

*In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law: (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, 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, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal income taxes imposed only on certain corporations. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds. For a more complete discussion of the tax aspects, see “CONCLUDING MATTERS – Tax Matters.”*

**\$27,380,000**  
**CITY OF LEMOORE**  
**WATER REVENUE BONDS, SERIES 2019**  
**(KINGS COUNTY, CALIFORNIA)**

Dated: Date of Delivery

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

The City of Lemoore, California (the “City”) will issue its Water Revenue Bonds, Series 2019 (the “Bonds”) pursuant to an Indenture, dated as of March 1, 2019 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). Proceeds from the sale of the Bonds will be used to: (i) finance capital projects of the City’s water treatment, production, storage and distribution system (the “Water System”), (ii) pay the premium for a debt service reserve insurance policy to be credited to a debt service reserve fund established under the Indenture, (iii) pay the premium for a bond insurance policy for the Bonds, and (iv) pay other costs of issuance. The Bonds will be issued pursuant to: (i) the Charter of the City, (ii) the City’s Enterprise Revenue Bond Law, set forth in Title 10 of the City’s Municipal Code, (ii) a resolution adopted by the City Council of the City adopted on February 5, 2019, and (iv) the Indenture.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of and interest on the Bonds will be paid directly to DTC by the Trustee. Principal of the Bonds will be payable on the dates set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2019. Upon its receipt of payment of principal and interest, DTC in turn will be obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds will be subject to optional redemption and mandatory sinking fund redemption prior to maturity as described in this Official Statement.

The Bonds, when issued, will be secured by a pledge of and payable from “Net Revenues,” which consist of certain revenues of the Water System less operation and maintenance costs, and less amounts required to be paid by the City for a loan incurred in 2013. The City will covenant to not incur any additional obligation senior to the Bonds with respect to the pledge of the Net Revenues. Upon satisfaction of the conditions set forth in the Indenture, the City may incur additional obligations secured by a pledge of Net Revenues on parity with the Bonds.

The scheduled payment of principal of and interest on the Bonds when due, will be guaranteed under a Municipal Bond Insurance Policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”). The Bonds have been designated as BAM GreenStar Bonds. See “BOND INSURANCE” in this Official Statement.



THE BONDS WILL BE SPECIAL OBLIGATIONS OF THE CITY LIMITED SOLELY TO NET REVENUES AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE. NO OTHER FUNDS OR PROPERTY OF THE CITY WILL BE LIABLE FOR THE PAYMENT OF THE BONDS. NEITHER THE TRUSTEE NOR ANY BOND OWNER WILL HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY PROPERTY OF THE CITY, INCLUDING ANY PORTION OF THE WATER SYSTEM, FOR THE MAKING OF ANY PAYMENTS PURSUANT TO THE BONDS OR THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, KINGS COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION.

*See the section of this Official Statement entitled “BONDOWNERS’ RISKS” for a discussion of certain of the risk factors that should be considered, in addition to other matters set forth in the Official Statement, in evaluating the investment quality of the Bonds. This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.*

**STIFEL**

*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and by Richards, Watson & Gershon, as Disclosure Counsel, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about March 19, 2019.*

Dated: March 5, 2019

**\$27,380,000**  
**CITY OF LEMOORE**  
**WATER REVENUE BONDS, SERIES 2019**  
**(KINGS COUNTY, CALIFORNIA)**

**MATURITY SCHEDULE**  
**\$14,245,000 Serial Bonds**

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP† (Base: 525733)</b>
2021	\$ 145,000	4.000%	1.590%	105.188	AA9
2022	150,000	4.000	1.600	107.455	AB7
2023	155,000	4.000	1.630	109.581	AC5
2024	165,000	4.000	1.710	111.345	AD3
2025	170,000	4.000	1.820	112.724	AE1
2026	175,000	4.000	1.910	113.994	AF8
2027	185,000	4.000	2.020	114.891	AG6
2028	190,000	4.000	2.130	115.545	AH4
2029	340,000	5.000	2.260	122.641	(c) AJ0
2030	790,000	5.000	2.420	121.161	(c) AK7
2031	830,000	5.000	2.530	120.156	(c) AL5
2032	870,000	5.000	2.650	119.070	(c) AM3
2033	915,000	5.000	2.770	117.997	(c) AN1
2034	960,000	5.000	2.880	117.022	(c) AP6
2035	1,010,000	5.000	2.940	116.495	(c) AQ4
2036	1,060,000	5.000	3.000	115.970	(c) AR2
2037	1,110,000	5.000	3.060	115.449	(c) AS0
2038	1,165,000	5.000	3.120	114.930	(c) AT8
2039	1,225,000	5.000	3.180	114.413	(c) AU5
2040	1,285,000	5.000	3.220	114.071	(c) AX9
2041	1,350,000	5.000	3.250	113.815	(c) AY7

