" do not include (i) administrative costs of the Series A Bonds which the City is required to pay under the Indenture, (ii) payments of debt service on bonds, notes or other obligations issued by the City with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

"Parity Obligations Documents" means each agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Obligations of the Wastewater System. For additional details, see "–Parity Obligations."

General – Series B Bonds (Water System). The Series B Bonds are secured by a first pledge of and lien on all of the Net Revenues of the Water System, on a parity basis with any future Parity Obligations of the Water System. In addition, the Series B Bonds are secured by a pledge of all of the moneys in the Debt Service Fund established in the Indenture for the Series B Bonds, including all amounts derived from the investment of such moneys. The Series B Bonds and the Parity Obligations of the Water System are equally secured by a pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date and the payment of the interest on and principal of the Series B Bonds shall be and are secured by an exclusive pledge, charge and lien upon the and such moneys. So long as any of the Series B Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture and the Parity Obligation Documents of the Water System.

Definitions – Series B Bonds (Water System). Set forth below are the definitions of certain terms used in the Indenture for the Series B Bonds:

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Gross Revenues" means all gross income and revenue received by the City from the ownership and operation of the Water System, determined in accordance with generally accepted accounting principles, including (a) any amounts transferred to the Water Fund from a Rate Stabilization Fund in accordance with the Indenture; (b) all income, rents, rates, fees, charges or other moneys derived from the services and facilities sold, furnished or supplied through the facilities of the Water System, including all amounts levied by the City as a fee for connecting to the Water System; (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Water System; and (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted under the Indenture. "Gross Revenues" does not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the City with respect to the Water System, and (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and (b) all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. “Operation and Maintenance Costs” do not include (i) administrative costs of the Series B Bonds which the City is required to pay under the Indenture, (ii) payments of debt service on bonds, notes or other obligations issued by the City with respect to the Water System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Parity Obligations Documents” means each agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Obligations of the Water System. For additional details, see “–Parity Obligations.”

Deposit and Transfer of Net Revenues

Maintenance of Wastewater Fund. The City has previously established the Wastewater Fund (the “**Wastewater Fund**”), which it will continue to hold and maintain for the purposes and uses set forth in the Indenture for the Series A Bonds and the applicable Parity Obligation Documents. The City shall deposit all Gross Revenues of the Wastewater System in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the Wastewater Fund solely for the uses and purposes set forth in the Indenture for the Series A Bonds and in the Parity Obligation Documents for the Wastewater System.

Maintenance of Water Fund. The City has previously established the Water Fund (the “**Water Fund**”), which it will continue to hold and maintain for the purposes and uses set forth in the Indenture for the Series B Bonds and the applicable Parity Obligation Documents. The City shall deposit all Gross Revenues of the Water System in the Water Fund promptly upon the receipt thereof, and shall apply amounts in the Water Fund solely for the uses and purposes set forth in the Indenture for the Series B Bonds and in the Parity Obligation Documents for the Water System.

Flow of Funds. In addition to withdrawals required to pay principal of and interest on outstanding Parity Obligations when due, the City shall withdraw amounts on deposit in the Wastewater Fund or Water Fund, as applicable, and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) ***Debt Service Fund.*** On or before the 6th Business Day of the month preceding each Interest Payment Date, so long as any Bonds remain Outstanding, the City shall withdraw from the Wastewater Fund/Water Fund and pay to the Trustee for deposit into the Debt Service Fund under the applicable Indenture an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the applicable series of Bonds on such Interest Payment Date, including the principal of any term Bonds upon the mandatory sinking fund redemption thereof.

The Trustee shall apply amounts in the Debt Service Fund solely for the purpose of (i) paying the interest on the Outstanding Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed), (ii) paying the principal of any term Bonds upon the mandatory sinking fund redemption thereof, and (iii) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds and Parity Obligations, the Trustee shall transfer any moneys remaining in the Debt Service Fund under an Indenture to the City for deposit into the Wastewater Fund/Water Fund, as applicable.

(b) Reserve Fund. On or before the 6th Business Day of the month preceding each Interest Payment Date, so long as any Bonds remain Outstanding, the City shall withdraw from the Wastewater Fund/Water Fund and transfer to the Trustee for deposit into the Reserve Fund under the applicable Indenture an amount which is needed to pay amounts due to the insurer providing the reserve policy and pay policy costs on the applicable policy for the applicable series of Bonds and cure any deficiency in any reserve fund established for Parity Obligations, if any, the notice of which deficiency has been given to the City in accordance with the applicable Indenture and the related Parity Obligation Documents, respectively, and to the insurer providing the applicable reserve policy, any amounts owed pursuant to the applicable Indenture in connection with the applicable reserve policy. Amounts in the Reserve Fund shall be used as described under “–Reserve Fund,” below.

(c) Redemption Fund. If the City elects to redeem Outstanding Bonds prior to maturity, the City shall transfer to the Trustee for deposit into the Redemption Fund under the applicable Indenture an amount at least equal to the redemption price of the Bonds, excluding accrued interest, which is payable from the Debt Service Fund. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying such redemption price of applicable series of Bonds to be redeemed under the applicable Indenture. Following any such redemption of the Bonds, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the City for deposit into the Wastewater Fund/Water Fund, as applicable.

Other Uses of Wastewater Fund and Water Fund. The City will manage, conserve and apply moneys in the Wastewater Fund or Water Fund, as applicable, in such a manner that all deposits required to be made under the applicable Indenture and any Parity Obligation Documents, will be made at the times and in the amounts so required. So long as no event of default has occurred and is continuing under and as defined in the applicable Indenture, the City may at any time use and apply moneys in the Wastewater Fund or Water Fund for any one or more of the following purposes:

(i) the payment of the Operation and Maintenance Costs for the Wastewater System or Water System, as applicable,

(ii) the acquisition and construction of extensions and betterments to the Wastewater System or Water System, as applicable,

(iii) the redemption of any of the Bonds or Parity Obligations which are then subject to redemption or the purchase thereof from time to time in the open market, at prices and in such manner, either at public or private sale, or otherwise, as the City in its discretion may determine; or

(iv) any other lawful purpose of the City.

Reserve Fund

A Reserve Fund will be established pursuant to each Indenture for the benefit of the City and the Owners of the applicable series of Bonds. The Trustee will hold the Reserve Fund in trust as a reserve for the payment of the principal of, interest, and premium, if any, on the applicable series of Bonds. The Reserve Requirement for each series of Bonds will be satisfied by the delivery of a municipal bond reserve insurance policy issued by the Insurer to the Trustee on the Closing Date.

The “**Reserve Requirement**” for the Series A Bonds is \$190,262.50, and the “Reserve Requirement” for the Series B Bonds is \$155,400.00, respectively, which equals (in each case) the lesser of (a) Maximum Annual Debt Service on the applicable series of Bonds, (b) 125% of the average annual debt service on the applicable series of Bonds, or (c) 10% of the principal amount of the applicable series of Bonds, as calculated by the City. The City has no obligation to replace either reserve policy or to fund either Reserve Fund with cash or any other security if, at any time that the applicable series of Bonds are Outstanding, amounts are not available under the applicable reserve policy, there is a rating downgrade of the Insurer providing the applicable reserve policy or for any other reason.

The amounts available under each reserve policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Debt Service Fund for the applicable series of Bonds in the event of any deficiency at any time in such account for the purpose of paying scheduled principal and interest on the applicable series of Bonds under the applicable Indenture. The Trustee will comply with all documentation relating to each reserve policy as required to maintain each reserve policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under the applicable Indenture. See APPENDIX B for additional details on the reserve policy for each series of Bonds.

No reserve fund is required to be established in connection with the issuance of any Parity Obligations (see “–Parity Obligations” below).

Rate Stabilization Fund

The City has the right at any time to establish a rate stabilization fund (the “**Rate Stabilization Fund**”) to be held by it and administered in accordance with either Indenture, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System or Water System, as applicable. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues of the Wastewater System or Water System that are released from the pledge and lien which secures the applicable series of Bonds and any Parity Obligations, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Fund or Water Fund, as applicable, in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Fund or Water Fund shall constitute Gross Revenues for such Fiscal Year (except to the extent of amounts transferred into the Rate Stabilization Fund from Gross Revenues received by the

City in such Fiscal Year), and shall be applied for the purposes of the Wastewater Fund or Water Fund, as applicable. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the applicable series of Bonds or any Parity Obligations. All interest or other earnings on deposits in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Fund or Water Fund, as applicable. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

Parity Obligations

Series A Bonds (Wastewater System). Upon the issuance of the Series A Bonds, there will be no obligations outstanding payable from the Net Revenues of the Wastewater System on a parity with the Series A Bonds. However, the City may issue Parity Obligations for the Wastewater System from time to time in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Net Revenues, as shown by the books of the City for the Base Year, plus at the option of the City any Additional Revenues, are at least equal to 115% of the amount of Maximum Annual Debt Service.

(c) The issuance of such Parity Obligations shall comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Obligation Documents.

(d) The City shall deliver to the Trustee a written certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Obligations set forth in the foregoing subsections have been satisfied.

The City is not obligated to fund a debt service reserve fund in connection with, or upon the issuance of, any Parity Obligations for the Wastewater System.

Series B Bonds (Water System). Upon the issuance of the Series B Bonds, there will be no obligations outstanding payable from the Net Revenues of the Water System on a parity with the Series B Bonds. However, the City may issue Parity Obligations for the Water System from time to time in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Net Revenues, as shown by the books of the City for the Base Year, plus at the option of the City any Additional Revenues, are at least equal to 115% of the amount of Maximum Annual Debt Service.

(c) The issuance of such Parity Obligations shall comply with all conditions to the issuance thereof as set forth in the applicable provisions of the Parity Obligation Documents.

(d) The City shall deliver to the Trustee a written certificate of the City certifying that the conditions precedent to the issuance of such Parity Obligations set forth in the foregoing subsections have been satisfied.

The City is not obligated to fund a debt service reserve fund in connection with, or upon the issuance of, any Parity Obligations for the Water System.

Rate Covenant; Collection of Rates and Charges

Gross Revenue Coverage. The City covenants in each Indenture that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System or Water System, as applicable, during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(a) all Operation and Maintenance Costs estimated by the City to become due and payable in the Fiscal Year for the Wastewater System or Water System, as applicable;

(b) the principal of and interest on all outstanding Bonds and Parity Obligations as they become due and payable during the Fiscal Year, without preference or priority, for the Wastewater System or Water System, as applicable;

(c) all amounts, if any, required to pay policy costs to the Insurer in accordance with the applicable Indenture for the applicable series of Bonds and restore the balance in any reserve funds established for any Parity Obligations to their required levels, without preference or priority; and

(d) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable during such Fiscal Year from the Gross Revenues or the Net Revenues of the Wastewater System or Water System, as applicable.

Net Revenue Coverage. In addition to the covenant set forth regarding Gross Revenues coverage, the City covenants in each Indenture that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System or Water System, as applicable, during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 115% of the amount of principal of and interest on all outstanding Bonds and Parity Obligations which come due and payable during the Fiscal Year for the Wastewater System or Water System, as applicable; *provided, however*, that in the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet such requirement, such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

Insurance; Net Proceeds

Under each Indenture, the City will at all times maintain with responsible insurers all such insurance on the Wastewater System or Water System, as applicable, as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System or Water System, as applicable. If any useful part of the Wastewater System or Water System, as applicable, is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or

destruction of any portion of the Wastewater System or Water System, as applicable, shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System or Water System, as applicable, and to the extent not so applied, shall be applied to redeem the Bonds or any Parity Obligations in accordance with the Indenture for the applicable series of Bonds and the Parity Obligation Documents, respectively. The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Series A Bonds or Series B Bonds, as applicable. The Trustee has no liability to determine whether the City is in compliance with the foregoing provisions.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of each series of Bonds, AGM will issue its Municipal Bond Insurance Policy for the applicable series of Bonds (each, a “Policy” or an “Insurance Policy”). The Policy for each series of Bonds guarantees the scheduled payment of principal of and interest on the applicable series of Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure), and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 7, 2019, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At September 30, 2019:

- The policyholders' surplus of AGM was approximately \$2,473 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,100 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,829 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019);

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (filed by AGL with the SEC on November 8, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this heading “BOND INSURANCE”.

THE CITY

General

The City is located in the County, approximately 34 miles north of Sacramento and 107 miles northeast of San Francisco. The City is nestled at the northeastern edge of the State's vast central Sacramento Valley and home to many Beale Air Force Base personnel. It is the second-largest city of population in the County, with an estimated population of 3,703, as of January 1, 2019, according to the California Department of Finance. For certain additional information concerning the City and the County, see "APPENDIX C – CITY OF WHEATLAND AND YUBA COUNTY GENERAL INFORMATION."

Key City Personnel

Jim Goodwin, City Manager. Jim Goodwin has been the City Manager of the City since May 2018, and has over 11 years of experience being a city manager. Prior to assuming the position of City Manager for the City, Mr. Goodwin served for 10 years as the city manager of the City of Live Oak. He received a BA in Social Sciences from California State University, Chico.

Susan Mahoney, Finance Director. Susan Mahoney has been a finance professional for municipalities for the past 30 years, and has been with the City for approximately 2.5 years. She began her career as Finance Director for a large water district in the Sacramento area and has served as Finance Director for two newly created California cities as well as several small-to medium-size cities. Ms. Mahoney gives back to her community by serving as Board Chair for the Penryn Fire District and Councilmember for the Penryn/Horseshoe Bar municipal advisory committee. She holds a BS in Accounting from California State University, Sacramento and an MPA from Golden Gate University.

Don Scott, Public Works Director. Don Scott has been working for the City for 21 years, both as the Public Works Superintendent (18 years) and more recently as the Public Works Director since June 2017.

Financial Statements

Moss, Levy & Hartzheim, LLP, Certified Public Accountants, Culver City, California (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2018. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2018."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

Employee Retirement System

Non-CalPERS Pension Plan. The City is not a participant in the California Public Employees' Retirement System (CalPERS). Instead, employees of the City accumulate

retirement benefits through a defined contribution plan with the ICMA Retirement Corporation. The City makes bi-weekly contributions to a 401(a) plan amounting to 6% (General Employees) or 7% (Public Safety Employees) of the employee's base salary. A matching 3% contribution is required from the employee. Employees are 100% vested (employer portion) at five years of service, with the exception of those employees over 50 years old who are fully vested from the month of employment. The plan is administered and held in trust for the exclusive benefit of participants and are not assets of the City. The balance at June 30, 2019 is \$818,586.

No OPEB. The City does not offer other post-employment benefits (OPEB).

Investment Policies and Procedures

The City invests its funds in accordance with its investment policy, which is subject to annual review and approval by the City Council. The City's investment policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State), and limits the City to investments authorized by State law. In addition, the investment policy establishes further guidelines as far as duration and risk levels. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2018" for additional information on the City's investment policies and procedures.

Fiscal Reserve Policy

The City Council annually adopts a fiscal reserve policy with the budget. The fiscal reserve policy for Fiscal Year 2019-20 targets an ending fund balance for the City's general fund, water enterprise fund, and wastewater enterprise fund of 25% of operating expenditures.

Insurance

The City is self-insured for the first \$5,000 on each general liability claim. The City has no self-insured retention for workers' compensation liability claims. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC), a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities, up to a limit of \$1,000,000 for general liability and \$500,000 for workers' compensation. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums. Losses that exceed \$1,000,000 for general liability and \$500,000 for workers' compensation are covered via the CSAC Excess Insurance Authority up to \$34,000,000 and the Local Worker's Compensation Excess Authority (LAWCX) up to \$4,500,000, respectively. The City is self-insured for the first \$5,000 for Employment Practices Liability (EPL) coverage and up to \$25,000 is covered by PARSAC. Coverage between \$25,000 - \$1,000,000 is provided by the Employment Risk Management Authority (ERMA); and excess coverage up to \$34,000,000 is provided by CSAC.

For additional details, see APPENDIX A, Note 9.

THE WASTEWATER SYSTEM

Overview

The Wastewater System collects, treats and disposes of wastewater throughout the service area, which is primarily residential. The Wastewater System consists of approximately 13.2 miles of gravity and force mains with sewer line pipes ranging from 4" to 10" in diameter. There are 5 sewer pump lift stations through the City, which pump untreated wastewater to the main treatment plant.

The wastewater treatment plant uses an extended aeration activated sludge process to treat the wastewater to regulatory standards. The average sewage flow to the plant is 280,000 gallons per day, while the plant is designed to handle a flow of up to 620,000 gallons per day. The plant includes headworks with trash removal, an oxidation ditch, clarifier, and rapid sand infiltration beds. Process sludge is dried in sludge drying beds and is removed annually by the City and hauled to the Ostrum landfill. Upgrades to the treatment plant were undertaken in 2006, including the replacement of certain equipment and the addition of a telemetry computer system to monitor all lift stations and operations of the treatment plant.

The Wastewater System is regulated by the Central Valley Regional Water Quality Control Board ("**RWQCB**"). The last permit issued to the City by the RWQCB for the operation of the wastewater treatment plant expired over 20 years ago; however, the RWQCB has indicated that given the small size of the City's treatment plant, an official renewal of the permit is not necessary at this time. The City continues to meet the discharge requirements set forth in the expired permit, and to make all required filings with the RWQCB regarding the plant and the Wastewater System, and the RWQCB has acknowledged compliance with the foregoing. The City has not had any material sanitary sewer overflows or other events related to the Wastewater System that would likely trigger greater regulatory scrutiny, but no assurance can be given such an event will not occur in the future. If the RWQCB were to require the City to obtain an official renewal of its permit related to the wastewater treatment plant, more stringent discharge standards may apply and additional capital improvements may be required.

Number of Customers

The Wastewater System serves approximately 3,703 people residing within the City. Each customer of the Wastewater System has a connection. The following table shows the number of connections to the Wastewater System by customer class for the most recent fiscal year. Residential accounts were approximately 94% of total accounts for Fiscal Year 2018-19.

TABLE 1
CITY OF WHEATLAND WASTEWATER SYSTEM
Number of Connections
Fiscal Year 2018-19

Customer Class	Number
Residential	1,015
Commercial	48
Apartments	43
Institutional	13
Other	6
Total	1,125

Source: City of Wheatland.

Wastewater Flow

As noted above, the Wastewater System collects, treats and disposes of wastewater throughout the City. The following table summarizes the flow of wastewater treated by the City for calendar years 2014 through 2018.

TABLE 2
CITY OF WHEATLAND WASTEWATER SYSTEM
Wastewater Treated

Calendar Year	Wastewater Treated (MG)
2014	118
2015	115
2016	124
2017	125
2018	129

Source: City of Wheatland.

Wastewater System Rates and Charges

Usage Rates. The City most recently adopted rates and charges for the Wastewater System, effective in April 2019. These rates and charges were adopted consistent with Proposition 218 and all other applicable law. See “CERTAIN RISK FACTORS – Articles XIIC and XIID of the California Constitution” herein for a discussion of the treatment of the City’s rates and charges in light of Proposition 218, Proposition 26 and other applicable law.

The rates adopted in April 2019 were based on a rate study prepared for the City by ClearSource Financial Consulting (the “**2019 Rate Study**”). The 2019 Rate Study covered both the Wastewater System and the Water System, and studied the five-year period of Fiscal Year

2018-19 through Fiscal Year 2022-23. As part of the 2019 Rate Study, the City adopted rates for the Wastewater System for the following categories: residential, apartments and commercial. These rates are effective as of April 1, 2019 and then October 1 of the years 2019 through 2022. The rates for October 2019 through October 2022 will increase by the greater of 3.0% or the ENR CCI index; rates shown reflect a 3.0% increase. These are the maximum rates approved by the City Council in April 2019. The rate increases that were adopted were maximum approved rates given anticipated needs, and the City Council has the ability to set actual rates lower than the approved maximum rates each year.

The rates adopted by the City Council for the Wastewater System based on the 2019 Rate Study are set forth in the following table.

**TABLE 3
CITY OF WHEATLAND WASTEWATER SYSTEM
Current and Projected Wastewater Rates
Dollars/Unit/Month⁽¹⁾**

Category	Effective Apr. 1, 2019	Effective Oct. 1, 2019	Effective Oct. 1, 2020	Effective Oct. 1, 2021	Effective Oct. 1, 2022
Residential	\$56.33	\$58.02	\$59.77	\$61.56	\$63.40
Apartments	32.82	33.81	34.82	35.86	36.94
Commercial	56.33	58.02	59.77	61.56	63.40

(1) Rates for October 1, 2020 through October 1, 2022 will increase by the greater of 3.0% or the ENR CCI index; rates shown reflect a 3.0% increase. The rates in the table are the maximum rates approved by the City Council in April 2019. The rate increases that were adopted were maximum approved rates given anticipated needs, and the City Council has the ability to set actual rates lower than the approved maximum rates each year.

Source: City of Wheatland.

Connection Fees. The City charges impact fees for the connection of new services to the Wastewater System. In order to mitigate the wastewater treatment impacts caused by new development in the City service area, certain wastewater system improvements must be or have been constructed in order to accommodate system expansion. The current connection fees for the Wastewater System are as follows:

	Sewer Collection	Wastewater Treatment
Single Family Residence	\$2,066	\$12,082
Multi Family Residences per unit	1,033	6,039
Mobile Home per unit	1,033	6,040
Commercial Lodging per unit	690	4,027
Retail Uses per square foot	0.878	5.136

Comparison of Wastewater Rates

The following table shows the rates and charges of the Wastewater System compared to the rates of other local agencies near to the City.

TABLE 4
CITY OF WHEATLAND WASTEWATER SYSTEM
Comparison of Wastewater Rates – Single-Family Residential
As of October 2019

<u>Local Agency</u>	<u>Estimated Monthly Rate</u>
City of Lincoln	\$32.08
City of Rocklin	34.00
City of Marysville	36.80
OPUD	40.00
City of Yuba City	52.96
City of Wheatland	53.05

Source: City of Wheatland.

Collection Procedures

The City bills each customer within the City for water and sewer service by use of a unified billing statement, and charges for these services are collected together. The regular billing period is on a monthly basis. The bill must be paid on, or prior to, the due date for payment set forth on the billing statement. If the bill is not paid on or prior to, said due date, the billing becomes delinquent and there will be a penalty charge of 10% of the delinquent amount. The City may discontinue a customer's water service if the customer fails or refuses to pay their current and delinquent charges. Prior to such water service shutoff, the City mails the customer a final notice informing the owner and/or tenant that the shutoff will be enforced if payment is not made within the time specified in the notice. As a result, the City reports it has virtually zero delinquencies.

Largest Customers

The following are the largest customers of the Wastewater System based on revenues for Fiscal Year 2018-19. For Fiscal Year 2018-19, the five largest customers of the Wastewater System represented approximately 12.6% of total revenues.

TABLE 5
CITY OF WHEATLAND WASTEWATER SYSTEM
Largest Customers
Fiscal Year 2018-19

<u>No.</u>	<u>Customer</u>	<u>Land Use</u>	<u>Revenues</u>	<u>Percent of Revenues⁽¹⁾</u>
1	Mercy Housing	Residential	\$49,304	5.3%
2	Wheatland School District	Institutional	24,547	2.6
3	Dean Webb	Residential	19,829	2.1
4	Wheatland Union High	Institutional	13,644	1.5
5	Bear River Apartments	Residential	9,276	1.0
Totals – Top 5			\$116,600	12.6%

(1) Based on total revenues of the Wastewater System for Fiscal Year 2018-19 (unaudited) of \$928,962.
Source: City of Wheatland.

No Outstanding Wastewater System Indebtedness

As of the date of issuance of the Series A Bonds and upon the prepayment of the Prior Wastewater Obligations, the City will have no prior indebtedness secured by Net Revenues of the Wastewater System other than the Series A Bonds.

Capital Improvement Program

The preparation and adoption of a Capital Improvement Program (CIP) is an important part of the City's planning process to identify and meet its capital needs. It is a multi-year schedule of projects with associated costs and proposed funding sources. Generally, projects in the CIP are relatively large-dollar amount, non-recurring outlays and are for the purpose of constructing, purchasing, improving, replacing, or restoring assets with multi-year useful life.

The rates set forth in the 2019 Rate Study have been set at a level sufficient to cover anticipated CIP funding, without additional long-term debt.

The developer impact fee fund for the Wastewater System had a balance of approximately \$4.4 million as of June 30, 2019, which amount is available for use on CIP projects for the Wastewater System in coming years.

Historic Debt Service Coverage

Revenues, expenses and debt service coverage for the Wastewater System for the prior five fiscal years follows, based on the City's audited financial statements for Fiscal Year 2014-15 through Fiscal Year 2017-18 and estimated actuals for Fiscal Year 2018-19.

TABLE 6
CITY OF WHEATLAND WASTEWATER SYSTEM
Historical Revenues, Expenses and Debt Service Coverage
Fiscal Years 2014-15 – 2018-19

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Estimated Actuals 2018-19
Gross Revenues					
Sales and service charges	\$845,133	\$873,243	\$876,250	\$917,019	\$928,963
Other ⁽¹⁾	12,285	19,992	33,868	177,681	174,425
Total Gross Revenues	857,418	893,235	910,118	1,094,700	1,103,388
Operation & Maintenance Costs⁽²⁾					
Salaries and benefits	303,178	313,571	339,909	336,788	384,284
Services, supplies, etc.	188,798	185,519	200,287	373,037	340,007
Total O&M Costs	491,976	499,090	540,196	709,825	724,291
Net Revenues	365,442	394,145	369,922	384,875	379,097
Debt Service					
2007 COPs (USDA)	205,860	205,924	205,893	205,868	205,943
Total Debt Service	205,860	205,924	205,893	205,868	205,943
Coverage	1.78x	1.91x	1.80x	1.87x	1.84x

(1) Other consists of interest income derived from the Wastewater System's operating fund and developer impact fee fund. The developer impact fee fund previously loaned amounts to two developers for the construction of certain improvements; the current outstanding balance on the loans is approximately \$2.5 million, and interest received by the fund is included within Gross Revenues.

(2) Excludes depreciation.

Source: City of Wheatland Comprehensive Annual Financial Reports (FY 2014-15 through FY 2017-18) and City of Wheatland estimated actuals (FY 2018-19).

Projected Debt Service Coverage

The City's estimated projected operating results for the Wastewater System for Fiscal Years 2019-20 through 2023-24 is set forth in the following table, based on the budgeted figures for Fiscal Year 2019-20 and projections thereafter. The projections reflect a number of assumptions, as indicated in the footnotes to the table, and no assurance can be given these assumptions will be realized by the City.

TABLE 7
CITY OF WHEATLAND WASTEWATER SYSTEM
Projected Revenues, Expenses and Debt Service Coverage
Fiscal Years 2019-20 – 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Revenues					
Sales and service charges ⁽¹⁾	\$1,023,000	\$1,053,690	\$1,085,301	\$1,117,860	\$1,117,860
Other ⁽²⁾	150,000	80,000	80,000	80,000	80,000
Total Gross Revenues	1,173,000	1,133,690	1,165,301	1,197,860	1,197,860
Operation & Maintenance Costs⁽³⁾					
Salaries and benefits	377,219	390,098	403,442	417,269	431,596
Services, supplies, etc.	409,619	420,978	432,719	444,855	457,402
Total O&M Costs	786,839	811,077	836,161	862,124	888,998
Net Revenues	386,161	322,613	329,139	335,736	308,862
Debt Service⁽⁴⁾					
2007 COPs (USDA)	69,756	--	--	--	--
2019 Series A Bonds	118,308	185,863	188,763	186,513	189,263
Total Debt Service	188,064	185,863	188,763	186,513	189,263
Coverage	2.05x	1.74x	1.74x	1.80x	1.63x

(1) Assumes rate increases on October 1, 2020 through 2022 in accordance with the 2019 Rate Study.

(2) Other consists of interest income derived from the Wastewater System's operating fund and developer impact fee fund. The developer impact fee fund previously loaned amounts to two developers for the construction of certain improvements; the current outstanding balance on the loans is approximately \$2.5 million, and interest received by the fund is included within Gross Revenues.

(3) Excludes depreciation.

(4) Assumes no new debt, other than the Series A Bonds, during the projection period.

Source: City of Wheatland.

THE WATER SYSTEM

Overview

The Water System supplies water throughout the City, mainly for residential customers. The water supplied by the Water System comes from six deep groundwater wells that pump to a ground storage tank. Water in the ground storage tank is then moved by three booster pumps to a 120 ft elevated storage tank, from which water is released to customers. Total system peak demand is estimated at approximately 2.1 million gallons per day (“**MGD**”), with peak hourly demand of 2,300 gallons per hour and a total system capacity of 4,050 gallons per minute (“**GPM**”) or 5.8 MGD. The ground storage tank’s capacity is 660,000 gallons, while the elevated storage tank’s capacity is 72,000 gallons. In addition to the pumps and storage tanks, the Water System includes more than 21 miles of pipes (ranging from 4” to 12” diameter), 90 hydrants and 240 valves. The City anticipates replacing the elevated water storage tank with ground-mounted hydro-pneumatic tanks, once funds become available. See “–Capital Improvement Program” and “CERTAIN RISK FACTORS – Natural Calamities” for additional details on the elevated water storage tank and the City’s plans for replacement.

The six wells are drilled to depths ranging from 176 feet to 280 feet, and were drilled between 1962 and 2003 (with all but one well drilled from 2000 onward). Sodium hypochlorite solution (bleach) is added at each well source head to disinfect and kill any possible disease-causing bacteria.

The Water System has a SCADA computer system which monitors chlorine levels, flow, line pressure and pumping levels at each well. Ground and elevated tank water levels are also continuously monitored. Wells operate on/off based on the level of water in the ground water storage tank and can be put into any sequence and rotation. The booster pumps also operate on/off, based on the level of water in the elevated storage tank. While the booster pumps are active, the fill line to the ground water storage tank is automatically closed. Four out of the six deep groundwater wells have emergency auxiliary generate power sources in case the main electricity is lost.

The groundwater basin from which the City pumps its water is not impacted by recent legislation enacted in the State known as the Sustainable Groundwater Management Act (“**SGMA**”), and the City does not expect to experience any limit on groundwater pumping from its wells as a result of SGMA or any other known cause. During the recent drought, which ended in 2017, the City did not experience any material adverse impacts on the amount of water it was able to pump from its wells.

Number of Customers

The City's water system serves approximately 3,703 people residing within the City. All water used in the City is measured and charged by usage through a water meter. The following table shows the number of connections to the Water System by customer class for the most recent fiscal year. Residential accounts were approximately 94% of total accounts for Fiscal Year 2018-19.

TABLE 8
CITY OF WHEATLAND WATER SYSTEM
Number of Connections
Fiscal Year 2018-19

Customer Class	Number
Residential	1,021
Commercial	42
Apartments	43
Institutional	13
Other	22
Total	1,141

Source: City of Wheatland.

Water Demand and Deliveries

As noted above, the Water System obtains water through its six deep groundwater wells. This water is then stored and pumped to individual customers through the Water System. The following table summarizes water deliveries for the five most recent calendar years.

TABLE 9
CITY OF WHEATLAND WATER SYSTEM
Metered Water Deliveries
Calendar Years 2014 – 2018
(Millions of Gallons)

Calendar Year	Single-Family Residential	Multi-Family Residential	Commercial/ Institutional	Landscape Irrigation	Total
2014	184.1	22.1	14.3	34.8	255.3
2015	154.2	23.0	12.4	26.7	216.3
2016	164.7	29.6	13.6	36.5	244.4
2017	174.0	27.9	14.8	38.2	254.8
2018	186.7	32.1	11.0	39.5	269.3

Source: City of Wheatland.

Water System Rates and Charges

Usage Rates. The City most recently adopted rates and charges for the Water System, effective in April 2019. These rates and charges were adopted consistent with Proposition 218 and all other applicable law. See “CERTAIN RISK FACTORS – Articles XIIIC and XIID of the California Constitution” herein for a discussion of the treatment of the City’s rates and charges in light of Proposition 218, Proposition 26 and other applicable law. The current rates are consistent with the 2019 Rate Study prepared for the City.

As part of the rates adopted in accordance with the 2019 Rate Study, the Water System moved from a three-tier to a two-tier approach for its rates and charges. Tiers are divided based on “units” of water used, with one unit equal to 748 gallons or 100 cu/ft of water. The 1st tier is based on 12 units of water, and varies according to meter size. The 2nd tier fees are based on water usage above 12 units of water, and also varies according to meter size. Effective October 1, 2019, October 1, 2020 and October 1, 2021, the rates will increase 6.7% per year, while on October 1, 2022, the rate will increase by the greater of 3.0% or the ENR CCI index; rates shown in the table below reflect a 3.0% increase effective October 1, 2022. These are the maximum rates approved by the City Council in April 2019. The rate increases that were adopted were maximum approved rates given anticipated needs, and the City Council has the ability to set actual rates lower than the approved maximum rates each year.

The rates adopted by the City Council for the Water System based on the 2019 Rate Study are set forth in the following table.

**TABLE 10
CITY OF WHEATLAND WATER SYSTEM
Current and Projected Water Rates⁽¹⁾**

Category	Effective Apr. 1, 2019	Effective Oct. 1, 2019	Effective Oct. 1, 2020	Effective Oct. 1, 2021	Effective Oct. 1, 2022
<u>Fixed-Charge (\$/Month)</u>					
3/4-in	\$42.95	\$45.85	\$48.94	\$52.25	\$53.82
1-in	42.95	45.85	48.94	52.25	53.82
1-1/2-in	48.96	52.27	55.80	59.56	61.35
2-in	58.30	62.23	66.43	70.91	73.04
3-in	99.48	106.19	113.36	121.01	124.64
4-in	128.33	136.99	146.24	156.11	160.79
6-in	198.75	212.16	226.48	241.77	249.02
8-in	281.83	300.85	321.16	342.84	353.12
10-in	384.71	410.68	438.40	468.00	482.04
<u>Variable Charge (\$/CCF)</u>					
First 12 CCFs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Over 12 CCFs	2.15	2.30	2.45	2.62	2.70

(1) Rates for October 1, 2022 will increase by the greater of 3.0% or the ENR CCI index; rates shown reflect a 3.0% increase. The rates in the table are the maximum rates approved by the City Council in April 2019. The rate increases that were adopted were maximum approved rates given anticipated needs, and the City Council has the ability to set actual rates lower than the approved maximum rates each year.

Source: City of Wheatland.

Connection Fees. The City charges an impact fee for the connection of new services to the Water System. In order to mitigate the water supply impacts caused by new development in the City water service area, certain public water system improvements must be or have been constructed in order to accommodate system expansion. The current connection fee for the Water System is as follows:

	<u>Water Connection Fee</u>
Single Family Residence	\$5,231
Multi Family Residences per unit	3,138
Mobile Home per unit	4,186
Commercial Lodging per unit	2,093
Retail Uses per square foot	1.715

Comparison of Water Rates

The following table shows the rates and charges of the Water System compared to the rates of other local agencies near to the City.

TABLE 11
CITY OF WHEATLAND WATER SYSTEM
Comparison of Water Rates– Single-Family Residential
(Assuming 15 CCF Per Month)
As of October 2019

Local Agency	Estimated Monthly Rate
OPUD	\$30.85
City of Yuba City	35.84
City of Wheatland	51.04
City of Rocklin (5/8" meter)	59.66
City of Lincoln	65.07
City of Marysville	65.44
City of Rocklin (3/4" meter)	75.75

Source: City of Wheatland.

Collection Procedures

The City bills each customer within the City for water and sewer service by use of a unified billing statement, and charges for these services are collected together. The regular billing period is on a monthly basis. The bill must be paid on, or prior to, the due date for payment set forth on the billing statement. If the bill is not paid on or prior to, said due date, the billing becomes delinquent and there will be a penalty charge of 10% of the delinquent amount. The City may discontinue a customer's water service if the customer fails or refuses to pay their current and delinquent charges. Prior to such water service shutoff, the City mails the customer a final notice informing the owner and/or tenant that the shutoff will be enforced if payment is not made within the time specified in the notice. As a result, the City reports it has virtually zero delinquencies.

Largest Customers

The following table shows the largest potable water customers of the Water System based on unaudited revenues for the fiscal year ended June 30, 2019. The top five potable water users accounted for approximately 25.2% (and the top six potable water users accounted for approximately 26.5%) of total water consumption in such fiscal year.

TABLE 12
CITY OF WHEATLAND WATER SYSTEM
Largest Customers
Fiscal Year 2018-19

No.	Customer	Land Use	Revenues	Percent of Revenues ⁽¹⁾
1	Sunrise Orchards ⁽²⁾	Commercial	\$80,191	8.8%
2	Wheatland School District	Institutional	62,372	6.9
3	City of Wheatland	Institutional	38,428	4.2
4	Mercy Housing	Residential	34,433	3.8
5	Wheatland Union High	Institutional	13,665	1.5
6	Bear River Apartments	Residential	11,589	1.3
Totals – Top 6			\$240,678	26.5%

(1) Based on total revenues of the Water System for Fiscal Year 2018-19 (unaudited) of \$907,149.

(2) Sunrise Orchards is an almond grower that is temporarily using water purchased from the City, until it can build its own groundwater well. Accordingly, the sixth largest water user (Bear River Apartments) is also shown in the table.

Source: City of Wheatland.

No Outstanding Water System Indebtedness

As of the date of issuance of the Series B Bonds and upon the prepayment of the Prior Water Obligations, the City will have no prior indebtedness secured by Net Revenues of the Water System other than the Series B Bonds.

Capital Improvement Program

The preparation and adoption of a Capital Improvement Program (CIP) is an important part of the City's planning process to identify and meet its capital needs. It is a multi-year schedule of projects with associated costs and proposed funding sources. Generally, projects in the CIP are relatively large-dollar amount, non-recurring outlays and are for the purpose of constructing, purchasing, improving, replacing, or restoring assets with multi-year useful life.

The rates set forth in the 2019 Rate Study have been set at a level sufficient to cover anticipated CIP funding, without additional long-term debt.

One of the anticipated capital improvement projects for the Water System involves making the water supply more reliable by taking the existing elevated water storage tower out of service. Ground-mounted hydro-pneumatic tanks will replace the function of the elevated tower, which will efficiently pressurize the Water System. In addition, the old pumps and motors of the system will be replaced with variable frequency drive (VFD) motors to reduce energy consumption. The City is seeking financing for these improvements in the form of a grant and/or loan-forgiveness arrangement.

Historic Debt Service Coverage

Revenues, expenses and debt service coverage for the Water System for the prior five fiscal years follows, based on the City's audited financial statements for Fiscal Year 2014-15 through Fiscal Year 2017-18 and estimated actuals for Fiscal Year 2018-19.

TABLE 13
CITY OF WHEATLAND WATER SYSTEM
Historical Revenues, Expenses and Debt Service Coverage
Fiscal Years 2014-15 – 2018-19

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Estimated Actuals 2018-19
Gross Revenues					
Sales and service charges	\$756,357	\$778,735	\$803,989	\$880,956	\$907,149
Other – interest income	725	103	1,624	4,194	10,064
Total Gross Revenues	757,082	778,838	805,613	885,150	917,213
Operation & Maintenance Costs⁽¹⁾					
Salaries and benefits	294,950	304,659	315,198	277,420	316,177
Services, supplies, etc.	242,320	210,980	221,332	296,301	325,713
Total O&M Costs	537,270	515,639	536,530	573,721	641,890
Net Revenues	219,812	263,199	269,083	311,429	275,323
Debt Service					
2001 COPs (USDA)	108,277	108,017	108,285	107,687	108,022
2002 COPs (USDA)	61,876	62,160	62,166	62,244	62,276
Total Debt Service	170,153	170,178	170,451	169,931	170,299
Coverage	1.29x	1.55x	1.58x	1.83x	1.62x

(1) Excludes depreciation.

Source: City of Wheatland Comprehensive Annual Financial Reports (FY 2014-15 through FY 2017-18) and City of Wheatland estimated actuals (FY 2018-19).

Projected Debt Service Coverage

The City's estimated projected operating results for the Water System for Fiscal Years 2019-20 through 2023-24 is set forth in the following table. The projections reflect a number of assumptions, as indicated in the footnotes to the table, and no assurance can be given these assumptions will be realized by the City.

TABLE 14
CITY OF WHEATLAND WATER SYSTEM
Projected Revenues, Expenses and Debt Service Coverage
Fiscal Years 2019-20 – 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Gross Revenues					
Sales and service charges ⁽¹⁾	\$950,000	\$1,014,125	\$1,082,578	\$1,115,056	\$1,115,056
Other – interest income	10,000	10,000	10,000	10,000	10,000
Total Gross Revenues	960,000	1,024,125	1,092,578	1,125,056	1,125,056
Operation & Maintenance Costs⁽²⁾					
Salaries and benefits	336,251	347,748	359,661	372,005	384,798
Services, supplies, etc.	461,209	477,658	484,498	496,744	450,341
Total O&M Costs	797,459	825,406	844,159	868,749	835,139
Net Revenues	162,541	198,719	248,419	256,306	289,917
Debt Service⁽³⁾					
2001 COPs (USDA)	74,583	--	--	--	--
2002 COPs (USDA)	42,890	--	--	--	--
2019 Series B Bonds	--	154,048	152,250	155,150	152,900
Total Debt Service	117,473	154,048	152,250	155,150	152,900
Coverage	1.38x	1.29x	1.63x	1.65x	1.90x

(1) Assumes rate increases on October 1, 2020 through 2022 in accordance with the 2019 Rate Study.

(2) Excludes depreciation.

(3) Assumes no new debt, other than the Series B Bonds, during the projection period.

Source: City of Wheatland.

CERTAIN RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. There can be no assurance that other risk factors will not become evident at any future time.

Decreased Demand and Revenues

There can be no assurance that the local demand for water and wastewater service provided by the Water System and Wastewater System, respectively, will be maintained at levels described in this Official Statement. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City's rate covenant in each Indenture. Such rate increases could increase the likelihood of nonpayment of the Bonds, and could also further decrease demand. Furthermore, there can be no assurance that any other entity with regulatory authority over the Wastewater System or Water System will not adopt further restrictions on operation of the Wastewater System or Water System. In fact, in recent years, the demand for water from the Water System was significantly reduced due to drought conditions in the State in recent times; droughts could re-occur again in the future.

Increased Expenses and Costs

There can be no assurance that Operation and Maintenance Costs of the Wastewater System and of the Water System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant in each Indenture. Such rate increases could increase the likelihood of nonpayment of the Bonds, and could also decrease demand for the services provided by each of the Wastewater System and Water System. In addition, each of the Wastewater System and the Water System is subject to significant regulatory provisions, and costs associated with complying with federal and State requirements may materially increase Operation and Maintenance Costs in the future.

Future Parity Obligations

Although the City has covenanted in each Indenture not to issue additional obligations payable from Net Revenues senior to each series of Bonds, the Indenture permits the issuance by the City of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Series A Bonds or Series B Bonds, as applicable, if certain coverage tests are met (see "SECURITY FOR THE BONDS – Parity Obligations" herein). These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Bonds will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Series A Bonds or Series B Bonds, as applicable, and such additional Parity Obligations.

Articles XIII C and XIII D of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “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 user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

With respect to local government “taxes,” Proposition 26 expressly excludes a variety of levies, charges and exactions from the definition of “tax,” including a “charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”

Proposition 26 amended Article XIII C to provide that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Property-Related Fees and Charges. Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIIC and XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIIC’s mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency’s water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate’s initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest

on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Current Practice Regarding Rates and Charges. The City's practice in implementing increases in wastewater and water rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the City Council approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater or water, or to call into question previously adopted rate increases described in this Official Statement.***

Limited Recourse on Default

If the City defaults on its obligation to pay the bonds, the Trustee has the right to accelerate the total unpaid principal amounts of the Bonds. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient Net Revenues to pay the accelerated Bonds.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: 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 hereafter in effect; equitable principles which 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; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners 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.

Statutory and Regulatory Impact

Laws and regulations governing the operations of the Wastewater System and Water System are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly and, as more stringent standards are developed, these costs will likely increase. In addition, claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Gross Revenues or from other legally available sources.

In addition, the City is subject to various other laws and regulations that could adversely impact Net Revenues of the Wastewater System or the Water System. For example, SB 998, enacted in 2018, will impose certain restrictions on the City's ability to turn off water connections to customers for non-payment of water charges. Because the City bills customers for water and sewer services on the same bill, restrictions on the ability of the City to turn off water connections may increase delinquencies for both the City's Water System and the Wastewater System in the future.

Although the City has covenanted to fix, prescribe and collect rates and charges for the Wastewater System and Water System during each Fiscal Year sufficient to yield the debt service coverage required by the Indentures, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate Net Revenues in the amounts required by the Indentures and to pay debt service on the Series A Bonds and Series B Bonds, respectively.

Greenhouse Gas Emissions

The Governor signed Assembly Bill 32, the Global Warming Solutions Act of 2006 (the "GWSA"), which became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas ("GHG") emission levels by 2020 and a reduction to 80% below 1990 levels by 2050. In addition, the GWSA establishes a mandatory reporting program to the California Air Resources Board ("CARB") for significant GHG emissions and requires the CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a cap and trade program) and gave CARB the authority to enforce such regulations beginning in 2012.

On April 2, 2007, the U.S. Supreme Court ruled that GHGs qualify as air pollutants under the Clean Air Act. While the rule was specific to the authority of the U.S. Environmental Protection Agency to regulate emissions from new motor vehicles, it may also impact federal and statewide regulation regarding GHG emissions from other sources, including publicly-owned treatment works, such as those owned by the City.

The City believes that it is in material compliance with all federal, state and local emissions regulations.

Natural Calamities

From time to time, the City is subject to natural calamities, including, but not limited to, earthquake, flood and drought, that may adversely affect economic activity in the City, and which could have a negative impact on the Net Revenues of the Wastewater System and/or the Water System. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Water System and the Net Revenues. See also "– Climate Change" below.

California is recovering from six years of drought (2011 - 2017), resulting in severe impacts to California's water supplies and its ability to meet all the demands for water in the State. Beginning on January 17, 2014 the Governor issued a number of executive orders regarding a drought state of emergency. In response to these orders, the State Water Resources Control Board ("**SWRCB**") issued and revised emergency regulations mandating water conservation efforts by the City and other water agencies throughout the State. This resulted in decreased revenues for the Water System.

On May 9, 2016, Governor Brown issued Executive Order B-37-16, which called for extending the emergency regulations through January 2017 and authorizing the SWRCB to make further changes based upon lessons learned from the drought response to date. The SWRCB revised the mandatory emergency water conservation regulations at its May 18, 2016 meeting. The revised regulations allow water supply agencies to review their own supply and demand under drought conditions and certify that they have adequate supply to adopt a conservation standard equal to any projected shortfall. Although the drought conditions have ended, no assurance can be given that future droughts will not occur with material adverse consequences.

Areas throughout the State, including the areas around the City, are subject to seismic events from time-to-time. If a seismic event were to occur in or around the City, the facilities of the Water System or Wastewater System could be damaged, which damage could result in decreased revenues and/or increased costs. In addition, the customers of the Water System or Wastewater System could be adversely impacted, resulting in lowered revenues for either or both systems. According to the City, the elevated water tank tower that forms a critical component of the Water System does not meet current building code seismic standards when full of water. The City has reduced risk by not operating with the tank full, and only keeping the minimum amount of water in the tank necessary to sustain system pressure. However, this practice does not remove all risk of a problem if a seismic event occurred, and the City can give no assurance regarding damage that may result from a seismic event. The City is planning to replace the elevated water tank tower with ground-mounted hydro-pneumatic tanks, once funds become available. See "THE WATER SYSTEM – Capital Improvement Program."

Climate Change

Net Revenues may be negatively impacted by impacts resulting from climate change. Local impacts of climate change are not definitive, but parcels in the City could experience changes to local and regional weather patterns; increased risk of flooding or drought; changes in groundwater levels; and other events which are beyond the control of the City.

Cybersecurity Risks

The City, like many other public and private entities relies on a complex technology environment to conduct its operations. As recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the City, the Water System or the Wastewater System.

No Obligation to Tax

The obligation of the City to pay the Bonds does not constitute an obligation of the City 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 Bonds does not constitute a debt or indebtedness of any City, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the City. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues of the Wastewater System or Water System, and adversely affecting the security of the Series A Bonds or Series B Bonds, respectively.

Loss of Tax Exemption

As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

CONTINUING DISCLOSURE

The City will covenant in a continuing disclosure certificate, the form of which is set forth in "Appendix E – FORM OF CONTINUING DISCLOSURE CERTIFICATE," for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data by not later than nine months after the end of the City's fiscal year, resulting in a deadline of March 31 of each year, beginning with an initial deadline of March 31, 2020. The Continuing Disclosure Certificate also requires the City to provide notices of the occurrence of certain enumerated events.

The covenants of the City in the Continuing Disclosure Certificate will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**"). A default under the Continuing Disclosure Certificate will not, by itself, constitute an Event of Default under the Indentures, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply will be an action to compel specific performance.

The City has not previously entered into a continuing disclosure undertaking under the Rule.

RATINGS

It is anticipated that S&P Global Ratings ("**S&P**") will assign its municipal bond rating of "AA" to each series of the Bonds, with the understanding that the Insurer will issue its municipal bond insurance policy with respect to each series of Bonds on the closing date for the Bonds. In addition, S&P has assigned its municipal bond rating of "A" to the Series A Bonds and "A" to the Series B Bonds, respectively. Such ratings reflect only the view of S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the rating agencies. Generally, a rating agency bases its rating

on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). To the extent that such information has been omitted from this Official Statement, it has been deemed immaterial to investors in the Bonds.

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution’s interest expense allocable to interest payable with respect to the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds, and that the Bonds be, or continue to be, “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount

accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

CERTAIN LEGAL MATTERS

The legal opinions of Jones Hal, A Professional Law Corporation, as bond counsel to the City, approving the validity of the Series A Bonds and the Series B Bonds, in substantially the forms attached hereto as APPENDIX D, will be made available to purchasers at the time of original delivery of the Series A Bonds and Series B Bonds, and a copy thereof will be printed on each Series A Bond or Series B Bond, as applicable. Jones Hall is also serving as disclosure counsel to the City.

Certain matters will be passed upon by for the City by the City Attorney, and for the Underwriter by its counsel.

The compensation of bond counsel, disclosure counsel and Underwriter's counsel are contingent on the issuance and delivery of the Bonds.