**\$2,890,000 3.500% Term Bond due June 1, 2043, Yield 3.690%, Price: 96.972; CUSIP†: 525733AV3**  
**\$7,700,000 5.000% Term Bond due June 1, 2049, Yield 3.400%(c), Price: 112.544(c); CUSIP†: 525733AW1**  
**\$2,545,000 3.625% Term Bond due June 1, 2049, Yield 3.750%, Price: 97.748; CUSIP†: 525733AZ4**

c Priced (and yield shown) to first optional redemption date of June 1, 2028 at par.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP alphanumeric designations (“CUSIP Numbers”) are assigned by an independent company not affiliated with the City or the Underwriter. CUSIP © 2019 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP Numbers are provided for convenience of reference only. Neither the City nor the Underwriter take any responsibility for the accuracy of such numbers. The CUSIP Number for any particular maturity is subject to change after delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors applicable to all or a portion of the Bonds.

**CITY OF LEMOORE**  
Kings County, California

**CITY COUNCIL**

Eddie Neal, *Mayor*  
Chad Billingsley, *Mayor Pro Tem*  
Holly Andrade Blair, *Council Member*  
David Brown, *Council Member*  
Stuart Lyons, *Council Member*

**CITY STAFF**

Nathan Olson, City Manager  
Michelle Speer, Assistant City Manager  
Mary J. Venegas, City Clerk  
Frank Rivera, Public Works Director  
Jenell Van Bindsbergen (Lozano Smith, Attorneys at Law), City Attorney

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**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**  
Richards, Watson & Gershon, A Professional Corporation  
Los Angeles, California

**Municipal Advisor**  
Del Rio Advisors, LLC  
Modesto, California

**Trustee**  
U.S. Bank National Association  
Seattle, Washington

**Dissemination Agent**  
Willdan Financial Services  
Temecula, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

*Estimates and Forecasts.* Certain statements included or incorporated by reference in this Official Statement and in any continuing disclosure by the City, any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced in this Official Statement, constitute “forward-looking statements.” Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “anticipate,” “estimate,” “budget” or other similar words and include, but are not limited to, statements under the captions “PLAN OF FINANCING,” “WATER SYSTEM” and “WATER SYSTEM FINANCIAL INFORMATION.” The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the City has undertaken to provide certain on-going financial and other data pursuant to a continuing disclosure certificate (see “CONCLUDING MATTERS – Continuing Disclosure” and APPENDIX E), the City does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based change.

*Preparation of this Official Statement.* The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. Stifel, Nicolaus & Company, Incorporated (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. Build America Mutual Assurance Company (“BAM”) has provided the following sentences for inclusion in this Official Statement: BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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

*Information as of Dated Date of Official Statement.* The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other entity described or referenced in this Official Statement since the dated date shown on the front cover. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