UNDERWRITING

The Bonds are being purchased on a negotiated basis by Hilltop Securities, Inc., as underwriter (the "**Underwriter**") at a purchase price of: (i) with respect to the Series A Bonds, \$3,530,939.00, being the aggregate principal amount thereof, plus net original issue premium of \$302,164.00, less an underwriter's discount of \$16,225.00, and (ii) with respect to the Series B Bonds, \$2,464,734.45, being the aggregate principal amount thereof, plus original issue premium of \$265,784.45, less an underwriter's discount of \$11,050.00. The Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The public offering prices of the Bonds purchased by the Underwriter may be changed from time to time by the Underwriter. The Underwriter may offer and sell such Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof.

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, San Rafael, California, as its municipal advisor (the "**Municipal Advisor**") in connection with the structuring, and delivery and sale of the Bonds. The payment of the Municipal Advisor's fees for services rendered with respect to the sale of the Bonds is contingent upon the closing of the Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CONCLUDING INFORMATION

No Litigation

In connection with issuance of the Bonds, the City will certify that there is no litigation pending or, to the City's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or any proceedings of the City with respect thereto. Also in connection with issuance of the Bonds, the City will certify that there are no lawsuits or claims pending against the City that will materially affect the City's finances so as to impair the ability to pay principal of and interest on the Bonds when due.

Professional Services

In connection with the issuance of the Bonds, all or a portion of the fees payable to Bond Counsel and Disclosure Counsel, the Underwriter, Underwriter's counsel, the Municipal Advisor and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee for the Bonds, are contingent upon the issuance and delivery of the Bonds.

Additional Information

References are made herein to certain documents and reports which are brief summaries and do not purport to be complete or definitive. Prospective purchasers of the Bonds are advised to refer to such documents and reports for full and complete statements of their contents. 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 City and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement and its use in connection with the offering of the Bonds for sale have been authorized by the City.

CITY OF WHEATLAND

By: _____ /s/ Jim Goodwin
City Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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CITY OF WHEATLAND, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



CITY OF WHEATLAND
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

CITY OF WHEATLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2018

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CITY OF WHEATLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION



111 C Street . Wheatland . California . 95692

December 11, 2018

To the Honorable Mayor and Members of the City Council and Citizens of the City of Wheatland:

We are pleased to submit the City of Wheatland's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. It is the policy of the Council to have a licensed certified public accountant conduct an annual audit at the end of each fiscal year and to issue a complete set of financial statements for the Council and all stakeholders of the City. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information of 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 framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Wheatland, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by Moss, Levy & Hartzheim CPAs, a firm of certified public accountants. The goal of the independent audit is 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. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City can be part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. A Single Audit is required when a state, local government, or not-for-profit organizations expends more than \$750,000 per fiscal year in federal grant money. 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 internal controls and legal requirements involving the administration of federal awards. For the fiscal year ending June 30, 2018 the City was not required to issue a Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Wheatland

The City of Wheatland operates under a Council-Manager form of government and provides municipal services that include public safety, public works, parks and recreation, planning services, water and wastewater services, and general administration. This report includes all funds of the City of Wheatland. The City does not have Redevelopment Agency.

The City Council establishes an annual budget with a mid-year review for the General Fund and all other funds. Budgetary control is legally maintained at the fund level. Department heads submit budget requests to the City Manager and Finance Director. The Finance Director prepares an estimate of revenues and prepares recommendations for the next year's budget. After approval by the City Manager, the preliminary budget is presented to the City Council who may or may not make amendments. The budget is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City of Wheatland, incorporated in 1874, is one of two incorporated cities in Yuba County. It is nestled at the northeastern edge of California's vast Sacramento Valley. Located 34 miles north of Sacramento, 107 miles northeast of San Francisco and 417 miles north west of Los Angeles. With a population of more than 4,100 in a 42.2 square-mile area, Wheatland is valued by its residents for its small-town atmosphere and rural setting.

The City of Wheatland City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The position of Mayor and Vice Mayor are chosen by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As elected officials, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council is also responsible for numerous land

use decisions within its borders in accordance with the General Plan and the Wheatland Municipal Code. The City Council appoints the City Manager, City Attorney, and all members of advisory boards and commissions.

Current Economic Conditions and Outlook

The City's economic development efforts and implementation of the City's financial policies help to promote Wheatland's long-term fiscal stability. Each year, staff conducts a systematic review of operations to make sure the blend of contract services and in-house staffing promotes long-term savings and ensures long-term stability. The City anticipates significant growth in the next ten years in property tax revenue as planned subdivisions are being considered by several developers.

Acknowledgements

The preparation of this Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of Moss, Levy & Hartzheim CPAs. I would like to express my appreciation to the members of the Finance Department who assisted and contributed to its preparation – Cindy Brumley, Senior Accountant; Rafaela Vargas, Senior Account Clerk; and Kaylie Rogers, Account Clerk.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully submitted,

Susan Mahoney

Susan Mahoney
Finance Director

CITY OF WHEATLAND COUNCIL AND PRINCIPAL OFFICIALS

CITY COUNCIL

Joe Henderson, Mayor

Rick West, Vice Mayor

Bob Coe, Councilmember

Lisa McIntosh, Councilmember

Jay Pendergraph, Councilmember

CITY OFFICIALS

Jim Goodwin, City Manager

Susan Mahoney, Finance Director

Tim Raney, Planning Director (contract)

Dane Schilling, City Engineer (contract)

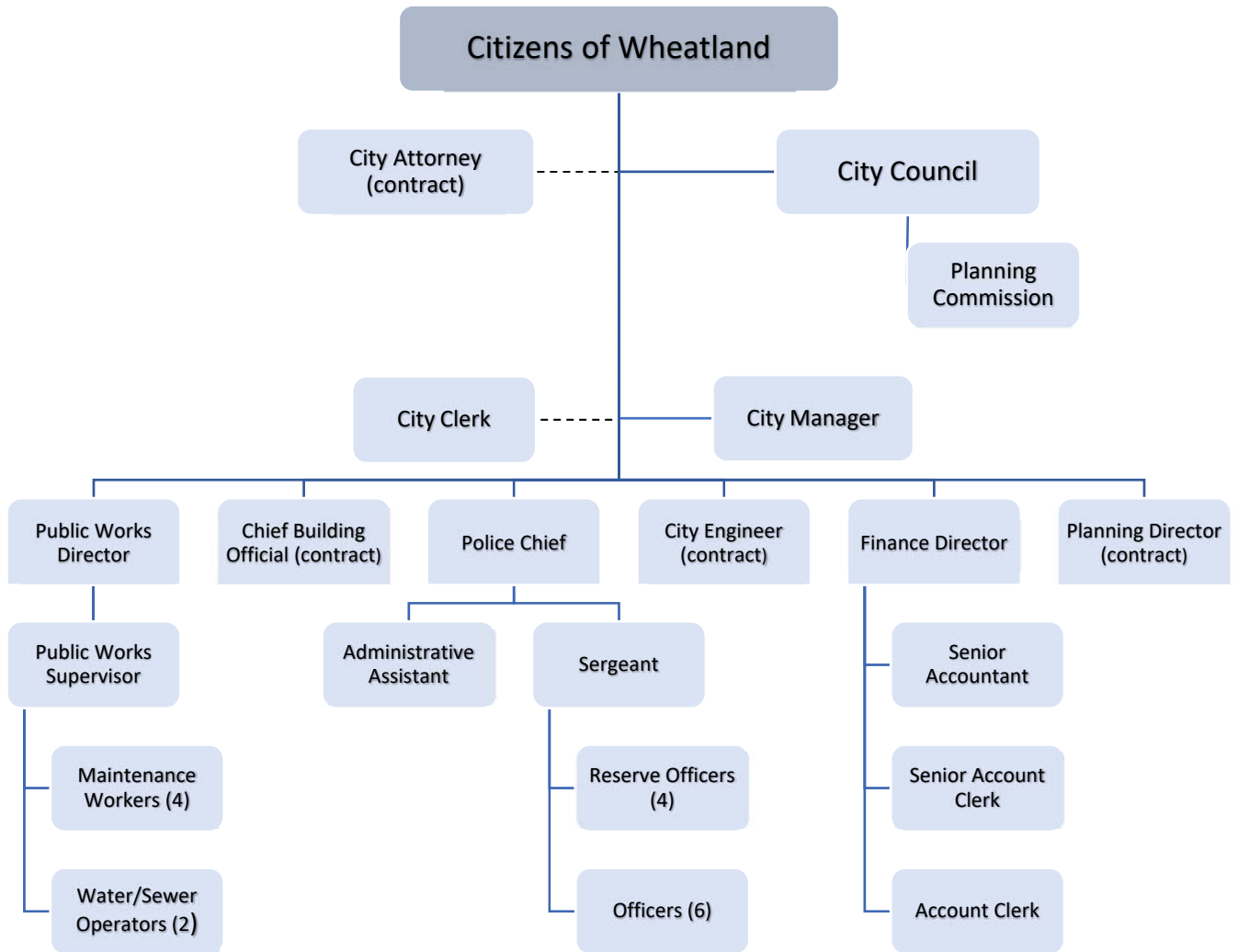
Don Scott, Public Works Director

Lisa Thomason, City Clerk

Allyn Wightman, Police Chief



CITY OF WHEATLAND ORGANIZATIONAL CHART



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FINANCIAL SECTION



PARTNERS

RONALD A LEVY, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council City of
Wheatland, 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 City of Wheatland, California as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison schedules for the General fund, on pages 9 through 16 and 54 and 55 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 Wheatland's basic financial statements. The introductory section, governmental combining and individual non-major fund information, major capital project funds budgetary comparison schedules, fiduciary funds financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The governmental combining and individual non-major fund information, major capital project funds budgetary comparison schedules, fiduciary funds financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the governmental combining and individual non-major fund information, major capital project fund budgetary comparison schedule, and fiduciary fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

As management of the City of Wheatland (the City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with additional information, which can be found in the City's financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

Government-wide:

- The City's total net position (assets minus liabilities) decreased by \$49,340 during the fiscal year ended June 30, 2018. Governmental activities increased the City's net position by \$77,151 without prior period adjustments and business-type activities decreased the City's net position by \$126,491.
- Government-wide *governmental* revenues include program revenues of \$855,550 and general revenues of \$1,863,547 for a total of \$2,719,097.
- Government-wide *governmental* expenses were \$2,641,946.
- Government-wide *business-type* revenues include program revenues of \$1,797,975 and general revenues of \$98,452 for a total of \$1,896,427.
- Government-wide *business-type* expenses were \$2,022,918.

Fund Level:

- Governmental Fund balance increased to \$2,370,565 in fiscal year 2017-18, up from \$2,135,520 in the prior year mainly due to an increase in cash reserved for street projects.
- Governmental Fund revenues were \$2,719,097 in fiscal year 2017-18 down \$175,465 from the prior year. This decrease was mainly due to a reduction of grant revenue (SRTS grant) offset by an increase in gas tax revenue.
- Governmental Fund expenditures were \$2,484,052 in fiscal year 2017-18, down \$292,227 from the prior year due to the SRTS grant expenditures incurred in fiscal year 2016-17.

General Fund:

- General Fund revenues of \$2,191,752 were \$351,538 higher than the prior year.
- General Fund expenditures of \$1,993,470 represented an increase of \$73,254 over the prior year.
- Other Financing Sources (Uses) was (\$133,989) in fiscal year 2017-18, which was \$236,325 lower than the prior year.
- The fund balance of the General Fund was 1,688,983 as of June 30, 2018 compared to the \$1,632,968 fiscal year 2016-17 fund balance.

OVERVIEW OF THE 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. These statements separate the City's activities into two areas:

Governmental Activities – these services are principally supported by taxes and intergovernmental revenues. Most of the City's basic services are considered governmental activities including public safety, community development, public works, parks and recreation, and general administration.

Business-Type Activities – these services rely upon user fees and charges to help cover all or most of their costs. The City’s water and wastewater systems are reported here.

Within the framework of these activities, a Statement of Net Position and a Statement of Activities report information about the City as a whole. These statements include all assets and liabilities of the City (i.e., infrastructure and long-term debt) and use the accrual basis of accounting in which all the current year revenues and expenses are taken into account regardless of when the cash is received or paid. The two statements can be generally described as follows:

The Statement of Net Position presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Wheatland is improving or deteriorating.

The Statement of Activities presents information showing how the City’s net position changed during the 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.

Notably, these statements differ from the Fund Financial Statements in that they include all assets of the City (including infrastructure) and all liabilities (including long-term debt) and exclude certain interfund receivables, payables and other interfund activity as prescribed by GASB Statement No. 34. A reconciliation between the two is provided on pages 21 and 23 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 of Wheatland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds in the City of Wheatland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. This information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in the reconciliation at the bottom of the fund financial statements.

Proprietary Funds – when the City charges customers for services it provides, whether outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements (i.e. business-type activities), only in more detail. The City uses proprietary funds to account for its water and wastewater operations.

Fiduciary Funds – the City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City’s fiduciary activities are reported in separate Statement of Fiduciary Net Position. These activities are excluded from the City’s other financial statements because the resources of the funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for the intended purposes.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents the following required supplementary information: budgetary comparisons for the City's General Fund and major special revenue funds as well as a description of the City's accounting policies with regard to the annual budget.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide long-term and short-term information about the City's overall financial conditions. This analysis addresses the financial statements of the city as a whole.

Following is a summary of net position:

Summary of Net Position
Fiscal Years 2017-18 and 2016-17

	Governmental Activities		Business-type Activities		TOTALS	
	2018	2017	2018	2017	2018	2017
ASSETS:						
Current assets and outflows	\$ 2,584,170	\$ 2,222,932	\$ 8,925,927	\$ 7,907,271	\$11,510,097	\$10,130,203
Capital assets, net	4,461,609	4,688,118	5,876,949	7,141,966	10,338,558	11,830,084
TOTAL ASSETS	\$ 7,045,779	\$ 6,911,050	\$14,802,876	\$15,049,237	\$21,848,655	\$21,960,287
LIABILITIES:						
Long term liabilities	\$ 92,684	\$ 183,295	\$ 5,892,074	\$ 6,588,931	\$ 5,984,758	\$ 6,772,226
Other liabilities and inflows	167,421	156,631	244,979	247,583	412,400	404,214
TOTAL LIABILITIES	\$ 260,105	\$ 339,926	\$ 6,137,053	\$ 6,836,514	\$ 6,397,158	\$ 7,176,440
NET POSITION:						
Net Investment in capital assets	\$ 4,492,713	\$ 4,752,455	\$ 800,875	\$ 1,501,882	\$ 5,293,588	\$ 6,254,337
Restricted	1,031,831		7,472,164	377,998	8,503,995	377,998
Unrestricted	1,261,130	1,818,665	392,784	6,332,843	1,653,914	8,151,508
TOTAL NET POSITION	\$ 6,785,674	\$ 6,571,120	8,665,823	8,212,723	\$15,451,497	\$14,783,843

Net position represents the difference between the City's resources and its obligations. At June 30, 2018, the largest portion of the City's total net position, 34.3 percent, reflects the net investment in capital assets. This component of net position, which reflects the total amount of funds used to acquire those assets less any outstanding debt used for such acquisition, was \$5.29 million at June 30, 2018. These capital assets are used by the City to provide services to the citizens.

Overall, the net position for the governmental portion of the City funds has improved due to both operating results and increase contributions from operating and capital grants. The net position of the business activities increased due to the expiration of an infrastructure funding agreement liability. When that liability is factored out, the net position of the business activities declined by \$126,491 due to a decreasing position in capital assets.

Restricted net position of \$8,503,995 represents resources subject to external restrictions as to how they may be used. A component of restricted net position, \$7.09 million, reflects the prepaid sewer collection impact fees the City received for future expansion of the City's wastewater system. The Governmental Activities Unrestricted net position of \$1.26 million represents amounts that may be used to meet the City's ongoing obligations to its residents, businesses, customers, and creditors.

Following is a summary of changes in net position:

Summary of Change in Net Position
Fiscal Years 2017-18 and 2016-17

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTALS</u>	
	2018	2017	2018	2017	2018	2017
PROGRAM REVENUES:						
Charges for services	\$415,276	\$262,570	\$ 1,786,569	\$1,680,239	\$2,201,845	\$1,942,809
Operating grants	440,274	130,309	11,406	-	451,680	130,309
Capital grants	-	701,280	-	-	-	701,280
GENERAL REVENUES:						
Property taxes	692,486	659,157	-	-	692,486	659,157
Sales and use taxes	809,867	745,094	-	-	809,867	745,094
Franchise fees	109,344	112,910	-	-	109,344	112,910
Other taxes	96,427	93,340	-	-	96,427	93,340
Use of money	78,758	59,361	98,452	53,697	177,210	113,058
Other revenues	76,665	130,541	-	-	76,665	130,541
TOTAL REVENUES	<u>2,719,097</u>	<u>2,894,562</u>	<u>1,896,427</u>	<u>1,733,936</u>	<u>4,615,524</u>	<u>4,628,498</u>
EXPENSES:						
Governmental activities:						
General government	569,454	634,638	-	-	569,454	634,638
Public safety	1,259,788	1,277,664	-	-	1,259,788	1,277,664
Public works	422,920	356,079	-	-	422,920	356,079
Parks and recreation	50,744	69,777	-	-	50,744	69,777
Community development	335,771	235,532	-	-	335,771	235,532
Interest expense	3,269	3,744	-	-	3,269	3,744
Business-type activities:						
Water	-	-	867,301	832,077	867,301	832,077
Wastewater	-	-	1,155,617	1,001,324	1,155,617	1,001,324
TOTAL EXPENSES	<u>2,641,946</u>	<u>2,577,434</u>	<u>2,022,918</u>	<u>1,833,401</u>	<u>4,664,864</u>	<u>4,410,835</u>
DEFICIENCY OF REVENUES UNDER EXPENSES	77,151	317,128	(126,491)	(99,465)	(49,340)	217,663
TRANSFERS	-	174,480	-	(174,480)	-	-
SPECIAL ITEMS	-	-	-	-	-	-
CHANGE IN NET POSITION	<u>77,151</u>	<u>491,608</u>	<u>(126,491)</u>	<u>(273,945)</u>	<u>(49,340)</u>	<u>217,663</u>
NET POSITION, July 1 (restated)	6,708,523	6,079,512	8,792,314	8,486,668	15,500,837	14,566,180
NET POSITION, June 30	<u>\$ 6,785,674</u>	<u>\$ 6,571,120</u>	<u>\$ 8,665,823</u>	<u>\$8,212,723</u>	<u>\$15,451,497</u>	<u>\$14,783,843</u>

Governmental Activities:

The City's governmental activities increased the City's net position by \$77,151 without taking prior period adjustments into account. Revenues were \$2,719,097 which represented a decrease of \$175,465 or 6.1 percent over the prior year. This decrease is attributed mainly to capital grant revenue. Expenses were \$2,641,946 which represented an increase of \$64,511 or 2.5 percent. Governmental activities highlights include the following:

- Taxes provided \$1,598,780 or 58.8 percent of the total governmental activity revenue of the City. This amount is an increase of \$101,189 from the prior year.
- Charges for services, operating grants and capital grants provided \$855,550 or 31.5 percent of the total governmental activity revenue of the City. This amount is a decrease of \$238,609 from the prior year.

The following tables show the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenues generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. For the fiscal years ended June 30, 2018 and 2017, the net costs are as follows:

**NET COST OF MAJOR PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Total cost of services</u>	<u>Charges for services</u>	<u>Operating grants</u>	<u>Capital grants</u>	<u>Net (cost) revenue of services</u>
GOVERNMENTAL ACTIVITIES:					
General government	\$ 569,454	\$ 344,530	\$ 89,839	\$ -	\$ (135,085)
Public safety	1,259,788	8,529	188,163	-	(1,063,096)
Public works	422,920	34,852	162,272	-	(225,796)
Parks & recreation	50,744	26,553	-	-	(24,191)
Community development	335,771	812	-	-	(334,959)
Interest expense	3,269	-	-	-	(3,269)
	<u>\$ 2,641,946</u>	<u>\$ 415,276</u>	<u>\$ 440,274</u>	<u>\$ -</u>	<u>\$ (1,786,396)</u>

**NET COST OF MAJOR PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Total cost of services</u>	<u>Charges for services</u>	<u>Operating grants</u>	<u>Capital grants</u>	<u>Net (cost) revenue of services</u>
GOVERNMENTAL ACTIVITIES:					
General government	\$ 634,638	\$ 168,151	\$ -	\$ -	\$ (466,487)
Public safety	1,277,664	39,076	130,309	-	(1,108,279)
Public works	356,079	-	-	701,280	345,201
Parks & recreation	69,777	42,533	-	-	(27,244)
Community development	235,532	12,810	-	-	(222,722)
Interest expense	3,744	-	-	-	(3,744)
	<u>\$ 2,577,434</u>	<u>\$ 262,570</u>	<u>\$ 130,309</u>	<u>\$ 701,280</u>	<u>\$ (1,483,275)</u>

Business Type Activities:

The City's business type activities decreased the city's net position by \$126,491. Revenues were \$1,896,427 which represents an increase of \$162,491 primarily due to increased charges for services. Business type activities highlights include the following:

- Charges for services provided \$1,786,569 or 94.2 percent of the total business type activities revenue of the City.
- Charges for services revenue is not keeping up with depreciation expenses in both Water and Wastewater Funds. The net position of investment in capital assets continues to shrink and there are insufficient unrestricted reserves to replace aging capital assets.

**CHANGES IN BUSINESS-TYPE NET POSITION
NET REVENUES (EXPENSES) FROM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2018</u>			<u>2017</u>		
	<u>Operating Expenses</u>	<u>Charges for services</u>	<u>Net (cost) revenue of services</u>	<u>Operating Expenses</u>	<u>Charges for services</u>	<u>Net (cost) revenue of services</u>
Water	\$ 867,301	\$ 877,371	\$ 10,070	\$ 832,077	\$ 803,989	\$ (28,088)
Wastewater	<u>1,155,617</u>	<u>909,198</u>	<u>(246,419)</u>	<u>1,001,324</u>	<u>876,250</u>	<u>(125,074)</u>
	<u>\$ 2,022,918</u>	<u>\$ 1,786,569</u>	<u>\$ (236,349)</u>	<u>\$ 1,833,401</u>	<u>\$ 1,680,239</u>	<u>\$ (153,162)</u>

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements. The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported combined fund balance at June 30, 2018 of \$2,370,565. The General Fund increased by \$64,293 and other Governmental Funds increased by \$170,752. The General Fund increase was due to mainly to a one-time reimbursement of insurance premiums and the forfeiture of unearned deferred compensation. Within the Other Governmental Funds, the increase in fund balance was attributable to a decrease in capital outlay.

Analysis of the General Fund

The General Fund is the primary operating fund of the City. It accounts for revenues and expenditures associated with police services, public works, engineering, planning, building inspections, finance, parks, city clerk, city attorney, and administration.

General fund revenues totaled \$2,191,752 in fiscal year 2017-18, an increase of \$351,538 over the prior year. The increase was primarily caused by a reclassification of overhead charges. When this amount is factored out, the increase is \$113,432 which is attributable mainly to tax and interest earnings revenue increases. General fund expenditures totaled \$1,993,470 in fiscal year 2017-18, an increase of \$73,254 over last year. This increase was primarily in the public works department.

At the end of fiscal year 2017-18, the fund balance for the City's General Fund was \$1,688,983 an increase of \$64,293 from the restated balance of the prior year. The fund balance in the General Fund was comprised of \$171,109 which is non-spendable for long-term receivables and \$1,517,874 which is unassigned. The unassigned portion of the fund balance in the General Fund increased by \$79,671.

Analysis of Major Proprietary Funds

Water

The Water Fund is financed and operated in a manner similar to that of a private business. The Fund's net position went from \$486,646 in fiscal year 2016-17 to \$592,264 in fiscal year 2017-18 representing an increase of \$105,618 after prior period adjustments. Operating revenues were \$880,956, a 9.6 percent increase due to increased charges for services and increased water usage. Operating expenses were \$752,136, a 5.3 percent increase over the prior year. At present, the water charges are not recapturing funding for depreciation. The Fund's invested equity in capital assets went from \$559,375 in fiscal year 2016-17 to \$449,282 in fiscal year 2017-18. The Fund ended the year with a negative unrestricted net position of \$29,208. Due to the age of the water system infrastructure, significant investments will be required in future years to update water lines and equipment.

Wastewater

The Wastewater fund is financed and operated in a manner similar to that of a private business. The Fund's net position went from \$7,726,077 in fiscal year 2016-17 to \$8,073,559 in fiscal year 2017-18, representing an increase of \$347,482. This increase is mainly due to the elimination of a \$491,822 infrastructure funding agreement that expired. When this agreement is factored out, the net position decreased \$144,340. Operating revenues were \$917,019, a 4.65 percent increase over the prior year. Like the Water Fund, the wastewater charges are not recapturing funding for depreciation. The Fund's invested equity in capital assets went from \$440,714 in fiscal year 2016-17 (restated) to \$351,593 in fiscal year 2017-18. The Fund ended the year with an unrestricted reserve of \$7,516,158 mostly attributable to the sewer collection impact fee fund. Due to the age of the Wastewater system infrastructure, significant investments will be required in future years to update wastewater lines and equipment.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets

At the end of fiscal year 2017-18, the City had invested \$21,203,238 in a broad range of capital assets, including police and fire equipment, buildings, park facilities, street and storm drainage improvements and water and wastewater facilities. Additional detailed information on the City's capital assets is presented Note 7 to the financial statements on pages 44 and 45.

The financial statements summarize the City's accounting policies regarding capital assets in Note 1 of the note disclosures. In general terms, the city capitalizes assets in governmental funds at the \$5,000 level. These fixed assets are depreciated on a straight-line basis varied from 3 years to 50 years. At June 30, 2018, major construction in progress included:

- Sewer Treatment Plan design

Following is a summary of capital assets:

CAPITAL ASSETS, NET OF DEPRECIATION AS OF JUNE 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTALS</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Capital assets, not being depreciated:						
Land	\$ 86,063	\$ 86,063	\$ 33,938	\$ 33,938	\$ 120,000	\$ 120,000
Construction in progress	-	7,500	899,327	899,327	899,327	906,828
Depreciable capital assets, net:						
Buildings and improvements	1,938,959	1,849,099	123,456	135,702	2,062,415	1,984,801
Infrastructure	2,341,861	2,509,561	-	-	2,341,861	2,509,561
Water system improvements	-	-	2,776,564	2,921,314	2,776,564	2,921,314
Sewer system improvements	-	-	2,692,070	2,977,923	2,692,070	2,977,923
Machinery and equipment	<u>180,789</u>	<u>235,895</u>	<u>284,860</u>	<u>173,764</u>	<u>465,649</u>	<u>409,659</u>
TOTAL	<u>\$ 4,547,672</u>	<u>\$ 4,688,118</u>	<u>\$ 6,810,215</u>	<u>\$ 7,141,968</u>	<u>\$ 11,357,887</u>	<u>\$ 11,830,086</u>

Long-term Debt

At fiscal year-end, the City had \$6,183,255 in loans and leases payable outstanding compared to \$6,308,920 at June 30, 2017. Governmental activities long-term debt decreased \$8,383 due to a decrease in capital lease obligations. Business-type activities long-term debt decreased \$134,048 mainly due to a decrease in the amount owed for Water and Wastewater USDA loans.

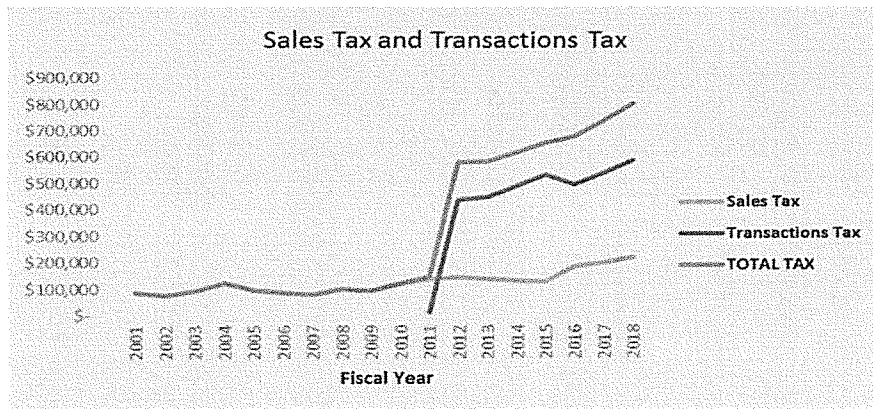
OUTSTANDING DEBT AS OF JUNE 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTALS</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Compensated Absences	\$ 77,604	\$ 59,843	\$ 41,352	\$ 43,132	\$ 118,956	\$ 102,975
US Department of Agriculture Loan #1	-	-	1,575,000	1,611,000	1,575,000	1,611,000
Loan #3	-	-	906,000	927,000	906,000	927,000
Wastewater Loan	-	-	3,445,900	3,507,100	3,445,900	3,507,100
Obligations under capital lease	<u>54,959</u>	<u>64,337</u>	<u>82,440</u>	<u>96,508</u>	<u>137,399</u>	<u>160,845</u>
TOTAL	<u>\$ 132,563</u>	<u>\$ 124,180</u>	<u>\$ 6,050,692</u>	<u>\$ 6,184,740</u>	<u>\$ 6,183,255</u>	<u>\$ 6,308,920</u>

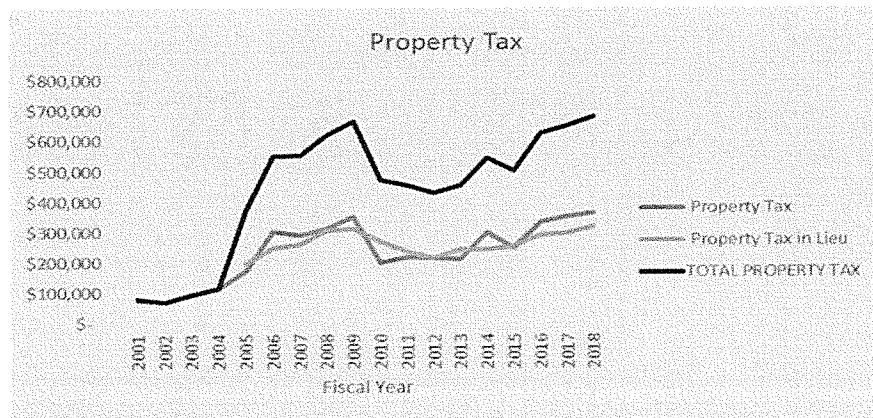
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to work with various developers on their mapping and other requirements. We anticipate a limited level of building activity in the 2019 building season and more substantial activity in future years. The City completed the annexation of approximately 4,500 acres to the City in 2014. While preliminary planning is continuing for this annexation area, there are no immediate development plans for any of the property.

The City's sales tax revenue has grown steadily in the past six years. The Measure S half cent Transactions Sales Tax has added over \$500,000 annually in additional sales tax revenue since its implementation in 2012. The City expects total sales tax to increase 7% in fiscal year 2018-19. A portion of the Transactions Tax revenue has been reserved as a hedge against possible future claims.



In fiscal year 2017-18, property tax revenues were greater than the pre-great recession peak for the first time. Property tax revenues are expected to increase 3% in fiscal year 2018-19. Anticipated new residential growth could increase budgeted estimates.



The fiscal year 2018-2019 budget included a 3.0 percent salary increase for all City employees and a part-time position to assist with public safety administration. Capital equipment expenditures for fiscal year 2018-19 total \$315,000, of which \$20,000 will be paid by the General Fund. Fiscal year 2018-19 service levels will remain the same as fiscal year 2017-18. It is anticipated that staffing levels will increase in future years as required by development activity.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for additional financial information should be directed to:

City of Wheatland Finance Department
111 C Street Wheatland, California 95692
(530) 633-2761

Basic Financial Statements

CITY OF WHEATLAND
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 1,957,363	\$ 5,169,013	\$ 7,126,376
Receivables:			
Accounts	360,099	40,285	400,384
Interest	23,601		23,601
Notes	328,153	2,612,254	2,940,407
Internal balances	(171,109)	171,109	
Capital assets not being depreciated	86,063	933,266	1,019,329
Capital assets, net of accumulated depreciation	4,461,609	5,876,949	10,338,558
Total Assets	7,045,779	14,802,876	21,848,655
Liabilities:			
Accounts payable	78,436	28,020	106,456
Accrued liabilities	45,206	25,346	70,552
Accrued interest payable		32,995	32,995
Deposits payable	3,900		3,900
Noncurrent liabilities:			
Due within one year	39,879	158,618	198,497
Due in more than one year	92,684	5,892,074	5,984,758
Total Liabilities	260,105	6,137,053	6,397,158
Net position:			
Net investment in capital assets	4,492,713	800,875	5,293,588
Restricted for:			
Community development	186,753		186,753
Debt service		377,998	377,998
Parks and recreation	124,912		124,912
Public safety	75,021		75,021
Streets and roads	488,101		488,101
Sewer impact fees		7,094,166	7,094,166
Housing	157,044		157,044
Unrestricted	1,261,130	392,784	1,653,914
Total Net Position	\$ 6,785,674	\$ 8,665,823	\$ 15,451,497

See Notes to Basic Financial Statements

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CITY OF WHEATLAND
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Contributions and Grants
Primary Government:			
Governmental Activities:			
General government	\$ (569,454)	\$ 344,530	\$ 89,839
Public safety	(1,259,788)	8,529	188,163
Public works	(422,920)	34,852	162,272
Community development	(335,771)	812	
Parks and recreation	(50,744)	26,553	
Interest on long-term debt	(3,269)		
Total Governmental Activities	<u>(2,641,946)</u>	<u>415,276</u>	<u>440,274</u>
Business-type Activities:			
Water	(867,301)	877,371	3,585
Sewer	(1,155,617)	909,198	7,821
Total Business-type Activities	<u>(2,022,918)</u>	<u>1,786,569</u>	<u>11,406</u>
Total Primary Government	<u>\$ (4,664,864)</u>	<u>\$ 2,201,845</u>	<u>\$ 451,680</u>

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Use of money and property

Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Fiscal Year

Prior Period Adjustments

Net Position at Beginning of Fiscal Year, restated

Net Position at End of Fiscal Year

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (135,085)	\$ -	\$ (135,085)
	(1,063,096)		(1,063,096)
	(225,796)		(225,796)
	(334,959)		(334,959)
	(24,191)		(24,191)
	(3,269)		(3,269)
	<u>(1,786,396)</u>		<u>(1,786,396)</u>
		13,655	13,655
		<u>(238,598)</u>	<u>(238,598)</u>
		<u>(224,943)</u>	<u>(224,943)</u>
<u>\$ -</u>	<u>(1,786,396)</u>	<u>(224,943)</u>	<u>(2,011,339)</u>
	692,486		692,486
	809,867		809,867
	109,344		109,344
	96,427		96,427
	78,758	98,452	177,210
	76,665		76,665
	<u>1,863,547</u>	<u>98,452</u>	<u>1,961,999</u>
	<u>77,151</u>	<u>(126,491)</u>	<u>(49,340)</u>
	6,571,120	8,212,723	14,783,843
	<u>137,403</u>	<u>579,591</u>	<u>716,994</u>
	<u>6,708,523</u>	<u>8,792,314</u>	<u>15,500,837</u>
<u>\$ 6,785,674</u>	<u>\$ 8,665,823</u>	<u>\$ 15,451,497</u>	

**CITY OF WHEATLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General	Capital Projects Fund General Construction	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 1,385,252	\$ 5,977	\$ 566,134	\$ 1,957,363
Receivables:				
Accounts	288,014		72,085	360,099
Interest	23,601			23,601
Loans	171,109		157,044	328,153
Due from other funds	101,139		275,510	376,649
Total Assets	\$ 1,969,115	\$ 5,977	\$ 1,070,773	\$ 3,045,865
Liabilities:				
Accounts payable	\$ 66,378	\$ -	\$ 12,058	\$ 78,436
Accrued liabilities	39,145		6,061	45,206
Due to other funds	171,109		376,649	547,758
Deposits payable	3,500		400	3,900
Total Liabilities	280,132		395,168	675,300
Fund Balances:				
Nonspendable	171,109		157,044	328,153
Restricted			874,787	874,787
Assigned		5,977		5,977
Unassigned	1,517,874		(356,226)	1,161,648
Total Fund Balances	1,688,983	5,977	675,605	2,370,565
Total Liabilities and Fund Balances	\$ 1,969,115	\$ 5,977	\$ 1,070,773	\$ 3,045,865

See Notes to Basic Financial Statements

CITY OF WHEATLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Fund balances of governmental funds	\$ 2,370,565
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.	4,547,672
Long-term debt has not been included in the governmental funds.	
Capital lease payable	(54,959)
Compensated absences	<u>(77,604)</u>
Net position of governmental activities	<u>\$ 6,785,674</u>

See Notes to Basic Financial Statements

**CITY OF WHEATLAND
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018**

	General	Capital Projects Fund General Construction	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and assessments	\$ 1,611,697	\$ -	\$ 203,849	\$ 1,815,546
Licenses and permits	29,320			29,320
Intergovernmental	89,839		243,013	332,852
Charges for services	106,424		70,746	177,170
Use of money and property	74,171		4,587	78,758
Fines and forfeitures	10,652			10,652
Overhead charges	238,106			238,106
Miscellaneous	31,543		5,150	36,693
Total Revenues	<u>2,191,752</u>		<u>527,345</u>	<u>2,719,097</u>
Expenditures:				
Current:				
General government	466,364			466,364
Public safety	1,091,348			1,091,348
Public works	97,652		283,159	380,811
Community development	293,661			293,661
Parks and recreation	27,382		23,362	50,744
Capital outlay	4,416	165,191	18,870	188,477
Debt service:				
Principal retirement	9,378			9,378
Interest and fiscal charges	3,269			3,269
Total Expenditures	<u>1,993,470</u>	<u>165,191</u>	<u>325,391</u>	<u>2,484,052</u>
Excess of Revenues Over (Under) Expenditures	<u>198,282</u>	<u>(165,191)</u>	<u>201,954</u>	<u>235,045</u>
Other Financing Sources (Uses):				
Transfers in	166,522	171,168	146,000	483,690
Transfers out	(300,511)		(183,179)	(483,690)
Total Other Financing Sources (Uses)	<u>(133,989)</u>	<u>171,168</u>	<u>(37,179)</u>	
Net Change in Fund Balances	<u>64,293</u>	<u>5,977</u>	<u>164,775</u>	<u>235,045</u>
Fund Balances, Beginning of Fiscal Year	1,632,968		502,552	2,135,520
Prior Period Adjustments	(8,278)		8,278	
Fund Balance, Beginning of Fiscal Year (Restated)	<u>1,624,690</u>		<u>510,830</u>	<u>2,135,520</u>
Fund Balances, End of Fiscal Year	<u>\$ 1,688,983</u>	<u>\$ 5,977</u>	<u>\$ 675,605</u>	<u>\$ 2,370,565</u>

See Notes to Basic Financial Statements

CITY OF WHEATLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	235,045
Amounts reported for governmental activities in the statement of activities differ because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$169,607) is exceeded by depreciation (\$319,118) in the current period.		(149,511)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.		
Current year repayment		9,378
Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.		<u>(17,761)</u>
Change in net position of governmental activities	<u>\$</u>	<u>77,151</u>

See Notes to Basic Financial Statements

CITY OF WHEATLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets:			
Cash and cash investments	\$ 435,825	\$ 4,733,188	\$ 5,169,013
Accounts receivable, net	18,681	21,604	40,285
Due from other funds		421,109	421,109
Total Current Assets	<u>454,506</u>	<u>5,175,901</u>	<u>5,630,407</u>
Noncurrent Assets:			
Note receivable		2,612,254	2,612,254
Capital assets:			
Land	16,969	16,969	33,938
Depreciable infrastructure, net	2,776,564	2,692,070	5,468,634
Depreciable buildings and improvements, net	61,728	61,728	123,456
Depreciable equipment, net	116,241	168,618	284,859
Construction in progress		899,328	899,328
Total Noncurrent Assets	<u>2,971,502</u>	<u>6,450,967</u>	<u>9,422,469</u>
Total Assets	<u>3,426,008</u>	<u>11,626,868</u>	<u>15,052,876</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	18,160	9,860	28,020
Accrued liabilities	10,998	14,348	25,346
Accrued interest payable	9,304	23,691	32,995
Due to other funds	250,000		250,000
Current portion of long-term obligations	77,409	81,209	158,618
Total Current Liabilities	<u>365,871</u>	<u>129,108</u>	<u>494,979</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	13,062	8,290	21,352
Capital lease payable	33,811	33,811	67,622
Notes payable	2,421,000	3,382,100	5,803,100
Total Noncurrent Liabilities	<u>2,467,873</u>	<u>3,424,201</u>	<u>5,892,074</u>
Total Liabilities	<u>2,833,744</u>	<u>3,553,309</u>	<u>6,387,053</u>
NET POSITION			
Net investment in capital assets	449,282	351,593	800,875
Restricted impact fees		7,094,166	7,094,166
Restricted for debt service	172,190	205,808	377,998
Unrestricted	(29,208)	421,992	392,784
Total Net Position	<u>\$ 592,264</u>	<u>\$ 8,073,559</u>	<u>\$ 8,665,823</u>

See Notes to Basic Financial Statements

**CITY OF WHEATLAND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds		Totals
	Water	Sewer	
Operating Revenues:			
Sales and service charges	\$ 877,371	\$ 909,198	\$ 1,786,569
Other	3,585	7,821	11,406
Total Operating Revenues	880,956	917,019	1,797,975
Operating Expenses:			
Salaries and benefits	277,420	336,788	614,208
Contractual services	29,035	24,965	54,000
Materials and supplies	48,791	83,900	132,691
Repairs and maintenance	6,311	49,555	55,866
Utilities	90,071	76,224	166,295
Insurance	39,493	39,493	78,986
Allocated overhead	82,600	98,900	181,500
Depreciation	178,415	299,093	477,508
Total Operating Expenses	752,136	1,008,918	1,761,054
Operating Income (Loss)	128,820	(91,899)	36,921
Nonoperating Revenues (Expenses):			
Interest revenue	4,194	94,258	98,452
Interest expense	(115,165)	(146,699)	(261,864)
Total Nonoperating Revenues (Expenses)	(110,971)	(52,441)	(163,412)
Changes in Net Position	17,849	(144,340)	(126,491)
Net Position (Deficit):			
Beginning of fiscal year	486,646	7,726,077	8,212,723
Prior year adjustments	87,769	491,822	579,591
Beginning of fiscal year, restated	574,415	8,217,899	8,792,314
End of fiscal year	\$ 592,264	\$ 8,073,559	\$ 8,665,823

See Notes to Basic Financial Statements

**CITY OF WHEATLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 876,400	\$ 918,285	\$ 1,794,685
Cash paid to suppliers for goods and services	(203,967)	(263,554)	(467,521)
Cash paid to employees for services	(275,925)	(340,065)	(615,990)
Cash paid for allocated overhead	(82,600)	(98,900)	(181,500)
Net Cash Provided (Used) by Operating Activities	<u>313,908</u>	<u>215,766</u>	<u>529,674</u>
Cash Flows from Non-Capital Financing Activities:			
Cash payments (issuance) of notes		(120,187)	(120,187)
Due to other funds		(6,344)	(6,344)
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>(126,531)</u>	<u>(126,531)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(4,286)	(141,469)	(145,755)
Principal paid on long-term debt	(64,034)	(68,234)	(132,268)
Interest paid on long-term debt	(115,379)	(147,118)	(262,497)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(183,699)</u>	<u>(356,821)</u>	<u>(540,520)</u>
Cash Flows from Investing Activities:			
Interest received	4,194	177,681	181,875
Net Cash Provided (Used) by Investing Activities	<u>4,194</u>	<u>177,681</u>	<u>181,875</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134,403	(89,905)	44,498
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>301,422</u>	<u>4,823,093</u>	<u>5,124,515</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 435,825</u>	<u>\$ 4,733,188</u>	<u>\$ 5,169,013</u>
Reconciliation to Statement of Net Position:			
Cash and investments	\$ 435,825	\$ 4,733,188	\$ 5,169,013
	<u>\$ 435,825</u>	<u>\$ 4,733,188</u>	<u>\$ 5,169,013</u>

(Continued)

See Notes to Basic Financial Statements

CITY OF WHEATLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(Continued)

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 128,820	\$ (91,899)	\$ 36,921
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	178,415	299,093	477,508
Adjustments:			
(Increase) decrease in prepaid expenses	2,753	2,753	5,506
(Increase) decrease in accounts receivable	(4,556)	1,266	(3,290)
Increase (decrease) in accounts payable	6,392	(1,166)	5,226
Increase (decrease) in accrued liabilities	589	8,996	9,585
Increase (decrease) in compensated absences	1,495	(3,277)	(1,782)
Total Adjustments	185,088	307,665	492,753
Net Cash Provided (Used) by Operating Activities	\$ 313,908	\$ 215,766	\$ 529,674

See Notes to Basic Financial Statements

CITY OF WHEATLAND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2018

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 66,777
Accounts receivable	<u>69,002</u>
Total Assets	<u><u>\$ 135,779</u></u>
 Liabilities:	
Accounts payable	\$ 69,402
Other liabilities	<u>66,377</u>
Total Liabilities	<u><u>\$ 135,779</u></u>

See Notes to Basic Financial Statements

Notes to Basic Financial Statements

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of Wheatland (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

a. Reporting Entity

The City of Wheatland ("the City") was incorporated in 1874, under the laws and regulations of the State of California. The City operates under the City Council – Manager form of government and provides or contracts for the following services: public safety (Police and Fire), highways and streets, water, wastewater, culture-recreation, public improvements, planning and zoning, and general administration. Authority and responsibility for operations is given to the City Council by the voters of the City of Wheatland. The City Council has the authority to employ administrative and support personnel to carry out its directives. The primary method used to monitor the performance of the City's management is the financial budget which is adopted annually by the City Council. The City operates as a self-governing governmental unit within the State of California. There are no component or blended component units that are part of the City's operations.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

c. 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 funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal 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.

In the Fund Financial Statements, fiduciary funds are presented using the accrual basis of accounting. The agency funds do not have a measurement focus.

Governmental funds 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

General Construction Fund – This fund accounts for major construction projects.

The City reports the following major proprietary funds:

The Water Enterprise Fund – This fund accounts for the operation and maintenance of the City's water distribution system.

The Sewer Enterprise Fund – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater treatment facility.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

The Fiduciary Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are not included in the government-wide financial statements. These assets include refundable and expendable cash deposits, and retentions withheld pending satisfactory project completion. Please see page 75 for description of activities for each Agency Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position or Equity

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position or Equity (Continued)

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

Property Taxes

Assessed values for purposes of property taxes are determined on an annual basis for the period July 1 to June 30 by the Yuba County Assessor as of January 1. Taxes are levied annually on July 1 and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed. Unsecured taxes become delinquent if not paid by August 31.

Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position or Equity (Continued)

Restricted Assets

Certain proceeds of the City’s long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance; resolutions and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City’s general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City’s general investment policy.

Capital Assets

Capital assets, which include property, plant, equipment, fine art, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital asset, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2018.

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

Assets	Years
Buildings	30 to 50
Improvements other than buildings	20 to 30
Infrastructure	20 to 39
Vehicles	5 to 15
Computer equipment	3 to 5
Other equipment and furnishings	3 to 5

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63,65, 68, 71, and 75 the City recognizes deferred outflows and inflows of resources. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future reporting period.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position or Equity (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. Twenty-five percent of unused sick leave benefits is payable upon termination of employment with the City. For governmental activities and proprietary funds, a current liability is reported for that portion of the estimated value of vacation and sick leave benefits to be used during the subsequent fiscal year, and the estimated value of vested sick leave benefits of employees approaching or at their respective retirement ages.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (which approximates the effective interest method). The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Amortization of bond premiums or discounts, and deferred amounts on refunding is included in interest expense.

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

Net Position and Fund Equity

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Net Position or Equity (Continued)

Net Position and Fund Equity (Continued)

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the City Council which includes the City Charter, ordinances and resolutions and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions.
- *Unassigned fund balance* – the residual classification for the City’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution or other formal action. This is done through adoption of the budget, subsequent budget amendments, resolution or other formal actions when necessary that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, followed by unrestricted committed, assigned and unassigned resources as they are needed.

**CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1 Summary of Significant Accounting Policies (Continued)

f. Estimates

The preparation of basic 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 revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

g. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between fund balances – governmental funds and net positions of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term debt and compensated absences have not been included in the governmental fund activity”. The detail of the long-term debt difference is as follows:

Long-term debt	
Compensated absences	\$ 77,604
Capitalized leases payable	<u>54,959</u>
Net adjustment to reduce fund balances of total governmental funds to arrive at net position of governmental activities	<u>\$ 132,563</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this difference are as follows:

Capital outlay	\$ 169,607
Depreciation expense	<u>(319,118)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (149,511)</u>

**CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1 Summary of Significant Accounting Policies (Continued)

g. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds”. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Principal repayments:	
Capital leases payable	9,378
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net position of governmental activities	\$ 9,378

h. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements.

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 Stewardship, Compliance, and Accountability

a. General Budget Policies

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. All amendments made during the fiscal year are included in the budgetary amounts reported herein. The “appropriated budget” covers all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior fiscal years, which expenditures constitute legally authorized “non-appropriated budget”. Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of control.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

3. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Budget comparisons are not presented for the Proprietary Funds, as the City is not legally required to adopt a budget for these type funds. Budgets were not adopted for the following special revenue funds: CDBG 1989 Grant, CDBG 1990 Grant, Emergency Fire, all impact fees, Caliterra Ranch AD, Heritage Oaks East AD, Pumpkin Patch Joint Admissions, and Wheatland Community Gardens.