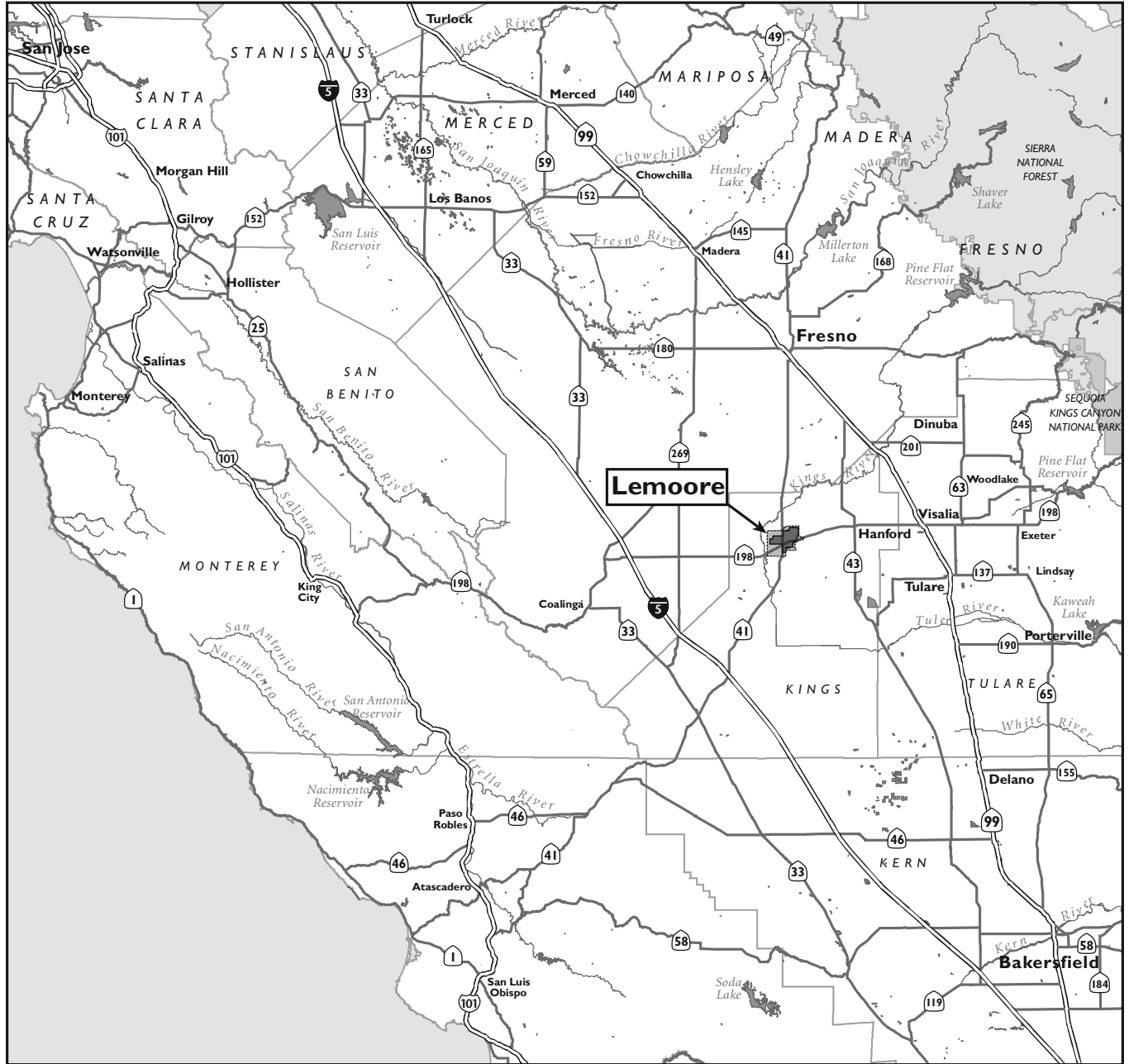
*Stabilization of Prices.* In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at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

*No Incorporation of Websites.* References to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including, but not limited to, the content of the City’s website) is incorporated by reference. The City makes no representation regarding the accuracy or completeness of information presented on such websites.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

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Regional Location

**\$27,380,000**  
**CITY OF LEMOORE**  
**WATER REVENUE BONDS, SERIES 2019**  
**(KINGS COUNTY, CALIFORNIA)**

**INTRODUCTION**

*This Introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to for more complete information with respect to matters concerning the Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used but not defined in the forepart of this Official Statement have the meanings set forth in the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”*

**General**

This Official Statement, including the cover page, the inside front cover and appendices, is provided to furnish information in connection with the sale by the City of Lemoore, California (the “City”) of its Water Revenue Bonds, Series 2019 (the “Bonds”), in the aggregate principal amount of \$27,380,000. The Bonds will be issued pursuant to: (i) the Charter of the City, (ii) the City’s Enterprise Revenue Bond Law, set forth in Title 10 of the City’s Municipal Code, (iii) a resolution adopted by the City Council of the City adopted on February 5, 2019, and (iv) the Indenture, dated as of March 1, 2019 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). Proceeds from the sale of the Bonds will be used to: (i) finance capital projects of the City’s water treatment, production, storage and distribution system (the “Water System”), (ii) pay the premium for a Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Policy”) to be credited to a debt service reserve fund established under the Indenture (the “Reserve Fund”), (iii) pay the premium for a bond insurance policy for the Bonds, and (iv) pay other costs of issuance. See “PLAN OF FINANCING.”

Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2019. The Bonds will mature in the amounts and on the dates and bear interest at the rates shown on the inside front cover of this Official Statement.

The Bonds will be initially delivered as one fully registered certificate for each maturity (unless there are different interest rates within such maturity, then one certificate for each interest rate within such maturity) and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the Bonds and all payments due on the Bonds will be made to Cede & Co. Ownership interests in the Bonds may be purchased only in book-entry form. So long as the Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners, or just “Owners” of the Bonds shall mean Cede & Co. or such other nominee of DTC and shall not mean the beneficial owners of the Bonds. See “BONDS – Book-Entry Only System” and “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM.”

## **Bond Insurance Policy**

The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a Municipal Bond Insurance Policy (the “Bond Insurance Policy”) to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (the “Bond Insurer”). See “BOND INSURANCE” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

## **City**

The City was incorporated as a general law city in 1900, and became a charter city in 2000 upon approval of the charter by the City’s voters. The City has a Council-Manager form of government. The City Council is composed of five members. Formerly, the Council members were elected at large. As of 2018, a by-district system of election has been implemented. The City Council membership for two of the five districts was part of the November 2018 election, and will be subject to elections every four years thereafter. In November 2020 and every four years thereafter, there will be an election for the City Council membership for the other three districts. The City Council selects one of its members to serve as the Mayor and appoints the City Manager, who is responsible for the day-to-day administration of City business.

The City encompasses approximately 8.5 square miles in the northern portion of Kings County, California (the “County”). It is approximately 200 miles north of Los Angeles and 210 miles south of San Francisco. Situated in heart of the San Joaquin Valley, the City is surrounded by agricultural development. The City’s population was approximately 25,892 as of January 1, 2018, according to California Department of Finance estimates.

The Lemoore Naval Air Station (the “Lemoore NAS”), located approximately 3 miles west of the City limits, is the United States Navy’s largest master jet air station in the country. In addition to other operations, Lemoore NAS serves as the permanent base and home port for a number of carrier-based tactical jet squadrons. In 2016, a plan for a 25 percent personnel expansion at Lemoore NAS was announced, with an expected addition of more than 3,000 people (consisting of naval personnel and their family members) to the base. This expansion, scheduled to take place between 2016 and 2019, is underway. Lemoore NAS is not supported by the City’s Water System, but is a major economic contributor to the community’s economy.

The WSL Surf Ranch (the “Surf Ranch”) is located just outside of the City. While being more than 100 miles from the Pacific Ocean, the Surf Ranch uses hydrofoil technology to make artificial waves in a freshwater pool. While the Surf Ranch’s water is not supplied by the City’s Water System, it has attracted much media coverage in the last few years. Professional surfing competitions were held for the first time at the Surf Ranch in 2018. In 2018, a report was submitted to the County’s Planning Commission regarding possible future expansions, including operations, training and support facilities and two more wave pools, to be constructed between 2018 and 2026.

Leprino Foods Company, the world’s largest mozzarella cheese maker (supplying cheese to major restaurant chains and frozen pizza brands around the world) has two manufacturing plants in the City, with approximately 1,300 employees. According to information published by Leprino Foods Company, one of its sites in the City contains the largest cheese manufacturing facilities in the world, with over 640,000 square feet of cheese making capacity. Leprino Foods is the top



customer of the Water System by both water use volume and service revenues. See “WATER SYSTEM – Top Ten Customers (by Service Charge Revenues).”

For further general information regarding the City, see “APPENDIX A – SUPPLEMENTAL INFORMATION ABOUT CITY OF LEMOORE.”

## **Water System**

The City provides water services to residential, commercial, industrial and governmental users within the City and a limited number of users outside of City limits (consisting of a mobile home park, a private school and one residential customer). All water distributed by the City is potable drinking water. The City uses local groundwater as its sole source of water supply to Water System customers, by pumping from the Tulare Lake Subbasin which underlies the City. The current Water System is comprised of a system of ten active groundwater wells, five storage reservoirs, distribution pipes and mains and a water distribution plant. The City plans to use proceeds of the Bonds to pay for all or a portion of the costs for the construction of three new water treatment plants, the acquisition of a new water storage tank and the installation of a new water well.