4. Capital projects are budgeted through the Capital Projects Funds. Appropriations for capital projects authorized but not constructed or completed during the fiscal year are carried forward as continuing appropriations into the following fiscal year’s budget.
5. 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, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2018, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2 Stewardship, Compliance, and Accountability (Continued)

b. Deficit Fund Balances and Net Position

The Bear River Levee Special Revenue Fund has deficit fund balance of \$44,031 which should be alleviated as additional revenues or transfers are received. The Public Meeting Facilities Impact Fees Fund has a deficit fund balance of \$191,721 which will be alleviated with interfund transfers or additional revenue. The Caliterra Ranch AD and Heritage Oaks East AD have deficit fund balances of \$(25,168) and \$(31,940) respectively, which will be alleviated when development starts on the properties.

c. Excess Expenditures over Appropriations

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2018:

Fund/Function	Final Appropriation	Expenditures	Excess
Major Fund:			
General Fund			
Current:			
General Government	\$ 355,500	\$ 466,364	\$ 110,864
Public Works	43,500	124,518	81,018
Parks & Recreation		27,382	27,382
Community Development	350,000	368,451	18,451
Debt Service	11,300	12,647	1,347

Note 3 Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 7,126,376
Fiduciary funds:	
Cash and investments	66,777
Total cash and investments	<u>\$ 7,193,153</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 600
Deposits with financial institutions	1,773,924
Investments	5,418,629
Total cash and investments	<u>\$ 7,193,153</u>

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Wheatland (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 Cash and Investments (Continued)

Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries and Other government obligations	5 years	none	none
Federal Agencies or U.S. Government-Sponsored Enterprise obligations	5 years	25%	none
Local Agency Investment Fund (LAIF)	N/A	none	none
Non-Negotiable Certificates of Deposit	5 years	20%	none
Negotiable Certificates of Deposit	5 years	30%	5%
Mutual Funds and Money Market Mutual Funds	N/A	20%	none
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
LAIF	\$ 5,418,629	\$ 5,418,629	\$ -	\$ -	\$ -
Totals	\$ 5,418,629	\$ 5,418,629	\$ -	\$ -	\$ -

C. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
LAIF	\$ 5,418,629	N/A	\$ -	\$ -	\$ -	\$ -	\$ 5,418,629
Total	<u>\$ 5,418,629</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,418,629</u>

E. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 40% or more of total City investments.

F. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 Cash and Investments (Continued)

H. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy establish by generally accepted accounting principles. These principles recognize a three tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources. The City does not hold any marketable securities that are required to be measured at fair value.

Note 4 Notes Receivable

Notes receivable as of June 30, 2018, totaled \$2,940,407 and were recorded as follows:

General Fund	\$ 171,109
Special Revenue Funds	157,044
Enterprise Funds	<u>2,612,254</u>
Total Notes Receivable	<u>\$ 2,940,407</u>

Notes receivable by type are:

CDBG loans to assist low income residents to afford safe and sanitary housing, including improvements to the housing; non-interest; principal and interest generally due at maturity or change of home ownership; secured by deeds of trust.	\$ 157,044
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Notes from developers for the augmentation of water and sewer infrastructure to be paid to the City as part of development agreements; interest rates are matched to the Construction Cost Index annually.	2,612,254
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Note from Rodan Property for the construction of traffic signals to be paid to the City as part of a development agreement; interest rates are matched to the Construction Cost Index annually.	<u>171,109</u>
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Totals	<u>\$ 2,940,407</u>
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Note 5 Accounts Receivable

The following is a list of accounts receivable at June 30, 2018:

	Receivable	Allowance	Net
Governmental Activities - Accounts	\$ 360,099	\$ -	\$ 360,099
	\$ 360,099	\$ -	\$ 360,099
Business-type Activities - Accounts	\$ 40,285	\$ -	\$ 40,285
	\$ 40,285	\$ -	\$ 40,285
Fiduciary Funds Accounts	\$ 69,002	\$ -	\$ 69,002

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6 Interfund Transactions

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following presents a summary of current interfund balances at June 30, 2018.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Major Governmental Fund:	
General	\$ 101,139	General	\$ 171,109
Non-Major Governmental Funds		Non-Major Governmental Funds	
Road Circulation Impact Fees	125,510	Bear River Levee Impact Fees	44,031
City Hall Facilities Impact Fees	150,000	Fire Department Facilities Impact Fees	75,510
Major Enterprise Fund:		Public Meeting Facilities Impact Fees	200,000
Sewer	421,109	Caliterra Ranch AD	25,168
Total	\$ 797,758	Heritage Oaks East AD	31,940
		Major Enterprise Fund	
		Water	250,000
		Total	\$ 797,758

B. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund, less often, an equity transfers may be made to open or close a fund.

Transfer in	Amount	Transfer out	Amount
Major Governmental:		Major Governmental:	
General	\$ 166,522	General	\$ 300,511
General Construction	171,168	Non-major Governmental	183,179
Non-major Governmental	146,000		
Totals	\$ 483,690		\$ 483,690

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 Capital Assets

a. Governmental Activities

Capital asset governmental activity for the fiscal year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Prior Period Adjustments	Additions	Deletions	Transfers	Balance at June 30, 2018
Capital Assets, not being depreciated:						
Land	\$ 86,063	\$ -	\$ -	\$ -	\$ -	\$ 86,063
Construction in progress	7,500				(7,500)	-
Total	93,563				(7,500)	86,063
Capital Assets, being depreciated:						
Buildings and improvements	3,855,386		165,191	(401,183)	7,500	3,626,894
Equipment and machinery	879,570		4,416			883,986
Infrastructure	3,897,711					3,897,711
Total	8,632,667		169,607	(401,183)	7,500	8,408,591
Less accumulated depreciation for:						
Buildings and improvements	(2,006,287)		(82,831)	401,183		(1,687,935)
Equipment and machinery	(643,675)	9,065	(68,587)			(703,197)
Infrastructure	(1,388,150)		(167,700)			(1,555,850)
Total	(4,038,112)	9,065	(319,118)	401,183		(3,946,982)
Total, net of accumulated depreciation	4,594,555	9,065	(149,511)		7,500	4,461,609
Total Capital Assets, Net	\$ 4,688,118	\$ 9,065	\$ (149,511)	\$ -	\$ -	\$ 4,547,672

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

General Government	\$ 79,780
Public Safety	159,559
Public Works	39,889
Community development	39,890
Total	<u>\$ 319,118</u>

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7 Capital Assets (Continued)

b. Business-type activities

Capital asset business-type activity for the fiscal year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deletions	Transfer	Balance at June 30, 2018
Water Fund:					
Capital assets, not being depreciated:					
Land	\$ 16,969	\$ -	\$ -	\$ -	\$ 16,969
Total capital assets not being depreciated	<u>16,969</u>				<u>16,969</u>
Capital assets, being depreciated:					
Infrastructure	5,019,130				5,019,130
Buildings and improvements	113,045				113,045
Equipment and machinery	420,933	4,286			425,219
Total capital assets being depreciated	<u>5,553,108</u>	<u>4,286</u>			<u>5,557,394</u>
Less accumulated depreciation for:					
Infrastructure	(2,097,816)	(144,750)			(2,242,566)
Buildings and improvements	(45,194)	(6,123)			(51,317)
Equipment and machinery	(281,436)	(27,542)			(308,978)
Total accumulated depreciation	<u>(2,424,446)</u>	<u>(178,415)</u>			<u>(2,602,861)</u>
Total capital assets being depreciated, net	<u>3,128,662</u>	<u>(174,129)</u>			<u>2,954,533</u>
Water Fund Capital Assets, net	<u>\$ 3,145,631</u>	<u>\$ (174,129)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,971,502</u>
Sewer Fund:					
Capital assets, not being depreciated:					
Land	\$ 16,969	\$ -	\$ -	\$ -	\$ 16,969
Construction in progress	899,327				899,327
Total capital assets not being depreciated	<u>916,296</u>				<u>916,296</u>
Capital assets, being depreciated:					
Infrastructure	5,759,698				5,759,698
Buildings and improvements	113,045				113,045
Equipment and machinery	203,713	141,469			345,182
Total capital assets being depreciated	<u>6,076,456</u>	<u>141,469</u>			<u>6,217,925</u>
Less accumulated depreciation for:					
Infrastructure	(2,781,775)	(285,853)			(3,067,628)
Buildings and improvements	(45,194)	(6,123)			(51,317)
Equipment and machinery	(169,446)	(7,117)			(176,563)
Total accumulated depreciation	<u>(2,996,415)</u>	<u>(299,093)</u>			<u>(3,295,508)</u>
Total capital assets being depreciated, net	<u>3,080,041</u>	<u>(157,624)</u>			<u>2,922,417</u>
Sewer Fund Capital Assets, net	<u>\$ 3,996,337</u>	<u>\$ (157,624)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,838,713</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-Type Activities:	
Water	\$ 178,415
Sewer	299,093
Total	<u>\$ 477,508</u>

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 Long-Term Liabilities

a. The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Repayments	Balance at June 30, 2018	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 64,337	\$ -	\$ (9,378)	\$ 54,959	\$ 9,879
Compensated absences	59,843	36,482	(18,721)	77,604	30,000
Total	<u>\$ 124,180</u>	<u>\$ 36,482</u>	<u>\$ (28,099)</u>	<u>\$ 132,563</u>	<u>\$ 39,879</u>
Business-type Activities:					
Water Fund:					
Compensated absences	\$ 21,566	\$ 12,018	\$ (10,522)	\$ 23,062	\$ 10,000
Notes payable	2,538,000		(57,000)	2,481,000	60,000
Capital lease payable	48,254		(7,034)	41,220	7,409
Sewer Fund:					
Compensated absences	21,566	6,969	(10,245)	18,290	10,000
Notes payable	3,507,100		(61,200)	3,445,900	63,800
Capital lease payable	48,254		(7,034)	41,220	7,409
Totals	<u>\$ 6,184,740</u>	<u>\$ 18,987</u>	<u>\$ (153,035)</u>	<u>\$ 6,050,692</u>	<u>\$ 158,618</u>

b. Governmental Activities

Capital Lease Payable

On April 21, 2008, the City entered into a lease agreement for the purchase and installation of the City Hall. The lease payments are due in semi-annual installments including interest at 5.27%, through April 2023. The lease has been allocated to Governmental Activities, Water Fund, and Sewer Fund at 40%, 30%, and 30% respectively.

The annual requirements to amortize long-term debt outstanding at June 30, 2018 (other than compensated absences) are as follows:

Fiscal Year Ended June 30,	Governmental Activities - Capital Lease Payable		
	Principal	Interest	Total
2019	\$ 9,879	\$ 2,768	\$ 12,647
2020	10,406	2,240	12,646
2021	10,962	1,685	12,647
2022	11,547	1,099	12,646
2023	12,165	483	12,648
	<u>\$ 54,959</u>	<u>\$ 8,275</u>	<u>\$ 63,234</u>

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 Long-Term Liabilities (Continued)

c. Business-Type Activities

Water Fund – Notes Payable.

On May 8, 2000, The United States Department of Agriculture – Rural Development issued a Rural Utilities Service note to the Water Fund of the City for upgrades to and expansion of the water infrastructure in the amount of \$1,981,030. The note is to be repaid through a Certificate of Participation issued on December 18, 2001 with semi-annual payments due including interest at 4.5% through December 2041. The balance at June 30, 2018 is \$ 1,575,000.

Water Fund – Notes Payable.

On October 31, 2002, The United States Department of Agriculture – Rural Development issued another Rural Utilities Service note to the Water Fund of the City for additional upgrades to and expansion of the water infrastructure in the amount of \$1,139,000. The note is to be repaid through a Certificate of Participation issued on December 21, 2002 with semi-annual payments due including interest at 4.5% through December 2041. The balance at June 30, 2018 is \$ 906,000.

Sewer Fund – Notes Payable.

On October 31, 2002, The United States Department of Agriculture – Rural Development issued another Rural Utilities Service note to the Sewer Fund of the City for additional upgrades to and expansion of the wastewater treatment plant in the amount of \$4,000,000. The note is to be repaid through a Certificate of Participation issued on December 21, 2002 with semi-annual payments due including interest at 4.125% through May 2047. The balance at June 30, 2018 is \$ 3,445,900.

Capital Lease Payable

On April 21, 2008, the City entered into a lease agreement for the purchase and installation of the City Hall. The lease payments are due in semi-annual installments including interest at 5.27%, through April 2023. The lease has been allocated to Governmental Activities, Water Fund, and Sewer Fund at 40%, 30%, and 30% respectively.

The annual requirements to amortize enterprise long-term debt outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Water Fund - Note Payable #1		
	Principal	Interest	Total
2019	\$ 38,000	\$ 70,021	\$ 108,021
2020	40,000	68,266	108,266
2021	41,000	66,443	107,443
2022	43,000	64,553	107,553
2023	45,000	62,573	107,573
2024-2028	258,000	279,811	537,811
2029-2033	321,000	214,900	535,900
2034-2038	399,000	134,214	533,214
2039-2042	390,000	36,091	426,091
	<u>\$ 1,575,000</u>	<u>\$ 996,872</u>	<u>\$ 2,571,872</u>

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 Long-Term Liabilities (Continued)

c. Business-Type Activities (Continued)

Fiscal Year Ending June 30,	Water Fund - Note Payable #2		
	Principal	Interest	Total
2019	\$ 22,000	\$ 40,275	\$ 62,275
2020	23,000	39,263	62,263
2021	24,000	38,206	62,206
2022	25,000	37,103	62,103
2023	26,000	35,955	61,955
2024-2028	148,000	160,788	308,788
2029-2033	184,000	123,526	307,526
2034-2038	230,000	77,175	307,175
2039-2042	224,000	22,746	246,746
	<u>\$ 906,000</u>	<u>\$ 575,037</u>	<u>\$ 1,481,037</u>

Fiscal Year Ending June 30,	Sewer - Note Payable		
	Principal	Interest	Total
2019	\$ 63,800	\$ 142,144	\$ 205,944
2020	66,400	139,512	205,912
2021	69,100	136,772	205,872
2022	72,000	133,922	205,922
2023	75,000	130,952	205,952
2024-2028	423,700	605,750	1,029,450
2029-2033	518,700	510,840	1,029,540
2034-2038	634,800	394,666	1,029,466
2039-2043	777,100	253,072	1,030,172
2044-2047	745,300	78,412	823,712
	<u>\$ 3,445,900</u>	<u>\$ 2,526,042</u>	<u>\$ 5,971,942</u>

Fiscal Year Ending June 30,	Water Fund - Capital Lease Payable		
	Principal	Interest	Total
2019	\$ 7,409	\$ 2,076	\$ 9,485
2020	7,805	1,680	9,485
2021	8,222	1,264	9,486
2022	8,660	825	9,485
2023	9,124	362	9,486
	<u>\$ 41,220</u>	<u>\$ 6,207</u>	<u>\$ 47,427</u>

Fiscal Year Ending June 30,	Sewer Fund - Capital Lease Payable		
	Principal	Interest	Total
2019	\$ 7,409	\$ 2,076	\$ 9,485
2020	7,805	1,680	9,485
2021	8,222	1,264	9,486
2022	8,660	825	9,485
2023	9,124	362	9,486
	<u>\$ 41,220</u>	<u>\$ 6,207</u>	<u>\$ 47,427</u>

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8 Long-Term Liabilities (Continued)

c. Business-Type Activities (Continued)

Fiscal Year Ending June 30,	Total Business-type Activities		
	Principal	Interest	Total
2019	\$ 138,618	\$ 256,592	\$ 395,210
2020	145,010	250,401	395,411
2021	150,544	243,949	394,493
2022	157,320	237,228	394,548
2023	164,248	230,204	394,452
2024-2028	829,700	1,046,349	1,876,049
2029-2033	1,023,700	849,266	1,872,966
2034-2038	1,263,800	606,055	1,869,855
2039-2043	1,391,100	311,909	1,703,009
2044-2047	745,300	78,412	823,712
	<u>\$ 6,009,340</u>	<u>\$ 4,110,365</u>	<u>\$ 10,119,705</u>

k. Compensated Absences

Compensated absences in governmental activities have been liquidated in the past fiscal year in the general fund.

Note 9 Joint Venture

a. Risk Management - PARSAC

The City is self-insured for the first \$5,000 on each general liability claim. The City has no self-insured retention for workers' compensation liability claims. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC), a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities, up to a limit of \$1,000,000 for general liability and \$500,000 for workers' compensation. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums. Losses that exceed \$1,000,000 for general liability and \$500,000 for workers' compensation are covered via the CSAC Excess Insurance Authority up to \$34,000,000 and the Local Worker's Compensation Excess Authority (LAWCX) up to \$4,500,000, respectively. The City is self-insured for the first \$5,000 for Employment Practices Liability (EPL) coverage and up to \$25,000 is covered by PARSAC. Coverage between \$25,000 - \$1,000,000 is provided by the Employment Risk Management Authority (ERMA); and excess coverage up to \$34,000,000 is provided by CSAC.

Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in the yearly deposit it pays to PARSAC, except for its self-insured retention.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9 Joint Venture (Continued)

a. Risk Management – PARSAC (Continued)

In addition, the City purchases crime insurance coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

The PARSAC will publish its own financial report for the year ended June 30, 2018, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California.

As of June 30, 2018 the City did not have any significant claims liability; therefore, no accrual was required. Also, the City had no settlements in excess of the insurance coverage in any of the three prior years.

b. Wheatland Fire Authority

The City of Wheatland and the Plumas Brophy Fire District created a Joint Powers Authority called the Wheatland Fire Authority. Its purpose is to serve the City of Wheatland, whether developed or undeveloped and surrounding unincorporated areas as a joint fire fighting organization.

Note 10 Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific Purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (for example: resolution and ordinance). Ordinance is the highest level of the City Council’s approval.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated through its fund balance policy the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted or committed.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 10 Fund Balances (Continued)

- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

	General Construction	General	Non-major Governmental	Totals
Nonspendable				
Notes	\$ -	\$ 171,109	\$ 157,044	\$ 328,153
Totals	<u> </u>	<u>171,109</u>	<u>157,044</u>	<u>328,153</u>
Restricted				
Public safety			75,021	75,021
Public works			488,101	488,101
Community development			186,753	186,753
Parks and recreation			124,912	124,912
Totals	<u> </u>	<u> </u>	<u>874,787</u>	<u>874,787</u>
Assigned				
Public works	5,977			5,977
Totals	<u>5,977</u>	<u> </u>	<u> </u>	<u>5,977</u>
Unassigned		1,517,874	(356,226)	1,161,648
Totals	<u>\$ 5,977</u>	<u>\$ 1,688,983</u>	<u>\$ 675,605</u>	<u>\$ 2,370,565</u>

Note 11 Net Position

GASB Statements No. 34 and 63 add the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

a. Net Position

Net position is divided into three captions under GASB Statements No. 34 and 63, and are described below:

Net investment in Capital Assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements and special revenue funding restrictions.

Unrestricted describes the portion of net assets which is not restricted as to use.

The government-wide statement of net position reports \$1,409,829 of restricted net position.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11 Net Position (Continued)

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - NET POSITION
AS OF JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Net position			
Net investment in capital assets	\$ 4,492,713	\$ 800,875	\$ 5,293,588
Restricted for:			
Community development	186,753		186,753
Debt service		377,998	377,998
Parks and recreation	124,912		124,912
Public safety	75,021		75,021
Streets & roads	488,101		488,101
Housing	157,044		157,044
Total Restricted	<u>1,031,831</u>		<u>1,409,829</u>
Unrestricted	<u>1,261,130</u>	<u>7,486,950</u>	<u>8,748,080</u>
Total net position	<u>\$ 6,785,674</u>	<u>\$ 8,665,823</u>	<u>\$ 15,451,497</u>

Note 12 Contingent Liabilities

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

The City is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of City operations. In the aggregate, those claims seek monetary damages in significant amounts. To the extent the outcome of such litigation may be determined to result in financial loss to the City, in the opinion of City management, any potential liability for these actions is adequately provided for in the basic financial statements. The timing of potential payment of such losses cannot presently be determined.

Note 13 Pension Plan/Other Post Employment Benefits

The employees of the City accumulate retirement benefits through a defined contribution plan with the ICMA Retirement Corporation. The City makes bi-weekly contributions to a 401(a) plan amounting to 6% (General Employees) or 7% (Public Safety Employees) of the employee's base salary. A matching 3% contribution is required from the employee. Employees are 100% vested (employer portion) at five years of service, with the exception of those employees over 50 years old who are fully vested from the month of employment. The plan is administered and held in trust for the exclusive benefit of participants and are not assets of the City. The balance at June 30, 2018 is \$722,174.

The City does not offer other post employment benefits.

CITY OF WHEATLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Note 14 Prior Period Adjustments

Adjustments of \$(8,278) and \$8,278 were made in the General Fund and Gas Tax Special Revenue Fund respectively due to a prior year misclassification of revenue.

Adjustments of \$87,769 and \$491,822 were made in the Water and Sewer enterprise funds due to a prior year understatement of receivables.

Adjustment of \$9,065 was made on the Statement of Activities due to an overstatement of accumulated depreciation in the prior fiscal year.

Adjustment of \$128,338 was made on the Statement of Activities due to overstatement of developer deposits in the prior fiscal year.

Note 15 Commitments and Contingencies

The City is subject to litigation arising in the normal course of business. In the opinion of the City's management, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

Required Supplementary Information

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments:				
Franchise tax	\$ 75,000	\$ 75,000	\$ 109,344	\$ 34,344
Property	657,500	657,500	692,486	34,986
Sales	403,000	403,000	809,867	406,867
Licenses and permits	18,000	18,000	29,320	11,320
Intergovernmental	13,600	13,600	89,839	76,239
Charges for services	117,500	117,500	106,424	(11,076)
Fines, forfeitures, and penalties	5,000	5,000	10,652	5,652
Use of money and property	58,000	58,000	74,171	16,171
Overhead charges	240,000	240,000	238,106	(1,894)
Miscellaneous	10,200	10,200	31,543	21,343
Total Revenues	<u>1,597,800</u>	<u>1,597,800</u>	<u>2,191,752</u>	<u>593,952</u>
Expenditures:				
Current:				
General government:				
City Council	14,100	14,100	10,743	3,357
Administrative services	257,400	257,400	327,396	(69,996)
Finance	84,400	84,400	128,225	(43,825)
Total general government	<u>355,900</u>	<u>355,900</u>	<u>466,364</u>	<u>(110,464)</u>
Public safety:				
Police services	986,700	986,700	946,848	39,852
Fire control	163,400	163,400	144,500	18,900
Total public safety	<u>1,150,100</u>	<u>1,150,100</u>	<u>1,091,348</u>	<u>58,752</u>
Public works:				
Streets and roads	43,500	43,500	97,652	(54,152)
Total public works	<u>43,500</u>	<u>43,500</u>	<u>97,652</u>	<u>(54,152)</u>
Parks and recreation:				
Parks & community services			27,382	(27,382)
Total parks and recreation			<u>27,382</u>	<u>(27,382)</u>
Community development:				
Planning services	275,000	275,000	218,871	56,129
Building inspection	75,000	75,000	74,790	210
Total community development	<u>350,000</u>	<u>350,000</u>	<u>293,661</u>	<u>56,339</u>

See Note to Required Supplementary Information

(Continued)

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2018

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	\$ 84,000	\$ 154,000	\$ 4,416	\$ 149,584
Total capital outlay	84,000	154,000	4,416	149,584
Debt service:				
Principal retirement	6,800	6,800	9,378	(2,578)
Interest and fiscal charges	4,500	4,500	3,269	1,231
Total debt service	11,300	11,300	12,647	(1,347)
Total Expenditures	1,994,800	2,064,800	1,993,470	71,330
Excess of Revenues Over (Under) Expenditures	(397,000)	(467,000)	198,282	665,282
Other Financing Sources (Uses):				
Transfers in	564,100	564,100	166,522	(397,578)
Transfers out	(90,200)	(90,200)	(300,511)	(210,311)
Total Other Financing Sources (Uses)	473,900	473,900	(133,989)	(607,889)
Net Change in Fund Balance	76,900	6,900	64,293	57,393
Fund balance, beginning of fiscal year	1,632,968	1,632,968	1,632,968	
Prior period adjustments			(8,278)	(8,278)
Fund balance, beginning of fiscal year (restated)	1,632,968	1,632,968	1,624,690	(8,278)
Fund balance, end of fiscal year	\$ 1,709,868	\$ 1,639,868	\$ 1,688,983	\$ 49,115

See Note to Required Supplementary Information

CITY OF WHEATLAND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018

Note 1 Budgets and Budgetary Data

The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.

Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with the accounting principles generally accepted in the United States of America (US GAAP). Accordingly, actual revenues and expenditures can be compared with the related budgeted amounts without any significant reconciling items.

Additional information concerning the General Budget policies is explained more thoroughly in the Notes to the Basic Financial Statements.

Other Supplemental Information

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CONSTRUCTION CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Capital outlay	\$ 170,000	\$ 165,191	\$ 4,809
Total Expenditures	170,000	165,191	4,809
Excess of Revenues Over (Under) Expenditures	(170,000)	(165,191)	4,809
Other Financing Sources (Uses):			
Transfers in	170,000	171,168	1,168
Total Other Financing Sources (Uses)	170,000	171,168	1,168
Net Change in Fund Balance		5,977	5,977
Fund Balance, Beginning of Fiscal Year			
Fund Balance, End of Fiscal Year	\$ -	\$ 5,977	\$ 5,977

City of Wheatland

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue (other than those for major capital projects) that are restricted legally to expenditures for particular purposes.

GAS TAX FUND - accounts for the City's share of gas tax monies received from the State and expenses related to maintaining the City's road system.

TRANSPORTATION DEVELOPMENT FUND – accounts for sales tax monies allocated to the City through the Sacramento Area Council of Governments and expenses related to transit operations and local street, roadway, bicycle, and pedestrian projects.

CDBG 1989 GRANT FUND – This fund is used to account for loans issued to low income Wheatland homeowners for home repairs.

CDBG 1990 LOAN FUND– This fund is used to account for loans issued to low income Wheatland homeowners for home repairs.

EMERGENCY FIRE FUND– This fund accounts for State and Federal Grants that were allocated to the City as part of short term financial assistance as the result of a fire.

BEAR RIVER LEVEE IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of Levee upgrades and maintenance that are necessary to mitigate the effects of new development projects.