For fiscal year 2017-18, residential customers accounted for 55 percent of the Water System’s revenues derived from service charges, and industrial customer account for 29 percent. The top customer, Leprino Foods Company, account for 22 percent of the Water System’s revenues derived from service charges in fiscal year 2017-18.

See “WATER SYSTEM” and “WATER SYSTEM FINANCIAL INFORMATION” for more information about the Water System.

## **Security for Bonds**

The Bonds, when issued, will be secured by a pledge of and payable from Net Revenues and certain funds and accounts held under the Indenture. “Net Revenues” will consist of certain revenues of the Water System less operation and maintenance costs, and less amounts required to be paid by the City for a loan incurred in a 2013 with a private lender (the “2013 Loan”). As of January 1, 2019, the outstanding principal amount of the 2013 Loan was \$5,177,795.45. The City makes quarterly payments (including principal and interest) on the 2013 Loan in the amount of \$143,407.16, which equals \$573,628.64 annually, with the final payment scheduled for March 1, 2029. The City will covenant to not incur any additional obligation senior to the Bonds with respect to the pledge of the Net Revenues. Upon satisfaction of the conditions set forth in the Indenture, the City may incur additional obligations secured by a pledge of Net Revenues on parity with the Bonds (“Additional Parity Obligations”).

The City will covenant under the Indenture that, while the Bonds remain Outstanding, to the extent permitted by law, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year, so that Net Revenues will be equal to at least 125 percent of the aggregate amount payable by the City during such Fiscal Year with respect to the Bonds and any Additional Parity Obligations (collectively, “Parity Obligations”).

The Trustee will maintain a Reserve Fund. The initial Reserve Requirement (defined below, see “SECURITY FOR BONDS – Reserve Fund”) will be \$1,998,987.50. Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Reserve Policy, in the face amount equal to the Reserve Requirement, to be credited to the Reserve Fund.

*The Bonds will be special obligations of the City secured solely by Net Revenues and certain funds and accounts established under the Indenture. No other funds or property of the City will be liable for the payment of the Bonds. Neither the Trustee nor any Bond owner will have the right to require or compel the exercise of the taxing power of the City or the forfeiture of any property of the City, including any portion of the Water System, for the making of any payments pursuant to the Bonds or the Indenture.*

See “SECURITY FOR BONDS” and “BONDOWNERS’ RISKS.”

### **Continuing Disclosure**

In connection with the sale of the Bonds, the City will execute a Continuing Disclosure Certificate, covenanting to prepare and deliver an annual report and certain other information to the Municipal Securities Rulemaking Board (“MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. See “CONCLUDING MATTERS – Continuing Disclosure” and “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Other Information**

This Official Statement contains brief descriptions of the Bonds, the Indenture, various other documents and legislation. The descriptions and summaries do not purport to be comprehensive or definitive, and reference is made to each such document or law for the complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document and legislation and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Capitalized terms with respect to the Bonds that are used but not defined in this Official Statement shall have the meanings set forth in the Indenture. Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee.

This Official Statement speaks only as of its date as set forth on the cover, and the information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made with respect to the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

Unless otherwise expressly noted, references to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including the City’s website) is incorporated by reference. The City makes no representation to potential investors of the Bonds regarding the accuracy or completeness of the information presented on such websites.

## PLAN OF FINANCING

### Financing of Water System Improvements

The City plans to use proceeds from the Bonds to finance a portion of the cost of the following Water System capital improvement projects:

- Construction of three new water treatment plants (approximately \$22 million total project cost);
- Construction of a new water well in the southeast portion of the City (approximately \$7 million total project cost); and
- Acquisition and installation a one-million gallon water storage tank (approximately \$2.5 million total project cost).

See “WATER SYSTEM – Proposed Projects” for a more detailed discussion.

The foregoing reflects the City’s current expectations only. The City may spend proceeds of the Bonds on other or additional Water System projects. None of the projects financed with proceeds of the Bonds will constitute security for the Bonds.

### Sources and Uses of Funds

The following table provides a summary of the anticipated sources and uses of the proceeds of the Bonds:

<b>Sources:</b>	
Principal amount	\$27,380,000.00
Plus: Net original issue premium	3,107,157.30
Less: Underwriter’s discount	(183,400.00)
<b>Total Sources</b>	<u>\$30,303,757.30</u>
<b>Uses:</b>	
Project Fund	\$30,000,000.00
Costs of Issuance <sup>(1)</sup>	303,757.30
<b>Total Uses</b>	<u>\$30,303,757.30</u>

<sup>(1)</sup> To pay fees and expenses of Bond Counsel, Disclosure Counsel, Trustee, Municipal Advisor, premium for Bond Insurance Policy and Reserve Policy, rating fees, costs of posting and printing this Official Statement, and other costs of issuance.

## BONDS

### Description

The Bonds will be issued in fully registered form, and will bear interest at the rates, and mature on June 1 in the years and in the amounts all as set forth on the inside front cover of this Official Statement. The Bonds will be issued in integral multiples of \$5,000 and will be dated their date of delivery.

Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2019 (each, an “Interest Payment Date”), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will accrue interest from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) the Bond is authenticated on or before an Interest Payment Date but after the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date (a “Record Date”) and, in which event it will bear interest from such Interest Payment Date; (ii) the Bond is authenticated on or before November 15, 2019, in which event it will bear interest from the date of delivery; provided, however, that if, at the time of authentication of any Bond, interest is in default on Outstanding Bonds, the Trustee will establish a special record date for payment of any interest in default and interest on such Bond will accrue from the date to which interest has previously been paid in full or made available for payment on such Bond.

The Bonds will be initially delivered as one fully registered certificate for each maturity (unless the Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and will be delivered by means of the book-entry system of DTC. While the Bonds are held in DTC’s book-entry only system, all such payments will be made to Cede & Co., as the registered owner of the Bonds. See “Book-Entry Only System” below.

### Redemption

*Optional Redemption.* The Bonds maturing on or before June 1, 2028 will not be subject to optional redemption prior to their stated maturities. The Bonds maturing on or after June 1, 2029 will be subject to redemption at the option of the City, as a whole or in part, among maturities on such basis as the City may designate and by lot within a maturity, in integral multiples of \$5,000 principal amount, on any date on or after June 1, 2028, from funds derived by the City from any source, at a redemption price set equal to 100 percent of the principal amount of Bonds called for redemption, without premium.

*Mandatory Sinking Account Redemption.* The Bonds maturing on June 1, 2043, June 1, 2049 (with a principal amount of \$7,700,000 and an annual interest rate of 5.000 percent) and June 1, 2049 (with a principal amount of \$2,545,000 and an annual interest rate of 3.625 percent) will be subject to redemption prior to their stated maturity, in part by lot, from Sinking Account Installments deposited in the Sinking Account, at the principal amount and interest accrued thereon to the date of redemption, without premium, according to the following schedules; provided, however, if some but not all of the Term Bonds of a maturity have been optionally redeemed, each future Sinking Account Installment will be reduced on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, so that the total dollar amount of Sinking Account Installments to be

made after the optional redemption shall be reduced by an amount equal to the principal amount of the Term Bonds redeemed pursuant to the optional redemption.

Term Bonds Maturing on June 1, 2043

Redemption Date (June 1)	Principal Amount to be Redeemed
2042	\$1,420,000
2043 <sup>†</sup>	1,470,000

<sup>†</sup> maturity.

Term Bonds Maturing on June 1, 2049  
with annual interest rate of 5.000 percent

Redemption Date (June 1)	Principal Amount to be Redeemed
2044	\$1,130,000
2045	1,190,000
2046	1,250,000
2047	1,310,000
2048	1,375,000
2049 <sup>†</sup>	1,445,000

<sup>†</sup> maturity.

Term Bonds Maturing on June 1, 2049  
with annual interest rate of 3.625 percent

Redemption Date (June 1)	Principal Amount to be Redeemed
2044	\$390,000
2045	400,000
2046	415,000
2047	430,000
2048	450,000
2049 <sup>†</sup>	460,000

<sup>†</sup> maturity.