REGIONAL BYPASS IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing public infrastructure, improvements and facilities that are necessary to mitigate the effects of new development projects.

GENERAL PLAN UPDATE IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of general plan updates that are necessary to mitigate the effects of new development projects.

STORM DRAINAGE IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of constructing additional storm drainage that are necessary to mitigate the effects of new development projects.

ROAD CIRCULATION IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs road circulation improvements that are necessary to mitigate the effects of new development projects.

CITY HALL FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of City Hall facility upgrades and maintenance that are necessary to mitigate the effects of new development projects.

VEHICLES AND EQUIPMENT IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing for additional vehicles and equipment that are necessary to mitigate the effects of new development projects.

PUBLIC WORKS FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing additional public works facilities that are necessary to mitigate the effects of new development projects.

City of Wheatland

Nonmajor Governmental Funds

Special Revenue Funds

LAW ENFORCEMENT FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing additional law enforcement facilities that are necessary to mitigate the effects of new development projects.

FIRE DEPARTMENT FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing additional fire department facilities that are necessary to mitigate the effects of new development projects.

PARKLAND FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing additional park facilities that are necessary to mitigate the effects of new development projects.

PUBLIC MEETING FACILITIES IMPACT FEES FUND – This fund account for fees imposed on new development to offset the costs of providing additional public meeting facilities that are necessary to mitigate the effects of new development projects.

SLES FUND – This fund is for the purpose of accounting for revenues and expenditure associated with Supplemental Law Enforcement Services funding from the State of California which provides for local law enforcement services.

PUMPKIN PATCH JOINT ADMISSIONS FUND – This fund accounts for Admission Fee revenues received from an annual agricultural entertainment event and expenses for enhanced safety, signage and traffic control required during the event.

WHEATLAND COMMUNITY GARDENS FUND – This fund accounts for annual revenue from leased garden plots and expenses associated with providing operational oversight.

RYANTOWN LLD FUND– This fund account for revenues received from benefitted parcels within a specific District and expenses related to the cost of maintaining streetlights and common area improvements.

PARK PLACE LLD FUND– This fund account for revenues received from benefitted parcels within a specific District and expenses related to the cost of maintaining streetlights and common area improvements.

CALITERRA RANCH AD FUND– This fund accounts for assessment revenue received from benefitted properties within a specific District and expenses related to the cost of providing public services and maintenance, operations, and replacement of public infrastructure within the District.

HERITAGE OAKS EAST AD FUND – This fund accounts for assessment revenue received from benefitted properties within a specific District and expenses related to bonded indebtedness associated with the construction and acquisition of certain improvements in the District.

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**CITY OF WHEATLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Special Revenue Funds			
	Gas Tax	Transportation Development	CDBG 1989 Grant	CDBG 1990 Loan
Assets:				
Cash and investments	\$ 65,951	\$ 96,267	\$ -	\$ -
Receivables:				
Accounts	15,943	5,685		
Loans			71,038	86,006
Due from other funds				
Total Assets	<u>\$ 81,894</u>	<u>\$ 101,952</u>	<u>\$ 71,038</u>	<u>\$ 86,006</u>
Liabilities, Deferred Inflows, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 5,035	\$ 5,685	\$ -	\$ -
Accrued liabilities	3,141			
Due to other funds				
Deposit payable				
Total Liabilities	<u>8,176</u>	<u>5,685</u>		
Fund Balances:				
Nonspendable			71,038	86,006
Restricted	73,718	96,267		
Unassigned				
Total Fund Balances	<u>73,718</u>	<u>96,267</u>	<u>71,038</u>	<u>86,006</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 81,894</u>	<u>\$ 101,952</u>	<u>\$ 71,038</u>	<u>\$ 86,006</u>

Special Revenue Funds					
Emergency Fire	Bear River Levee Impact Fees	Regional Bypass Impact Fees	General Plan Update Impact Fees	Storm Drainage Impact Fees	Road Circulation Impact Fees
\$ -	\$ -	\$ 17,757	\$ 21,466	\$ 52,535	\$ 117,824
					125,510
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,757</u>	<u>\$ 21,466</u>	<u>\$ 52,535</u>	<u>\$ 243,334</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	44,031				
	44,031				
		17,757	21,466	52,535	243,334
	(44,031)				
	(44,031)	17,757	21,466	52,535	243,334
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,757</u>	<u>\$ 21,466</u>	<u>\$ 52,535</u>	<u>\$ 243,334</u>

(Continued)

**CITY OF WHEATLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018
(Continued)**

	Special Revenue Funds			
	City Hall Facilities Impact Fees	Vehicles and Equipment Impact Fees	Public Works Facilities Impact Fees	Law Enforce. Fac. Impact Fees
Assets:				
Cash and investments	\$ 1,486	\$ 240	\$ 4,490	\$ 3,422
Receivables:				
Accounts				
Loans				
Due from other funds	150,000			
Total Assets	\$ 151,486	\$ 240	\$ 4,490	\$ 3,422
Liabilities, Deferred Inflows, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities				
Due to other funds				
Deposit payable				
Total Liabilities				
Fund Balances:				
Nonspendable				
Restricted	151,486	240	4,490	3,422
Unassigned				
Total Fund Balances	151,486	240	4,490	3,422
Total Liabilities, Deferred Inflows and Fund Balances	\$ 151,486	\$ 240	\$ 4,490	\$ 3,422

Special Revenue Funds

Fire Dept. Facilities Impact Fees	Parkland Facilities Impact Fees	Ryantown LLD	Park Place LLD	Caliterra Ranch AD	Heritage Oaks East AD
\$ 12,144	\$ 12,888	\$ 1,860	\$ 1,360	\$ -	\$ -
		1,027	684		
<u>\$ 12,144</u>	<u>\$ 12,888</u>	<u>\$ 2,887</u>	<u>\$ 2,044</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 761	\$ 577	\$ -	\$ -
75,510		1,453	1,467	25,168	31,940
<u>75,510</u>		<u>2,214</u>	<u>2,044</u>	<u>25,168</u>	<u>31,940</u>
(63,366)	12,888	673		(25,168)	(31,940)
<u>(63,366)</u>	<u>12,888</u>	<u>673</u>		<u>(25,168)</u>	<u>(31,940)</u>
<u>\$ 12,144</u>	<u>\$ 12,888</u>	<u>\$ 2,887</u>	<u>\$ 2,044</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**CITY OF WHEATLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018
(Continued)**

	Special Revenue Funds			
	Public Meeting Facilities Impact Fees	SLES	Pumpkin Patch Joint Admissions	Wheatland Community Gardens
Assets:				
Cash and investments	\$ 8,279	\$ 22,853	\$ 83,640	\$ 41,672
Receivables:				
Accounts		48,746		
Loans				
Due from other funds				
Total Assets	<u>\$ 8,279</u>	<u>\$ 71,599</u>	<u>\$ 83,640</u>	<u>\$ 41,672</u>
Liabilities, Deferred Inflows, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities				
Due to other funds	200,000			
Deposit payable				400
Total Liabilities	<u>200,000</u>			<u>400</u>
Fund Balances:				
Nonspendable				
Restricted		71,599	83,640	41,272
Unassigned	(191,721)			
Total Fund Balances	<u>(191,721)</u>	<u>71,599</u>	<u>83,640</u>	<u>41,272</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 8,279</u>	<u>\$ 71,599</u>	<u>\$ 83,640</u>	<u>\$ 41,672</u>

<u>Nonmajor Governmental Funds</u>	
\$	566,134
	72,085
	157,044
	<u>275,510</u>
\$	<u>1,070,773</u>
\$	12,058
	6,061
	376,649
	<u>400</u>
	<u>395,168</u>
	157,044
	874,787
	<u>(356,226)</u>
	<u>675,605</u>
\$	<u>1,070,773</u>

CITY OF WHEATLAND
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds			
	Gas Tax	Transportation Development	CDBG 1989 Grant	CDBG 1990 Loan
Revenues:				
Taxes and assessments	\$ 107,422	\$ -	\$ -	\$ -
Intergovernmental		54,850		
Charges for services				
Use of money and property	66	591	10	24
Miscellaneous				
Total Revenues	<u>107,488</u>	<u>55,441</u>	<u>10</u>	<u>24</u>
Expenditures:				
Current:				
Parks and recreation				
Public works	159,866			
Capital outlay				
Total Expenditures	<u>159,866</u>			
Excess of Revenues Over (Under) Expenditures	<u>(52,378)</u>	<u>55,441</u>	<u>10</u>	<u>24</u>
Other Financing Sources (Uses):				
Transfers in	77,700	1,945		
Transfers out		(9,489)	(7,798)	(18,724)
Total Other Financing Sources (Uses)	<u>77,700</u>	<u>(7,544)</u>	<u>(7,798)</u>	<u>(18,724)</u>
Net Change in Fund Balances	<u>25,322</u>	<u>47,897</u>	<u>(7,788)</u>	<u>(18,700)</u>
Fund Balances (Deficit), Beginning of Fiscal Year	40,118	48,370	78,826	104,706
Prior Period Adjustments	8,278			
Fund Balances (Deficit), Beginning of Fiscal Year (restated)	<u>48,396</u>	<u>48,370</u>	<u>78,826</u>	<u>104,706</u>
Fund Balances (Deficit), End of Fiscal Year	<u>\$ 73,718</u>	<u>\$ 96,267</u>	<u>\$ 71,038</u>	<u>\$ 86,006</u>

Special Revenue Funds						
Emergency Fire	Bear River Levee Impact Fees	Regional Bypass Impact Fees	General Plan Update Impact Fees	Storm Drainage Impact Fees	Road Circulation Impact Fees	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9,375		5,793	19,349	
28	(470)	174	229	552	1,247	
28	(470)	9,549	229	6,345	20,596	
28	(470)	9,549	229	6,345	20,596	
(7,168)						
(7,168)						
(7,140)	(470)	9,549	229	6,345	20,596	
7,140	(43,561)	8,208	21,237	46,190	222,738	
7,140	(43,561)	8,208	21,237	46,190	222,738	
\$ -	\$ (44,031)	\$ 17,757	\$ 21,466	\$ 52,535	\$ 243,334	

(Continued)

CITY OF WHEATLAND
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018
(Continued)

	Special Revenue Funds			
	City Hall Facilities Impact Fees	Vehicles and Equipment Impact Fees	Public Works Facilities Impact Fees	Law Enforce. Fac. Impact Fees
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Charges for services	733	79	335	2,096
Use of money and property	15	2	48	34
Miscellaneous				
Total Revenues	<u>748</u>	<u>81</u>	<u>383</u>	<u>2,130</u>
Expenditures:				
Current:				
Parks and recreation				
Public works				
Capital outlay				
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>748</u>	<u>81</u>	<u>383</u>	<u>2,130</u>
Other Financing Sources (Uses):				
Transfers in				
Transfers out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	<u>748</u>	<u>81</u>	<u>383</u>	<u>2,130</u>
Fund Balances (Deficit), Beginning of Fiscal Year	150,738	159	4,107	1,292
Prior Period Adjustments				
Fund Balances (Deficit), Beginning of Fiscal Year (restated)	<u>150,738</u>	<u>159</u>	<u>4,107</u>	<u>1,292</u>
Fund Balances (Deficit), End of Fiscal Year	<u>\$ 151,486</u>	<u>\$ 240</u>	<u>\$ 4,490</u>	<u>\$ 3,422</u>

Special Revenue Funds

Fire Dept. Facilities Impact Fees	Parkland Facilities Impact Fees	Ryantown LLD	Park Place LLD	Caliterra Ranch AD	Heritage Oaks East AD
\$ -	\$ -	\$ 55,550	\$ 40,877	\$ -	\$ -
6,433					
119	138			(269)	(341)
6,552	138	55,550	40,877	(269)	(341)
		60,728	62,565		
18,870					
18,870		60,728	62,565		
(12,318)	138	(5,178)	(21,688)	(269)	(341)
		5,178	21,688		
		5,178	21,688		
(12,318)	138			(269)	(341)
(51,048)	12,750	673		(24,899)	(31,599)
(51,048)	12,750	673		(24,899)	(31,599)
\$ (63,366)	\$ 12,888	\$ 673	\$ -	\$ (25,168)	\$ (31,940)

CITY OF WHEATLAND
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018
(Continued)

	Special Revenue Funds			
	Public Meeting Facilities Impact Fees	SLES	Pumpkin Patch Joint Admissions	Wheatland Community Gardens
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental		188,163		
Charges for services			26,553	
Use of money and property	88	1,112	842	348
Miscellaneous				5,150
Total Revenues	<u>88</u>	<u>189,275</u>	<u>27,395</u>	<u>5,498</u>
Expenditures:				
Current:				
Parks and recreation			17,062	6,300
Public works				
Capital outlay				
Total Expenditures			<u>17,062</u>	<u>6,300</u>
Excess of Revenues Over (Under) Expenditures	<u>88</u>	<u>189,275</u>	<u>10,333</u>	<u>(802)</u>
Other Financing Sources (Uses):				
Transfers in		9,489		30,000
Transfers out		(140,000)		
Total Other Financing Sources (Uses)		<u>(130,511)</u>		<u>30,000</u>
Net Change in Fund Balances	<u>88</u>	<u>58,764</u>	<u>10,333</u>	<u>29,198</u>
Fund Balances (Deficit), Beginning of Fiscal Year	(191,809)	12,835	73,307	12,074
Prior Period Adjustments				
Fund Balances (Deficit), Beginning of Fiscal Year (restated)	<u>(191,809)</u>	<u>12,835</u>	<u>73,307</u>	<u>12,074</u>
Fund Balances (Deficit), End of Fiscal Year	<u>\$ (191,721)</u>	<u>\$ 71,599</u>	<u>\$ 83,640</u>	<u>\$ 41,272</u>

Nonmajor
Governmental
Funds

\$	203,849
	243,013
	70,746
	4,587
	<u>5,150</u>
	<u>527,345</u>
	23,362
	283,159
	<u>18,870</u>
	<u>325,391</u>
	<u>201,954</u>
	146,000
	<u>(183,179)</u>
	<u>(37,179)</u>
	<u>164,775</u>
	502,552
	<u>8,278</u>
	<u>510,830</u>
\$	<u><u>675,605</u></u>

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 109,000	\$ 107,422	\$ (1,578)
Use of money and property		66	66
Total Revenues	<u>109,000</u>	<u>107,488</u>	<u>(1,512)</u>
Expenditures:			
Current:			
Public works	196,100	159,866	36,234
Total Expenditures	<u>196,100</u>	<u>159,866</u>	<u>36,234</u>
Excess of Revenues Over (Under) Expenditures	<u>(87,100)</u>	<u>(52,378)</u>	<u>34,722</u>
Other Financing Sources (Uses):			
Transfers in	87,100	77,700	(9,400)
Total Other Financing Sources (Uses)	<u>87,100</u>	<u>77,700</u>	<u>(9,400)</u>
Net Change in Fund Balance		<u>25,322</u>	<u>25,322</u>
Fund Balance, Beginning of Fiscal Year	40,118	40,118	
Prior Period Adjustment		8,278	8,278
Fund Balance, Beginning of Fiscal Year, Restated	<u>40,118</u>	<u>48,396</u>	<u>8,278</u>
Fund Balance, End of Fiscal Year	<u>\$ 40,118</u>	<u>\$ 73,718</u>	<u>\$ 33,600</u>

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION DEVELOPMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 54,900	\$ 54,850	\$ (50)
Use of money and property		591	591
	<u>54,900</u>	<u>55,441</u>	<u>541</u>
Total Revenues			
	<u>54,900</u>	<u>55,441</u>	<u>541</u>
Excess of Revenues Over (Under) Expenditures			
	<u>54,900</u>	<u>55,441</u>	<u>541</u>
Other Financing Sources (Uses):			
Transfers out		1,945	1,945
Transfers out		(9,489)	(9,489)
		<u>(7,544)</u>	<u>(9,489)</u>
Total Other Financing Sources (Uses)			
		<u>(7,544)</u>	<u>(9,489)</u>
Net Change in Fund Balance	54,900	47,897	(7,003)
Fund Balance, Beginning of Fiscal Year	<u>48,370</u>	<u>48,370</u>	
Fund Balance, End of Fiscal Year	<u>\$ 103,270</u>	<u>\$ 96,267</u>	<u>\$ (7,003)</u>

CITY OF WHEATLAND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SLES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	\$ 188,163	\$ 88,163
Use of money and property		1,112	1,112
	<u>100,000</u>	<u>189,275</u>	<u>89,275</u>
Total Revenues			
Excess of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>189,275</u>	<u>89,275</u>
Other Financing Sources (Uses):			
Transfers in		9,489	9,489
Transfers out	<u>(100,000)</u>	<u>(140,000)</u>	<u>(40,000)</u>
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(130,511)</u>	<u>(30,511)</u>
Net Change in Fund Balance		58,764	58,764
Fund Balance, Beginning of Fiscal Year	<u>12,835</u>	<u>12,835</u>	
Fund Balance, End of Fiscal Year	<u>\$ 12,835</u>	<u>\$ 71,599</u>	<u>\$ 58,764</u>

City of Wheatland

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other agencies, and/or other funds.

HERITAGE OAKS WEST– This agency fund accounts for developer deposits to be used for property development costs such as processing review and action on permits and other entitlements.

HERITAGE OAKS EAST – This agency fund accounts for amount owed by developer for City costs incurred for processing review and action on permits and other entitlements.

CALITERRA RANCH – This agency fund accounts for developer deposits used for processing review and action on permits and other entitlements for the Caliterra subdivision.

JOHNSON RANCHO – This agency fund accounts for developer deposits used for processing entitlements and planning documents for the Johnson Rancho subdivision.

**CITY OF WHEATLAND
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 June 30, 2018**

	<u>Heritage Oaks West</u>	<u>Heritage Oaks East</u>	<u>Caliterra Ranch</u>	<u>Johnson Rancho</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash and investments	\$ 3,177	\$ -	\$ -	\$ 63,600	\$ 66,777
Receivables		65,341	3,661		69,002
Total Assets	<u>\$ 3,177</u>	<u>\$ 65,341</u>	<u>\$ 3,661</u>	<u>\$ 63,600</u>	<u>\$ 135,779</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 65,341	\$ 3,661	\$ 400	\$ 69,402
Deposits payable	3,177			63,200	66,377
Total Liabilities	<u>\$ 3,177</u>	<u>\$ 65,341</u>	<u>\$ 3,661</u>	<u>\$ 63,600</u>	<u>\$ 135,779</u>

CITY OF WHEATLAND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	June 30, 2017 Balance	Additions	Deductions	June 30, 2018 Balance
Heritage Oaks West				
Assets				
Cash and investments	\$ 3,632	\$ -	\$ 455	\$ 3,177
Total Assets	<u>\$ 3,632</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 3,177</u>
Liabilities				
Accounts Payable	\$ 365	\$ -	\$ 365	\$ -
Deposits Payable	3,267		90	3,177
Total Liabilities	<u>\$ 3,632</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 3,177</u>
Heritage Oaks East				
Assets				
Receivables	\$ 64,238	\$ 1,103	\$ -	\$ 65,341
Total Assets	<u>\$ 64,238</u>	<u>\$ 1,103</u>	<u>\$ -</u>	<u>\$ 65,341</u>
Liabilities				
Accounts Payable	\$ 64,238	\$ 1,103	\$ -	\$ 65,341
Total Liabilities	<u>\$ 64,238</u>	<u>\$ 1,103</u>	<u>\$ -</u>	<u>\$ 65,341</u>
Caliterra Ranch				
Assets				
Receivables	\$ 40,027	\$ 2,761	\$ 39,127	\$ 3,661
Total Assets	<u>\$ 40,027</u>	<u>\$ 2,761</u>	<u>\$ 39,127</u>	<u>\$ 3,661</u>
Liabilities				
Accounts Payable	\$ 16,692	\$ 2,761	\$ 15,792	\$ 3,661
Deposits Payable	23,335		23,335	
Total Liabilities	<u>\$ 40,027</u>	<u>\$ 2,761</u>	<u>\$ 39,127</u>	<u>\$ 3,661</u>
Johnson Rancho				
Assets				
Cash and investments	\$ -	\$ 63,759	\$ 159	\$ 63,600
Receivables	132,559		132,559	
Total Assets	<u>\$ 132,559</u>	<u>\$ 63,759</u>	<u>\$ 132,718</u>	<u>\$ 63,600</u>
Liabilities				
Accounts Payable	\$ 1,062	\$ 275	\$ 937	\$ 400
Deposits Payable	131,497	63,484	131,781	63,200
Total Liabilities	<u>\$ 132,559</u>	<u>\$ 63,759</u>	<u>\$ 132,718</u>	<u>\$ 63,600</u>
Grand Total All Agency Funds				
Assets				
Cash and investments	\$ 3,632	\$ 63,759	\$ 614	\$ 66,777
Receivables	236,824	3,864	171,686	69,002
Total Assets	<u>\$ 240,456</u>	<u>\$ 67,623</u>	<u>\$ 172,300</u>	<u>\$ 135,779</u>
Liabilities				
Accounts Payable	\$ 82,357	\$ 4,139	\$ 17,094	\$ 69,402
Deposits Payable	158,099	63,484	155,206	66,377
Total Liabilities	<u>\$ 240,456</u>	<u>\$ 67,623</u>	<u>\$ 172,300</u>	<u>\$ 135,779</u>

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STATISTICAL SECTION

City of Wheatland

Statistical Section

This part of the City's comprehensive annual financial report presents detailed information in a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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City of Wheatland
Net Position By Component
Two Fiscal Years*
(Accrual basis of accounting)

	<u>2017</u>	<u>2018</u>
Governmental activities		
Net investment in capital assets	\$ 4,752,455	\$ 4,492,713
Restricted	-	1,031,831
Unrestricted	1,818,667	1,452,851
Total governmental activities net position	<u>\$ 6,571,122</u>	<u>\$ 6,977,395</u>
Business-type activities		
Net investment in capital assets	\$ 1,000,358	\$ 800,875
Restricted	377,998	7,472,164
Unrestricted	6,834,367	392,784
Total business-type activities net position	<u>\$ 8,212,723</u>	<u>\$ 8,665,823</u>
Primary government		
Net investment in capital assets	\$ 5,752,813	\$ 5,293,588
Restricted	377,998	8,503,995
Unrestricted	8,653,034	1,845,635
Total primary government net position	<u>\$ 14,783,845</u>	<u>\$ 15,643,218</u>

*The City of Wheatland prepared its first CAFR for the fiscal year ended June 30, 2017

City of Wheatland
Changes in Net Position
Two Fiscal Years*
(Accrual basis of accounting)

	<u>2017</u>	<u>2018</u>
Expenses		
Governmental activities:		
General government	\$ 634,638	\$ 569,454
Public safety	1,277,664	1,259,788
Public works	356,079	422,920
Parks and recreation	69,777	50,744
Community development	235,532	335,771
Interest expense	3,744	3,269
Total governmental activities expenses	<u>\$ 2,577,434</u>	<u>\$ 2,641,946</u>
Business-type activities:		
Water	\$ 832,077	867,301
Wastewater	1,001,324	1,155,617
Total business-type activities expenses	<u>\$ 1,833,401</u>	<u>\$ 2,022,918</u>
Total primary government expenses	<u>\$ 4,410,835</u>	<u>\$ 4,664,864</u>
Program Revenues		
Governmental activities:		
Charges for services:		
General government	\$ 168,151	\$ 344,530
Public safety	39,076	8,529
Public works	-	34,852
Parks and recreation	42,533	26,553
Community development	12,810	812
Operating grants and contributions	130,309	440,274
Capital grants and contributions	701,280	-
Total governmental activities program revenues	<u>\$ 1,094,159</u>	<u>\$ 855,550</u>
Business-type activities:		
Charges for services:		
Water	\$ 803,989	877,371
Wastewater	876,250	909,198
Operating Contributions and Grants	-	11,406
Total business-type activities program revenues	<u>\$ 1,680,239</u>	<u>\$ 1,797,975</u>
Total primary government program revenues	<u>\$ 2,774,398</u>	<u>\$ 2,653,525</u>

City of Wheatland
Changes in Net Position
Two Fiscal Years*
(Accrual basis of accounting)

Continued from previous page

	2017	2018
Net (Expense)/Revenue		
Governmental activities	\$ (1,483,275)	\$ (1,786,396)
Business-type activities	\$ (153,162)	\$ (224,943)
Total primary government net expense	<u>\$ (1,636,437)</u>	<u>\$ (2,011,339)</u>
General Revenues and Other Changes in Net Position		
Governmental activities:		
Taxes:		
Property taxes	659,157	\$ 692,486
Sales and use taxes	745,094	809,867
Franchise taxes	112,910	109,344
Other taxes	93,340	96,427
Other revenues	130,541	76,665
Transfers	174,480	-
Investment income	59,361	78,670
Total governmental activities	<u>\$ 1,974,883</u>	<u>\$ 1,863,459</u>
Business-type activities:		
Investment income	\$ 53,697	\$ 98,452
Transfers	(174,480)	-
Total business-type activities	<u>\$ (120,783)</u>	<u>\$ 98,452</u>
Total primary government	<u>\$ 1,854,100</u>	<u>\$ 1,961,911</u>
Changes in Net Position		
Governmental activities	\$ 491,608	\$ 77,063
Business-type activities	(273,945)	(126,491)
Total primary government	<u>\$ 217,663</u>	<u>\$ (49,428)</u>

Data Source: City of Wheatland Finance Department

City of Wheatland
Fund Balances, Governmental Funds
Two Fiscal Years*
(Modified accrual basis of accounting)

	<u>2017</u>	<u>2018</u>
General Fund:		
Nonspendable	\$ 164,765	171,109
Restricted	-	-
Committed	30,000	-
Assigned	-	-
Unassigned	1,438,203	1,517,874
Total general fund	\$ 1,632,968	\$ 1,688,983
All Other Governmental Funds:		
Nonspendable	\$ 183,532	157,044
Restricted	-	874,787
Assigned	-	5,977
Unassigned	319,020	(164,505)
Total all other governmental funds	\$ 502,552	\$ 873,303
Total all governmental funds	\$ 2,135,520	\$ 2,562,286

**The City of Wheatland prepared its first CAFR for the fiscal year ended June 30, 2017*

Data Source: City of Wheatland Finance Department

City of Wheatland
 Changes in Fund Balances, Governmental Funds
 Two Fiscal Years*
 (Modified accrual basis of accounting)

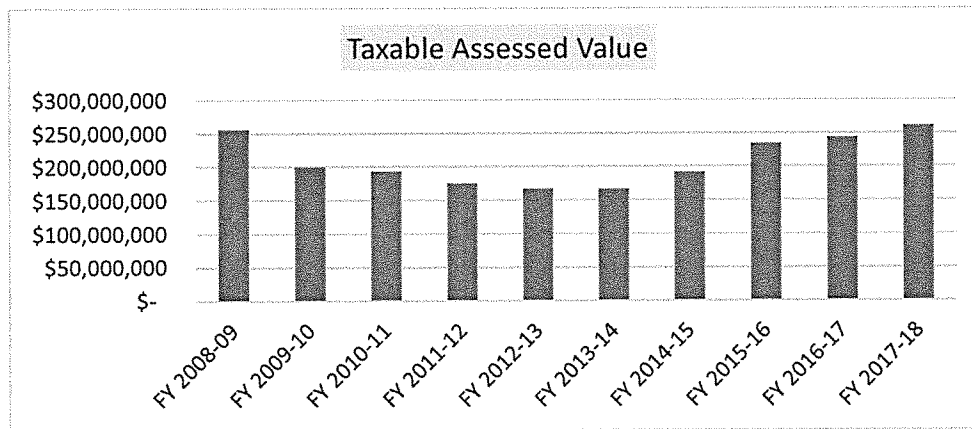
	<u>2017</u>	<u>2018</u>
Revenues:		
Taxes and assessments	\$ 1,689,215	1,815,546
Licenses, fees and permits	184,517	29,320
Intergovernmental revenues	61,567	332,852
Charges for services	11	177,170
Use of money and property	59,361	78,670
Fines and forfeitures	16,475	10,652
Overhead charges	167,507	238,106
Grant revenue	831,589	-
Miscellaneous	51,827	36,693
Total revenues	<u>3,062,069</u>	<u>2,719,009</u>
Expenditures:		
General government	503,767	466,364
Public safety	1,152,791	1,091,348
Community development	235,532	293,661
Public works and engineering	228,580	380,811
Parks and recreation	69,777	50,744
Capital Improvements	573,184	188,477
Debt service:		
Principal	8,903	9,378
Interest	3,744	3,269
Total expenditures	<u>2,776,278</u>	<u>2,484,052</u>
Excess of revenues over (under) expenditures	<u>285,791</u>	<u>234,957</u>
Other financing sources (uses):		
Transfers in	682,314	483,690
Transfers out	(682,314)	(483,690)
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 285,791</u>	<u>\$ 234,957</u>
Debt service as a percentage of noncapital expenditures	<u>0.57%</u>	<u>0.55%</u>

*The City of Wheatland prepared its first CAFR for the fiscal year ended June 30, 2017

Data Source: City of Wheatland Finance Department

City of Wheatland
Assessed Value and Actual Value of Taxable Property
For the last ten fiscal years

	<u>Secured</u>	<u>Unsecured</u>	<u>Less:</u> <u>Exemptions</u>	<u>Taxable</u> <u>Assessed Value</u>	<u>% Change</u>	<u>Total Direct</u> <u>Tax Rate</u>
FY 2008-09	\$ 252,383,040	\$ 3,943,412	\$ -	\$ 256,326,452	2.28%	0.17961
FY 2009-10	195,200,387	5,084,510	-	200,284,897	-21.86%	0.17574
FY 2010-11	188,342,984	5,128,091	-	193,471,075	-3.40%	0.17395
FY 2011-12	170,498,517	5,123,732	-	175,622,249	-9.23%	0.17419
FY 2012-13	161,954,723	5,282,470	-	167,237,193	-4.77%	0.17277
FY 2013-14	162,172,236	4,915,719	-	167,087,955	-0.09%	0.17204
FY 2014-15	187,241,765	4,582,604	-	191,824,369	14.80%	0.17159
FY 2015-16	229,813,378	4,638,696	-	234,452,074	22.22%	0.13888
FY 2016-17	238,789,220	4,892,773	-	243,681,993	3.94%	0.13966
FY 2017-18	256,022,742	5,103,873	-	261,126,615	7.16%	1.13966



Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Yuba County Assessor 2008/09 - 2017/18 Combined Tax Rolls

City of Wheatland
Direct and Overlapping Tax Rates
For the last ten fiscal years

City Assessed Valuation \$ 261,126,615

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000
Western Placer Unified 1993 Series A	0.01343	0.01343	0.02105	0.02609	0.02521
Wheatland Union High School 2012A	0.00000	0.00000	0.00000	0.00000	0.00000
Yuba Community College	0.01404	0.01404	0.01450	0.02510	0.02471
Total Direct and Overlapping² Tax Rates	1.02747	1.02747	1.03555	1.05119	1.04992
City's Share of 1% Levy Per Prop 13³	0.17092	0.17092	0.17092	0.17092	0.17092
Total Direct Rate⁴	0.13609	0.1333	0.17395	0.13219	0.13115
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000
Western Placer Unified 1993 Series A	0.02521	0.02504	0.02469	0.02526	0.02526
Wheatland Union High School 2012A	0.00000	0.02994	0.03000	0.03000	0.03000
Yuba Community College	0.02471	0.02500	0.02494	0.02635	0.02635
Total Direct and Overlapping² Tax Rates	1.04992	1.07998	1.07963	1.08161	1.08161
City's Share of 1% Levy Per Prop 13³	0.17092	0.17092	0.17092	0.17092	0.17092
Total Direct Rate⁴	0.13061	0.13021	0.13888	0.13966	0.14028

¹In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's share of 1.00% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City.

⁴Total Direct Rate is the weighted average of all individual direct rates applied by the City /Agency preparing the statistical section information and excludes revenues derived from aircraft.

Data Source: Yuba County Assessor 2008/09 - 2017/18 Tax Rate Table

City of Wheatland
 Top Ten Property Tax Payers
 Current Year and Nine Years Ago

	FY 2017-18			FY 2008-09		
	Rank	Value	% of Net AV	Rank	Value	% of Net AV
Bear River Walnut Ranch	1	\$ 16,270,721	4.84%			
AKT Wheatland Ranch	2	8,751,562	3.44%			
Gibson Ranch	3	6,249,033	2.54%			
Dale Investments	4	3,819,741	1.54%			
Frank Dean and Frances Webb	5	2,729,208	1.10%	5	\$ 1,776,169	0.69%
Raj Kumar and Namarta Sharma	6	2,629,415	1.00%			
Settlers Village Center	7	2,399,750	0.98%	4	3,011,153	1.17%
Lennar Homes of California	8	2,354,831	0.95%			
Lewis Investment Company	9	2,352,734	0.95%			
Paradise Petro	10	1,883,675	0.77%			
Wheatland Heritage Oaks				1	15,994,380	6.24%
Lakemont Overland Crossing				2	6,435,079	2.51%
Trivest				3	3,335,020	1.30%
Thomas and Phyllis Dietrich				6	1,752,316	0.68%
Hovnanian Forecast Homes				7	1,695,309	0.66%
Joyce Boehm Trustee				8	1,257,145	0.49%
Church of Jesus Christ of LDS				9	1,089,000	0.42%
Wheatland River Associates				10	999,028	0.39%
Top Ten Total		\$ 49,440,670	18.11%		\$ 37,344,599	14.55%
City Total		\$ 261,126,615			\$ 256,326,452	

Source: Yuba County Assessor Combined Tax rolls

City of Wheatland
Property Tax Levies and Collections
For the last ten fiscal years

Fiscal Year	Collections within the Fiscal Year of the Levy			Total Collections to Date	
	Taxes for the Fiscal Year	Amount	Percent of Levy	Amount	Percent of Levy
2008-09	\$ 712,856	\$ 712,856	100.00%	\$ 712,856	100.00%
2009-10	502,364	502,364	100.00%	502,364	100.00%
2010-11	495,142	495,142	100.00%	495,142	100.00%
2011-12	491,184	491,184	100.00%	491,184	100.00%
2012-13	453,056	453,056	100.00%	453,056	100.00%
2013-14	542,753	542,753	100.00%	542,753	100.00%
2014-15	523,990	523,990	100.00%	523,990	100.00%
2015-16	629,472	629,472	100.00%	629,472	100.00%
2016-17	649,277	649,277	100.00%	649,277	100.00%
2017-18	679,878	679,878	100.00%	679,878	100.00%

Note: Amounts are reported and collected under the Teeter Plan in which all taxes are distributed to the City in the year of the levy with the County retaining any interest or penalties on uncollected balances.

Source: City Finance Department

City of Wheatland
Ratios of Outstanding Debt by Type
For the last ten fiscal years

Fiscal Year	USDA Water Loan #1		USDA Water Loan #3		USDA Wastewater Loan		Capital Lease		Percentage of Personal Income
	Debt Outstanding	Debt Per Capita	Debt Outstanding	Debt Per Capita	Debt Outstanding	Debt Per Capita	Debt Outstanding	Debt Per Capita	
2008-09	\$ 1,851,000	\$ 523	\$ 1,064,000	\$ 301	\$ 3,903,969	\$ 1,104	\$ 310,320	\$ 88	n/a
2009-10	1,825,000	512.93	1,049,000	294.83	3,873,000	1,088.53	294,856	82.87	2.0%
2010-11	1,798,000	518.30	1,034,000	298.07	3,826,800	1,103.14	278,566	80.30	2.5%
2011-12	1,770,000	506.73	1,018,000	291.44	3,778,700	1,081.79	261,404	74.84	2.6%
2012-13	1,741,000	498.14	1,001,000	286.41	3,728,700	1,066.87	243,328	69.62	2.5%
2013-14	1,711,000	500.44	984,000	287.80	3,676,600	1,075.34	224,289	65.60	2.5%
2014-15	1,679,000	477.12	966,000	274.51	3,622,400	1,029.38	204,232	58.04	2.5%
2015-16	1,646,000	469.08	947,000	269.88	3,565,900	1,016.22	183,102	52.18	2.3%
2016-17	1,611,000	392.93	927,000	226.10	3,507,100	855.39	160,845	39.23	1.8%
2017-18	1,575,000	384.15	906,000	220.98	3,445,900	840.46	137,399	33.51	1.7%

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

Source: City Finance Department

City of Wheatland
Direct and Overlapping Bonded Debt
Current Year

	<u>Percent Applicable</u>	<u>Outstanding Debt June 30, 2018</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Tax and Assessment Debt:			
Yuba Community College	0.867%	\$ 160,305,000	\$ 1,389,684
Wheatland Union High School 2016 Refunding	19.237%	6,065,000	1,166,724
Wheatland Union High School Series B	19.237%	3,000,000	577,110
Total Overlapping Tax and Assessment Debt		\$ 169,370,000	\$ 3,133,518

Source: Yuba County Auditor-Controller

City of Wheatland
 Legal Debt Margin Information
 For the last ten fiscal years

Fiscal Year	Assessed Value Secured	Adjusted Assessed Value*	Debt Limit Percentage	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Net Debt Applicable to the Limit as a % of Debt Limit
2007-08	\$ 246,994,752	\$ 61,748,688	15%	\$ 9,262,303	\$ 325,000	\$ 8,937,303	3.51%
2008-09	252,292,040	63,073,010	15%	9,460,952	310,320	9,150,632	3.28%
2009-10	195,109,387	48,777,347	15%	7,316,602	294,856	7,021,746	4.03%
2010-11	188,251,984	47,062,996	15%	7,059,449	278,566	6,780,883	3.95%
2011-12	170,407,517	42,601,879	15%	6,390,282	261,404	6,128,878	4.09%
2012-13	161,641,700	40,410,425	15%	6,061,564	243,328	5,818,236	4.01%
2013-14	162,023,838	40,505,960	15%	6,075,894	224,289	5,851,605	3.69%
2014-15	187,093,367	46,773,342	15%	7,016,001	204,232	6,811,769	2.91%
2015-16	229,664,980	57,416,245	15%	8,612,437	183,102	8,429,335	2.13%
2016-17	238,640,822	59,660,206	15%	8,949,031	160,845	8,788,186	1.80%
2017-18	256,022,742	64,005,686	15%	9,600,853	137,398	9,463,455	1.43%

*The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). This computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments.

Source: City Finance Department

City of Wheatland
 Demographic and Economic Statistics
 For the past ten calendar years
 Calendar year 2008 through 2017

Fiscal Year	Population	Personal Income		Unemployment Rate City of Wheatland	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
		City of Wheatland (in thousands)	Per Capita Personal Income				
2008	3,516	n/a	n/a	11.7%	n/a	n/a	n/a
2009	3,536	n/a	n/a	17.2%	n/a	n/a	n/a
2010	3,558	\$ 96,810	\$ 27,209	19.0%	32.6	79.9%	13.0%
2011	3,469	\$ 80,311	\$ 23,151	18.0%	33.2	79.3%	12.1%
2012	3,493	\$ 73,880	\$ 21,151	13.5%	32.9	83.7%	12.8%
2013	3,495	\$ 77,124	\$ 22,067	13.0%	32.3	84.0%	17.4%
2014	3,419	\$ 77,447	\$ 22,652	12.1%	33.2	83.6%	15.2%
2015	3,519	\$ 74,642	\$ 21,211	10.1%	35.9	83.5%	14.5%
2016	3,509	\$ 80,286	\$ 22,880	9.3%	34.3	84.3%	13.9%
2017	3,497	\$ 99,253	\$ 28,382	7.5%	37.5	84.7%	14.4%

Sources:

Population: California State Department of Finance

Income, Age, and Education Data: US Census Bureau, most recent American Community Survey

Unemployment Data: California Employment Development Department

City of Wheatland
Principal Employers in Yuba County¹
For the calendar year 2017

Employer	Range of Number of Employees	Rank
Marysville Joint Unified School District	1,000-4,999	1
Rideout Outpatient	1,000-4,999	1
Beale Air Force Base	500-999	2
Bishop's Pumpkin Farm	250-499	3
Toyota Ampitheatre	250-499	3
Walmart Supercenter	250-499	3
Yuba County Health & Human Services	250-499	3
Appeal Democrat	100-249	4
Aramark Sports & Entertainment	100-249	4
Lindhurst High School	100-249	4
Lone Tree School	100-249	4
Marysville Care & Rehab Center	100-249	4
Recology Yuba-Sutter	100-249	4
Shoei Food USA	100-249	4
Sutter Health	100-249	4
US Post Office	100-249	4

¹Information for the City of Wheatland is not available. Information presented is for the entire Yuba County

Source: California Employment Development Department

City of Wheatland
 Full-time and Part-time City Employees by Function
 For the last 5 fiscal years

Function	2014	2015	2016	2017	2018
General Government	4.3	4.3	5.3	5.3	4.8
Public Safety Non-Sworn	0.5	0.5	0.9	0.9	0.9
Public Safety Sworn	9.0	9.0	9.0	9.0	9.0
Engineering ¹	0.0	0.0	0.0	0.0	0.0
Community Development ²	0.0	0.0	0.0	0.0	0.0
Public Works ³	7.0	7.0	6.9	6.9	7.2
Total	20.8	20.8	22.1	22.1	21.9

¹The City contracts with Coastland Engineering for engineering services

²The City contracts with Raney and Associates for planning and building inspection services

³Public Works includes street, building, and park maintenance and water and sewer operations

Source: City Finance Department

City of Wheatland
 Capital Asset Statistics by Function
 For the last 5 years

Function	2014	2015	2016	2017	2018
Police Stations	1	1	1	1	1
Fire Stations*	1	1	1	1	1
Public Works					
Street Miles	18.4	22.4	22.4	22.4	22.4
Street Lights	234	234	234	234	234
Parks and Recreation					
Parks	5	5	5	5	5
Community centers	1	1	1	1	1
Ball fields	1	1	1	1	1
Utilities					
Miles of municipal sewer mains	18	18	18	18	18
Miles of water mains	18	18	18	18	18
Water wells	6	6	6	6	6
Water storage tanks	2	2	2	2	2

Note: in 2014 the City annexed 4,300 acres in to the City

*Fire services are provided by the Wheatland Fire Protection District

Source: City Public Works Department

City of Wheatland
Operating Indicators by Function
For the last 5 calendar years

Function	2013	2014	2015	2016	2017
Police					
Calls for service	1,525	1,452	1,427	1,461	1,625
911 calls per year	330	331	354	315	340
Public Works					
Street Resurfacing (miles)	0.31	0.00	0.00	0.00	0.00
Encroachment permits	21	10	8	9	9
Parks and recreation					
Facility rental hours	152	166	112	144	157
Sports field rental hours	750	750	750	750	750
Building Valuations					
Building permits issued per year	81	231	127	95	106
Building valuation	\$ 1,000,217	\$ 11,209,358	\$ 1,886,320	\$ 2,465,854	\$ 3,145,999
Utilities					
Gallons of wastewater treated per year (in millions)	122	118	115	124	125
Business Licenses					
Annual business licenses issued	177	210	231	273	313

Source: City Finance Department

City of Wheatland
 Top 25 Sales Tax Producers*
 Current Year and Nine Years Ago

FY 2017-18 (represents 100.00% of total sales tax)		FY 2008-09 (represents 97.47% of total sales tax)	
Business Name	Business Category	Business Name	Business Category
Big Al's Market	Grocery	Big Al's Market	Grocery
Bills Place	Casual Dining	Bills Place	Casual Dining
Bishops Pumpkin Farm	Specialty	City Grill Restaurant	Casual Dining
City Grill	Casual Dining	Dons Smog	Auto Repair
Dollar General	Variety	Elkins Frostie	Quick Svc Restaurant
Elkins Frosty	Quick Svc Restaurant	Hexagram	Light Industrial/Printer
Mi Pueblito Taqueria	Casual Dining	Hunter's Footwear	Shoe Store
Nicks Quality Autos	Used Auto	Jonathan Williamson Dealer	Automotive Supply
Primetime Pizza	Quick Svc Restaurant	Power Partners	Electrical Equipment
Raj's Mini Mart	Service Station	Primetime Pizza	Quick Svc Restaurant
Ready to Help Estate Sales	Business Service	Rajs Mini Mart (1)	Service Station
Robertos Restaurant	Casual Dining	Rajs Mini Mart (2)	Service Station
Southwire	Quick Svc Restaurant	Robertos Restaurant	Casual Dining
Subway	Quick Svc Restaurant	Stacey Ann Whelan	Specialty Store
Taco Bell	Quick Svc Restaurant	Subway (1)	Quick Svc Restaurant
Tobacco Shop	Cigarette/Cigar	Subway (2)	Quick Svc Restaurant
Vacation Rvs & Auto Sales	Used Auto	Tjs Coffee and Deli	Quick Svc Restaurant
Village Pharmacy	Drug Store	Tobacco Shop	Cigarette/Cigar Store
Wheatland 99 & Liquor	Convenience Store	Village Pharmacy	Drug Store
Wheatland Elementary School	Government	Wheatland 99 & Liquor	Convenience Store
Wheatland Florist	Florist Shop	Wheatland Auto Parts	Automotive Supply
Wheatland Smog & Repair	Auto Repair	Wheatland Chevron	Service Station
Wheatland Station	Service Station	Wheatland Elementary School	Government
Wheatland Tire Co	Auto Repair	Wheatland Smog & Repair	Auto Repair
Wonderful Chinese Restaurant	Casual Dining	Wonderful Chinese Restaurant	Casual Dining

*Firms listed alphabetically

Source: *Hinderliter, de Llamas & Associates, State Board of Equalization*

City of Wheatland, California
www.wheatland.ca.gov



APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

Certain provisions of the Indentures governing the Bonds not summarized elsewhere in this Official Statement are summarized in this Appendix B. Reference is made to the complete terms and conditions of each Indenture, and this summary is qualified in its entirety by reference thereto.

The Series A Bonds and Series B Bonds will each be issued under different Indentures and secured by separate and distinct sources of revenues as described in this Official Statement. The Series A Bonds and Series B Bonds are not cross-collateralized in any manner.

Certain Definitions

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (a) An allowance for Net Revenues from any additions or improvements to or extensions of the Applicable System to be made by the City during the 36 month period following the issuance of such Parity Obligations, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from all properties which are improved with a structure the construction of which has been completed prior to the date of issuance of such Parity Obligations and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Financial Consultant.
- (b) With respect to the calculations made pursuant to the Indenture, an allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System or Water System, as applicable, which has become effective prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year, all as shown by the certificate or opinion of a Financial Consultant.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City 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 Tax Code.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Year” means any twelve-month period commencing on May 2 in a year and ending on the next succeeding May 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on May 1, 2020.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificate of the City” means a certificate in writing signed by the City Manager, the Director of Finance or any other officer of the City duly authorized by the City Council for that purpose.

“City” means the City of Wheatland, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California.

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

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

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

“Debt Service Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under the Indenture.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described in the Indenture.

“Federal Securities” means: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; and (b) any obligations the timely payment of principal of and interest on which are fully guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a).

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of Wastewater System or Water System, as applicable; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“Moody’s” means Moody’s Investors Service and its successors.

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

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Bonds remain Outstanding by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year; and
- (b) the aggregate amount of principal of and interest on all outstanding Parity Obligations coming due and payable by their terms in such Fiscal Year.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period, minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in the Indenture, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Original Purchaser” means Hilltop Securities, Inc., as 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 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 City has been discharged in accordance with the Indenture; (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; and (d) Bonds which are required to be disregarded and not deemed Outstanding under the Indenture.

“Owner,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Obligation Documents” means all leases, installment sale agreements, trust agreements, indentures of trust and other documents prescribing the terms and provisions applicable to any issue of Parity Obligations.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Bonds under the Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P or Moody’s.
- (c) Deposit accounts (including certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Trustee and the City)), including time deposits, demurred deposits, trust funds, trust accounts, interest bearing deposits, overnight basic deposits, interest bearing money market accounts, other deposit products, and bankers’ acceptances in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P or Moody’s; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P or Moody’s.

- (e) Federal funds, bank deposit products or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P or Moody's.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest rating category of S&P or Moody's (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receive and return a fee for services provided to the fund, including investment advisory, custodial, transfer agency or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P or Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- (h) Bonds or notes issued by any state or municipality which are rated in one of the two highest rating categories assigned by S&P or Moody's.
- (i) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better at the time of initial investment by S&P or Moody's.
- (j) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

"Redemption Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Registration Books" means the books maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

"Request of the City" means a request in writing signed by the City Manager, the Director of Finance or any other officer of the City duly authorized by the City Council for that purpose.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered by the City to the Trustee.

"S&P" means S&P Global Ratings, and its successors.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of the Indenture.

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

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as Trustee under the Indenture, or any successor thereto appointed as Trustee under the Indenture.

Investments

All moneys in the Wastewater Fund may be invested by the City from time to time in any securities in which the City may legally invest funds subject to its control. The Trustee shall invest moneys in the funds and accounts held by it under the Indenture in Permitted Investments specified in the Request of the City delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the City, the Trustee shall hold such amounts uninvested. The Trustee may rely on the City’s investment direction as to the suitability and legality of the directed investments. Obligations purchased as an investment of moneys in any fund or account 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 held by the Trustee under the Indenture shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the City. 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 shall incur no liability for losses arising from any investments made under the Indenture.

The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City’s election, such statements will be delivered via the Trustee’s online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Certain Covenants of the City

Punctual Payment; Compliance with Documents. The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures.

Discharge of Claims. The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System or Water System, as applicable, which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and materially impair the security for the Bonds. The City shall also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Wastewater System or Water System, as applicable, or upon any part thereof or upon any of the Net Revenues therefrom.

Operation of Wastewater System or Water System, as applicable, in Efficient and Economical Manner. The City covenants and agrees to operate the Wastewater System or Water System, as applicable, in an efficient and economical manner and to operate, maintain and preserve the Wastewater System or Water System, as applicable, in good repair and working order.

Sale or Eminent Domain of Wastewater System or Water System, as applicable. Except as provided herein, the City covenants that the Wastewater System or Water System, as applicable, will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds and the Parity Obligations, or would materially adversely affect its ability to comply with the terms of the Indenture or any Parity Obligation Documents. The City may not enter into any agreement which impairs the operation of the Wastewater System or Water System, as applicable, or any part of it necessary to secure adequate Net Revenues to pay the Bonds and the Parity Obligations, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Wastewater System or Water System, as applicable, is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to redeem the Bonds or any Parity Obligations in accordance with the Indenture and the Parity Obligation Documents, respectively.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater System or Water System, as applicable, by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, must either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System or Water System, as applicable, or (b) be applied to redeem the Bonds or any Parity Obligations in accordance with the Indenture and the Parity Obligation Documents, respectively.