In lieu of a mandatory Sinking Account redemption, the City may direct the Trustee to apply amounts in the Sinking Account to purchase a portion of the Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable

to such Term Bonds; provided, however, no Term Bonds will be purchased by the Trustee with a settlement date more than 60 days prior to the date on which the City would otherwise redeem such Term Bonds pursuant to the Indenture. The principal amount of any portion of the Term Bonds so purchased by the Trustee will be credited towards and will reduce the Sinking Account Installment otherwise coming due with respect to such Term Bonds.

*Notice of Redemption.* The Trustee will send notices of not less than 30 nor more than 60 days prior to any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Trustee's registration books and to the Securities Depositories and one or more (currently the Electronic Municipal Market Access System, a facility of the Municipal Securities Rulemaking Board). Neither the failure to receive any such notice nor any defect in such notice will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

*Right to Rescission of Redemption.* The City may rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. In addition, 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 shall not constitute an Event of Default under the Indenture. The City and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission. The Trustee will send notices of such rescission in the same manner as notices of redemption are sent.

*Selection of Bonds for Redemption.* Whenever provision is made for the redemption of less than all of the Bonds of a single maturity, the Trustee will select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

*Effect of Redemption.* From and after the date designated for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue from and after the designated redemption date. All Bonds redeemed will be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest (or premium, if any) on Bonds, whether at redemption or maturity, will be held in trust for the account of the Owners of such Bonds and the Trustee will not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

### **Book-Entry Only System**

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Individual purchases of the Bonds of a series may be made in book-entry form only in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants

for subsequent disbursement to the beneficial owners of the Bonds as described in this Official Statement. So long as DTC's book-entry system is in effect with respect to the Bonds, notices to Owners by the Successor Agency or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. So long as the Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners or use of the capitalized term "Owners" means Cede & Co. or such other nominee of DTC, and do not mean the beneficial owners of the Bonds. See "APPENDIX G – DTC'S BOOK-ENTRY ONLY SYSTEM." In the event that such book-entry system is discontinued with respect to the Bonds, the City will execute and deliver replacements in the form of registered certificates and, thereafter, the Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture.

## Annual Debt Service

The following table shows the annualized debt service on the Bonds, without regard to any optional redemption. The debt service schedule of the Bonds was established so that the aggregate amount of principal and interest payments on the Bonds and the 2013 Loan would be approximately equal each fiscal year (*i.e.*, to create level debt service). The scheduled final payment for the 2013 Loan is March 1, 2029. See “INTRODUCTION – Security for Bonds” and “WATER SYSTEM FINANCIAL INFORMATION – Debt Service Coverage.”

<b>Bond Year Ending June 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>
2020		\$1,532,767.51	\$1,532,767.51
2021	\$ 145,000	1,277,306.26	1,422,306.26
2022	150,000	1,271,506.26	1,421,506.26
2023	155,000	1,265,506.26	1,420,506.26
2024	165,000	1,259,306.26	1,424,306.26
2025	170,000	1,252,706.26	1,422,706.26
2026	175,000	1,245,906.26	1,420,906.26
2027	185,000	1,238,906.26	1,423,906.26
2028	190,000	1,231,506.26	1,421,506.26
2029	340,000	1,223,906.26	1,563,906.26
2030	790,000	1,206,906.26	1,996,906.26
2031	830,000	1,167,406.26	1,997,406.26
2032	870,000	1,125,906.26	1,995,906.26
2033	915,000	1,082,406.26	1,997,406.26
2034	960,000	1,036,656.26	1,996,656.26
2035	1,010,000	988,656.26	1,998,656.26
2036	1,060,000	938,156.26	1,998,156.26
2037	1,110,000	885,156.26	1,995,156.26
2038	1,165,000	829,656.26	1,994,656.26
2039	1,225,000	771,406.26	1,996,406.26
2040	1,285,000	710,156.26	1,995,156.26
2041	1,350,000	645,906.26	1,995,906.26
2042	1,420,000	578,406.26	1,998,406.26
2043	1,470,000	528,706.26	1,998,706.26
2044	1,520,000	477,256.26	1,997,256.26
2045	1,590,000	406,618.76	1,996,618.76
2046	1,665,000	332,618.76	1,997,618.76
2047	1,740,000	255,075.00	1,995,075.00
2048	1,825,000	173,987.50	1,998,987.50
2049	1,905,000	88,925.00	1,993,925.00
<b>Total</b>	<b><u>\$27,380,000</u></b>	<b><u>\$27,029,292.77</u></b>	<b><u>\$54,409,292.77</u></b>



## BOND INSURANCE

*The following information has been furnished by the Bond Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the City. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix G for a specimen of the Municipal Bond Insurance Policy to be issued by the Bond Insurer.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”), as the Bond Insurer, will issue the Bond Insurance Policy. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as Appendix G to this Official Statement.