Insurance. The City will at all times maintain insurance on the Wastewater System or Water System, as applicable, as is customarily maintained with respect to works and

properties of like character against accident to, loss of or damage to the Wastewater System or Water System, as applicable. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System or Water System, as applicable, shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System or Water System, as applicable, and to the extent not so applied, shall be applied to redeem the Bonds or any Parity Obligations in accordance with the Indenture and the Parity Obligation Documents, respectively. The City shall also maintain worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Bonds. Any insurance required by the Indenture may be maintained by the City in the form of self-insurance, including through a joint-powers-agency or otherwise. The Trustee has no liability to determine whether the City is in compliance with the provisions of the Indenture.

Records and Accounts. The City will keep proper books of record and accounts of the Wastewater System or Water System, as applicable, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System or Water System, as applicable. Said books shall, upon reasonable request, be subject to the inspection of the Trustee (who shall have no duty to inspect) and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing. The City will cause the books and accounts of the Wastewater System or Water System, as applicable, to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. The City will furnish a copy of such statements, upon reasonable request, to the Trustee (who shall have no duty to inspect) and any Bond Owner. The Trustee shall have no duty to review, verify or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Owners. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

Tax Covenants Relating to Bonds.

Generally. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

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 the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

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 Bond proceeds 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 Tax Code.

Rebate of Excess Investment Earnings. The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this provision.

The Trustee has no duty to monitor the compliance by the City with the foregoing.

Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, 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, the Trustee the rights and benefits provided in the Indenture.

Provisions Concerning the Trustee

Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or duties will be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

Removal and Resignation of Trustee. The City may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The City may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the City will appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the City, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to S&P, and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall: be a company or bank having trust powers, have a corporate trust office in the State of California, have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and be subject to supervision or examination by federal or state authority. If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under

the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Rights and Liabilities of Trustee. The recitals of facts in the Indenture and in the Bonds contained are taken as statements of the City, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the City.

The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture is not construed as a mandatory duty. The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default under the Indenture or under the Indenture. The Trustee is not responsible for the City's payment of principal and interest on the Bonds, the City's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under the Indenture and may rely conclusively on the Certificate of the City accompanying such financial statements to establish the City's compliance with its financial covenants under the Indenture, including, without limitation, its covenants regarding the deposit of Gross Revenues into the Wastewater Fund and the investment and application of moneys on deposit in the Wastewater Fund (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

No provision in the Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture. The Trustee is entitled to

receive interest on any moneys advanced by it under the Indenture, at the maximum rate permitted by law. The Trustee may establish additional accounts or subaccounts of the funds established under the Indenture as the Trustee deems necessary or prudent in furtherance of its duties under the Indenture. The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee. At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Wastewater System or Water System, as applicable, including all books, papers and records of the City pertaining to the Wastewater System or Water System, as applicable, and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law. Before taking any action under the Indenture, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur. The immunities extended to the Trustee also extend to its directors, officers, employees and agents. The permissive right of the Trustee to do things enumerated in the Indenture is not construed as a duty. The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means").

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith. The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee. Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it

necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the City.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing.

Compensation and Indemnification. Absent any agreement to the contrary, the City shall pay to the Trustee from time to time compensation for all services rendered under the Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The City further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, cost, claim, suit, damages, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability and of enforcing any remedies under the Indenture and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. These obligations of the City shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under the Indenture. Such books of record and account shall be available for inspection by the City at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the City, at least semiannually, an accounting (which may be

in the form of its customary account statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under the Indenture.

Amendments

Amendment With Bond Owner Consent. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City and the Trustee upon Request of the City at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment shall:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (ii) permit the creation by the City of any mortgage, pledge or lien upon the Gross Revenues or the Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by the Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

Amendment Without Bond Owner Consent. The Indenture and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the City and the Trustee;
- (iii) to provide for the issuance of Parity Obligations under the Indenture, and to provide the terms and conditions under which such Parity

Obligations may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or

- (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the City and the Trustee.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective under the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, 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 Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof under the Indenture, the City may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the City, as to such amendment or modification and in that case upon demand of the City the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the City may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the City the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the City and an opinion of counsel stating that all requirements of the Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

Events of Default

Events of Default and Acceleration of Maturities. Each of the following events constitutes an Event of Default:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.

- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however,* if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, not to exceed 180 days from the delivery date of such notice of failure.
- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in any Parity Obligation Documents.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under the Indenture.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the City by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults actually 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) has been made good or cured to the satisfaction of the

Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, 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.

Application of Funds Upon Acceleration or Event of Default. All amounts previously held by or received by the Trustee pursuant to any right given or action taken by the Trustee, upon the occurrence, or during the continuance, of an Event of Default or upon acceleration of the Bonds under the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee under the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Limitation on Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless:

- (a) said Owner has previously 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 all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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 any remedy under the Indenture; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds. The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Non-waiver. Nothing in the Indenture or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner 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 of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bond Owners. If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bond Owners, the City the Bond Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of the Indenture. Notwithstanding the foregoing provisions, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

Defeasance and Discharge

If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (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 irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines in an opinion or report will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any

such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the City under the Indenture with respect to such Bonds shall cease and terminate, except only: the obligations of the City with respect to the tax covenants in the Indenture, the obligation of the Trustee to transfer and exchange Bonds under the Indenture, the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligations of the City to compensate and indemnify the Trustee.

The City shall file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the City. In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with the Indenture, the Trustee shall pay all amounts held by it in any funds or accounts under the Indenture, which are not required for said purpose or for payment of amounts due the Trustee under the indemnification and compensation provisions, to the City.

Miscellaneous

Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books. Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the City (but excluding Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be so owned or held, shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered outstanding for the purpose of such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the City unless the City is the Registered Owner or the Trustee has received written notice to that effect.

Reserve Policy Provisions

Notwithstanding anything to the contrary in the Indenture, the following provisions shall govern with respect to the Reserve Policy; provided that the City shall be obligated to pay amounts owed in connection with a draw on the Reserve Policy solely from the Net Revenues of the Wastewater System and no other sources:

(a) The City shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) 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 (y) 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 Insurer shall specify. If the interest provisions of this subparagraph (a) 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 herein, 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 hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder 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 Insurer, with the same force and effect as if the Issuer had specifically designated such extra sums to be so applied and the 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 herein 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.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "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 Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the 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 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. The obligation to pay Policy Costs shall be secured by a valid lien on the Net Revenues of the Wastewater System (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Fund, if any, shall be transferred to the Debt Service Fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs 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 Fund. Payment of 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 Fund. 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.

(b) If the City shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, the 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 of the Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

(d) The City shall include any Policy Costs then due and owing to the Insurer in the calculation of the additional bonds test and the rate covenant in the Indenture.

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

Bond Insurance Provisions

Notwithstanding anything to the contrary in the Indenture, the following provisions shall govern with respect to the Insurance Policy; provided that the City shall be obligated to pay amounts owed in connection with a draw on the Insurance Policy (including Insurer Advances) solely from the Net Revenues of the Wastewater System and no other sources:

(a) Certain definitions with respect to the Insurer and the Insurance Policy are set forth in Appendix A.

(b) The prior written consent of the 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 Fund, if any. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(c) The Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Bond, each Bondholder appoints the Insurer as their agent and attorney-in-fact and agrees

that the Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Bondholder delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Bondholder for the Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Bondholders shall expressly include mandamus.

(d) If acceleration is permitted under the Indenture, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the City) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

(e) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(f) The Insurer shall be included as a third party beneficiary to the Indenture.

(g) Upon the occurrence of an optional redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Indenture which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

(h) Any amendment, supplement, modification to, or waiver of, the Indenture, or any other transaction document, including any underlying security agreement, if any (each a "Related Document"), that requires the consent of owners of Bonds or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer. The Trustee shall have no responsibility or liability for whether an amendment adversely affects the rights and interests of the Insurer.

(i) The rights granted to the Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bond holders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the

consent of the owners of Bonds or any other person is required in addition to the consent of the Insurer.

(j) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries 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 obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City, Trustee and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than 5 business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(k) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(l) The City covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Net Revenues under applicable law.

(m) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the 3rd Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the 2nd Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under

the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such 2nd Business Day by filling in the form of Notice of Claim and Bond delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bond holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp. (or successor or assign), in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bond holders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bond holders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bond holders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "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 (any change in such rate of interest 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: The City hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Net Revenues and payable from such Net Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following Interest Payment Date shall promptly be remitted to the Insurer.

(n) The Insurer shall, to the extent it makes any payment of principal or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the City to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(o) The City shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(p) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the City or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement, subject to the Indenture.

(q) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(r) The notice address for the Insurer is as set forth in the Indenture.

(s) The Insurer shall be provided with the following information by the City or Trustee, as the case may be:

(i) Annual audited financial statements within the 210 days after the end of the City's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Indenture), and the City's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Reserve Fund within 2 Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirements and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Trustee or Issuer within 5 Business Days after actual knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Bond holders under the terms of the Related Documents.

In addition, all information furnished by the City pursuant to the Continuing Disclosure Certificate shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(t) The Insurer shall have the right to receive such additional information as the Insurer may reasonably request.

(u) The City will permit the Insurer to discuss the affairs, finances and accounts of the City or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(v) The Trustee shall notify the Insurer of any failure of the City to provide notices, Bonds and other information (to the Trustee's actual knowledge) to the Trustee under the transaction documents.

(w) Notwithstanding satisfaction of the other conditions to the issuance of additional parity debt set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at the Reserve Requirement at

the time of the issuance of such additional parity debt, in either case unless otherwise permitted by the Insurer.

(x) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Bond holders, the effect of any such amendment, consent, waiver, action or inaction shall be considered as if there were no Insurance Policy.

(y) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF WHEATLAND AND YUBA COUNTY

The Bonds are not a general obligation of the City of Wheatland (the “City”), Yuba County (the “County”) or the State of California (the “State”). The Series A Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term is defined in the Indenture for the Series A Bonds) of the Wastewater System and from amounts on deposit in certain funds and accounts established under said Indenture. The Series B Bonds are special limited obligations of the City and are payable from and secured by a pledge of and lien on the Net Revenues (as such term is defined in the Indenture for the Series B Bonds) of the Water System and from amounts on deposit in certain funds and accounts established under said Indenture. Information regarding the City, County and State is provided for informational purposes only.

General Information

The City. The City is one of only two incorporated cities in the County, and is nestled at the northeastern edge of California's vast central Sacramento Valley. It is located 34 miles north of Sacramento and 107 miles northeast of San Francisco. The City is home to many Beale Air Force Base personnel.

The County. The County is located in the Sacramento Valley. The area of the District is in the southern portion of the County along State Highway 70. The County's 639 square miles reach from the Sacramento River east into the foothills of the Sierra Nevada mountains, and lie midway between the cities of Chico to the north and Sacramento to the south. Surrounding counties include Butte County to the north, Sierra and Nevada Counties to the east, Placer County to the south and Sutter County to the south and west.

Population

The following table lists population estimates for the City, the County and the State for the last five calendar years, as of January 1 of each year.

POPULATION ESTIMATES City, County and State Calendar Years 2015 through 2019, as of January 1

<u>Year</u>	<u>City of Wheatland</u>	<u>Yuba County</u>	<u>State of California</u>
2015	3,561	74,282	38,952,462
2016	3,602	74,862	39,214,803
2017	3,636	76,176	39,504,609
2018	3,692	77,202	39,740,508
2019	3,703	77,916	39,927,315

Source: California State Department of Finance.

Employment Industry

The Yuba City Metropolitan Statistical Area (“MSA”) comprises the County and Sutter County. The unemployment rate in the Yuba City MSA was 6.7 percent in July 2019, unchanged from a revised 6.7 percent in June 2019, and unchanged the year-ago estimate of 6.7 percent. This compares with an unadjusted unemployment rate of 4.4 percent for California and 4.0 percent for the nation during the same period. The unemployment rate was 6.9 percent in Sutter County, and 6.4 percent in Yuba County.

The table below lists employment by industry group for the Yuba City MSA for the years 2014 through 2018. Annual figures are not yet available for 2019.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yuba City Metropolitan Statistical Area
(Sutter And Yuba Counties)
Civilian Labor Force, Employment and Unemployment, and Unemployment
Annual Average

	2014	2015	2016	2017	2018
<u>Civilian Labor Force</u> ⁽¹⁾	72,200	72,500	73,200	73,800	74,600
Employment	63,500	65,100	66,400	67,800	69,300
Unemployment	8,700	7,400	6,800	6,000	5,300
Unemployment Rate	12.1%	10.1%	9.3%	8.2%	7.1%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	4,400	4,800	5,100	5,200	5,400
Mining, Logging, Construction	1,700	2,000	2,300	2,400	2,600
Manufacturing	2,100	2,200	2,200	2,200	2,200
Wholesale Trade	1,300	1,400	1,500	1,600	1,600
Retail Trade	5,500	5,700	5,900	6,000	6,000
Trans., Warehousing, Utilities	1,400	1,500	1,500	1,600	1,500
Information	400	300	300	300	300
Financial Activities	1,400	1,400	1,400	1,400	1,400
Professional and Business Services	3,000	3,100	3,100	3,100	3,200
Educational and Health Services	7,100	7,500	7,800	8,200	8,400
Leisure and Hospitality	4,300	4,300	4,300	4,400	4,600
Other Services	1,100	1,100	1,200	1,200	1,200
Federal Government	1,500	1,600	1,600	1,600	1,600
State Government	900	900	900	900	1,100
Local Government	8,000	8,200	8,400	8,700	8,800
Total All Industries ⁽³⁾	44,200	45,800	47,400	48,800	49,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table lists the major employers within the County, in alphabetical order.

**MAJOR EMPLOYERS
Yuba County
(In Alphabetical Order)
September 2019**

Employer Name	Location	Industry
Abraham Lincoln High School	Marysville	Schools
Adventist Health & Rideout	Marysville	Hospitals
Appeal Democrat	Marysville	Newspapers (publishers/Mfrs)
BEALE Air Force Base	Beale AFB	Military Bases
Bear River School	Wheatland	Schools
Bishop's Pumpkin Farm	Wheatland	Agricultural Entertainment/Tourism
FOODMAXX	Marysville	Grocers-Retail
Hunam Services Agency-Furn	Marysville	Health & Welfare Agencies
Linda Elementary School	Marysville	Schools
Lindhurst High School	Olivehurst	Schools
Lone Tree School	Beale AFB	Schools
Marysville Care & Rehab Ctr	Marysville	Nursing & Convalescent Homes
Marysville Joint Unified Sch	Marysville	School Districts
Recology Yuba Sutter	Marysville	Garbage Collection
Rideout Emergency	Marysville	Emergency Minor Medical Facilities/Svcs
Rideout Outpatient	Marysville	Physicians & Surgeons
Rideout Regional Medical Ctr	Marysville	Hospitals
Shoei Foods USA Inc	Olivehurst	Importers (whls)
Toyota Amphitheatre	Unincorporated	Concert Venues
Transportation Department	Marysville	Government Offices-State
Transportation Dept-Equipment	Marysville	State Government-Transportation Programs
US Post Office	Marysville	Post Offices
Walmart Supercenter	Marysville	Department Stores
Wilbur Richard R Ranch	Marysville	Ranches
Yuba County Health & Human Svc	Marysville	Clinic

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income and median household effective buying income for the City, the County, the State and the United States for the period January 1, 2015 through 2019.

EFFECTIVE BUYING INCOME (EBI) City, County, State and United States As of January 1, 2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of Wheatland	\$62,348	\$48,482
	Yuba County	1,196,220	41,012
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Wheatland	\$60,503	\$50,902
	Yuba County	1,120,438	39,018
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Wheatland	\$63,394	\$51,217
	Yuba County	1,229,593	40,556
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Wheatland	\$80,803	\$59,447
	Yuba County	1,501,225	46,342
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Wheatland	\$91,549	\$64,300
	Yuba County	1,529,770	46,728
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables. The total taxable sales during first quarter of calendar year 2018 in the City were reported to be \$4,526,146 a 30.69% increase from the total taxable sales of \$3,463,193 reported during the first quarter of calendar year 2017. Annual figures for 2018 and 2019 are not yet available.

TAXABLE TRANSACTIONS City of Wheatland Calendar Years 2013 through 2017 (Dollars in Thousands)

Year	Retail Stores		Total Outlets	
	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2013	40	\$13,413	48	\$15,533
2014	42	14,346	50	15,870
2015 ⁽¹⁾	43	13,485	60	15,104
2016	40	13,430	59	15,046
2017	40	14,919	56	16,876

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Source: State Board of Equalization. *Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.*

The total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$131,799,907, an 5.78% increase over the total taxable sales of \$124,595,323 reported during the first quarter of calendar year 2017. Annual figures for 2018 and 2019 are not yet available.

TAXABLE TRANSACTIONS Yuba County Calendar Years 2013 through 2017 (Dollars in Thousands)

Year	Retail Stores		Total Outlets	
	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2013	925	334,264	1,244	503,475
2014	932	336,671	1,245	503,463
2015 ⁽¹⁾	451	335,293	1,372	498,129
2016	921	360,295	1,379	525,020
2017	901	391,888	1,363	578,093

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Source: State Board of Equalization. *Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.*

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2014 through 2018.

CITY OF WHEATLAND
Total Building Permit Valuations
Calendar Years 2014 through 2018
(dollars in thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
New Multi-family	9,780.6	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>176.6</u>	<u>79.5</u>	<u>565.5</u>	<u>106.2</u>	<u>295.0</u>
Total Residential	9,957.2	79.5	565.5	106.2	295.0
New Commercial	0.0	304.5	851.9	819.9	158.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	74.5	9.0	96.8	241.3	66.3
Com. Alterations/Additions	<u>20.0</u>	<u>35.0</u>	<u>0.0</u>	<u>172.3</u>	<u>39.1</u>
Total Nonresidential	94.5	339.5	948.7	1,233.5	263.4
<u>New Dwelling Units</u>					
Single Family	0	0	0	0	0
Multiple Family	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	100	0	0	0	0

Source: Construction Industry Research Board, Building Permit Summary.

YUBA COUNTY
Total Building Permit Valuations
Calendar Years 2014 through 2018
(dollars in thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$22,775.8	\$37,130.1	\$41,863.7	\$50,703.4	\$92,173.3
New Multi-family	9,780.6	4,675.7	0.0	236.7	576.1
Res. Alterations/Additions	<u>2,040.5</u>	<u>5,459.5</u>	<u>3,828.5</u>	<u>2,480.7</u>	<u>4,357.5</u>
Total Residential	34,596.9	47,265.3	45,692.2	53,447.9	97,106.9
New Commercial	3,575.4	5,037.4	5,677.9	7,315.2	593.0
New Industrial	17,586.6	0.0	0.0	0.0	0.0
New Other	1,791.7	3,296.1	4,074.2	4,015.2	4,034.1
Com. Alterations/Additions	<u>952.1</u>	<u>5,110.3</u>	<u>1,075.2</u>	<u>4,178.9</u>	<u>9,034.4</u>
Total Nonresidential	23,905.8	13,443.8	10,827.3	15,509.3	13,661.5
<u>New Dwelling Units</u>					
Single Family	112	175	190	224	401
Multiple Family	<u>100</u>	<u>34</u>	<u>0</u>	<u>2</u>	<u>4</u>
TOTAL	212	209	190	226	405

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

FORMS OF BOND COUNSEL OPINION

[Closing Date]

City Council
City of Wheatland
111 C Street
Wheatland, California 95692

OPINION: \$3,245,000 City of Wheatland 2019 Revenue Refunding Bonds,
 Series A (Wastewater System) (Bank Qualified)

Members of the City Council:

We have acted as bond counsel to the City of Wheatland (the "City") in connection with the issuance by the City of \$3,245,000 aggregate principal amount of bonds of the City designated the "City of Wheatland 2019 Revenue Refunding Bonds, Series A (Wastewater System) (Bank Qualified)" (the "Bonds"), under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), under an Indenture of Trust dated as of December 1, 2019 (the "Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A. as trustee, and under a resolution of the City Council of the City adopted on November 12, 2019. We have examined the Bond Law, an executed copy of the Indenture 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 City contained in the Indenture and in the certified proceedings and other certifications of public officials 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 City is a general law city and municipal corporation organized and existing under the Constitution and 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 have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City, payable solely from the sources provided therefor in the Indenture.

3. The Indenture 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.

4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Wastewater System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest payable with respect to the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, and that the Bonds be, or continue to be, “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The City has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

[Closing Date]

City Council
City of Wheatland
111 C Street
Wheatland, California 95692

OPINION: \$2,210,000 City of Wheatland 2019 Revenue Refunding Bonds,
 Series B (Water System System) (Bank Qualified)

Members of the City Council:

We have acted as bond counsel to the City of Wheatland (the "City") in connection with the issuance by the City of \$2,210,000 aggregate principal amount of bonds of the City designated the "City of Wheatland 2019 Revenue Refunding Bonds, Series B (Water System) (Bank Qualified)" (the "Bonds"), under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), under an Indenture of Trust dated as of December 1, 2019 (the "Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, and under a resolution of the City Council of the City adopted on November 12, 2019. We have examined the Bond Law, an executed copy of the Indenture 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 City contained in the Indenture and in the certified proceedings and other certifications of public officials 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 City is a general law city and municipal corporation organized and existing under the Constitution and 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 have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City, payable solely from the sources provided therefor in the Indenture.
3. The Indenture 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.
4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Water System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.
5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum

tax. The Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest payable with respect to the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, and that the Bonds be, or continue to be, “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The City has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$3,245,000 CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series A (Wastewater System)
(Bank Qualified)**

**\$2,210,000 CITY OF WHEATLAND
2019 Revenue Refunding Bonds
Series B (Water System)
(Bank Qualified)**

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the CITY OF WHEATLAND (the “**City**”) in connection with the issuance of its 2019 Revenue Refunding Bonds, Series A (Wastewater System) (Bank Qualified) (the “**Series A Bonds**”) and its 2019 Revenue Refunding Bonds, Series B (Water System) (Bank Qualified) (the “**Series B Bonds**,” and together with the Series A Bonds, the “**Bonds**”). Each series of Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of December 1, 2019 for the applicable series of Bonds (each, an “**Indenture**”), between the City and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “**Trustee**”).

The City covenants and agrees as follows:

Section 1. 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 the Rule (defined herein).

Section 2. Definitions. In addition to the definitions set forth above and in the Indentures, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, 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.

“*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*” means NHA Advisors, LLC or any dissemination agent designed in writing by the City to act as such.

“*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 the original underwriter of the Bonds required to comply with the Rule in connection with offering 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.

“*Listed Events*” means any of the events listed in Section 5(a).

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, 2020, 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. Not later than 15 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 15 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; 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 Listed 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.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) in a timely manner 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 before the Annual Report Date, financial information and operating data with respect to the City for the preceding Fiscal Year:

(i) With respect to the Series A Bonds, and only for so long as the Series A Bonds are outstanding, the following information related to the Wastewater System:

- (1) A table showing the number of customers of the Wastewater System for the prior Fiscal Year, substantially in the form of Table 1.
- (2) A table showing the flow of wastewater treated by the City for the prior Fiscal Year, substantially in the form of Table 2.
- (3) Adopted rates and charges of the Wastewater System for the prior Fiscal Year, substantially in the form of Table 3.
- (4) A table showing the top customers of the Wastewater System based on revenues for the prior Fiscal Year, substantially in the form of Table 5.
- (5) A table showing the Gross Revenues, Operating and Maintenance Costs, Net Revenues, and debt service coverage ratio for the Series A Bonds and any Parity Obligations for the prior Fiscal Year, substantially in the form of Table 6.

(ii) With respect to the Series B Bonds, and only for so long as the Series B Bonds are outstanding, the following information related to the Water System:

- (1) A table showing the number of customers of the Water System for the prior Fiscal Year, substantially in the form of Table 8.
- (2) A table showing the water deliveries of the Water System for the prior Fiscal Year, substantially in the form of Table 9.
- (3) Adopted rates and charges of the Water System for the prior Fiscal Year, substantially in the form of Table 10.
- (4) A table showing the top customers of the Water System based on revenues for the prior Fiscal Year, substantially in the form of Table 12.
- (5) A table showing the Gross Revenues, Operating and Maintenance Costs, Net Revenues, and debt service coverage ratio for the Series B Bonds and any Parity Obligations for the prior Fiscal Year, substantially in the form of Table 13.

(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 Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series A Bonds or Series B Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms

of a financial obligation of the City, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).

(b) Whenever the City obtains knowledge of the occurrence of a Listed 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 Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) 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)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) 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.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) 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.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the 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. The initial Dissemination Agent shall be the City. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

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.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(b).

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 Listed 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 Listed 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 Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters 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) 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 Note 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 Underwriters and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: December 19, 2019

CITY OF WHEATLAND

By _____
Finance Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Wheatland

Name of Issue: \$3,245,000 2019 Revenue Refunding Bonds, Series A (Wastewater System) (Bank Qualified) and \$2,210,000 2019 Revenue Refunding Bonds, Series B (Water System) (Bank Qualified)

Date of Issuance: December 19, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated December 19, 2019. The City anticipates that the Annual Report will be filed by _____.

Date: _____

CITY OF WHEATLAND

By _____
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY 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 securities (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 and www.dtc.org. *The information contained on this 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, distributions, and dividend payments 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-only 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.

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APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100