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

### **Build America Mutual Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City, as the issuer of the Bonds, 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

Bond Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$524 million, \$104.1 million and \$419.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15 percent of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE"

### **BAM GreenStar Bonds**

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the City as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity

- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an “AS IS” basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM’s website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for such designation.

## **Available Information Available from BAM**

### *Credit Insights Videos*

For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://buildamerica.com/creditinsights/>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

### *Credit Profiles*

Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://buildamerica.com/obligor/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

### *Disclaimers*

The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## SECURITY FOR BONDS

### **Pledge of Net Revenues; Water Fund**

General. Pursuant to the Indenture, the Bonds will be secured by and payable from Net Revenues (see definition below) of the Water System.

Certain Definitions. The terms “Gross Revenues,” “Operation and Maintenance Costs” and “Net Revenues” will be defined in the Indenture as follows:

“Gross Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the furnishing and supplying of services and facilities through the Water System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys to the extent that such earnings and income are available for use for the Water System pursuant to law, (iii) the proceeds derived by the City directly or indirectly from the sale, lease, or other disposition of a part of the Water System, and (iv) amounts released from the Rate Stabilization Fund (see “Rate Stabilization Fund” below); provided the term “Gross Revenues” will not include any of the following: (A) customers’ deposits or any other deposits or advances subject to refund until those deposits or advances become the property of the City, (B) moneys that are derived from charges (including without limitation impact fees or special assessments) imposed for specified and restricted purposes (except to the extent that such charges are permitted to be used for the financing or payment of the capital improvements financed with the proceeds of the Bonds), as provided in a duly adopted resolution or ordinance, and that are accounted for by the City separate and apart from other revenues of the Water System, (C) grants or other moneys collected by the City from sources, which by the terms under which the City receives such money, restricts the use for specified and restricted purposes (except to the extent that the terms thereof permit the use of such money for the financing or payment of the capital improvements financed with the proceeds of the Bonds).

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City, payable from Gross Revenues, for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including but not limited to: (i) all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, (ii) 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), the cost of permits and licenses to operate the Water System and insurance premiums, and (iii) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof; but excluding in all cases, the following: (A) debt service payable on obligations (including bonds, notes or other evidences of indebtedness, installment purchase payments under contract, and lease payments under any financing or capital lease, as determined to be such in accordance with Generally Accepted Accounting Principles) incurred by the City with respect to the Water System, (B) depreciation, replacement and obsolescence charges or reserves therefor, (C) amortization of intangibles or other bookkeeping entries of a similar nature, and (D) costs of

capital projects which under Generally Accepted Accounting Principles are chargeable to a separate capital account or to a reserve for depreciation.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus: (i) the amount required to be paid by the City for the 2013 Loan pursuant to the related loan agreement, and (ii) the amount required to pay all Operation and Maintenance Costs during such period.

Application of Gross Revenues from Water Fund. Under the Indenture, the City will covenant that all Gross Revenues of the Water System will be deposited by the City in a Water Fund, which has previously been established by the City.

Moneys in the Water Fund will be applied in the following order of priority:

(a) The City will pay Operation and Maintenance Costs as they become due and payable (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required).

(b) The City will also make payments, as the same becomes due and payable pursuant to the 2013 Loan Agreement.

(c) The City will withdraw from the Water Fund such amounts at such times as will be required to pay: (1) the principal (including mandatory sinking fund payments) of and interest on the Bonds and other Parity Obligations; (2) all amounts necessary for deposit in the debt service reserve funds as required by this Indenture and other Parity Obligation Agreements; (3) all other amounts when and as due and payable under this Indenture and the other Parity Obligation Agreements. For that purpose, with respect to the Bonds:

(i) No later than five Business Days before each Interest Payment Date, the City will withdraw from the Water Fund and transfer to the Trustee, for deposit in the Debt Service Fund, an amount which, together with the balance then on deposit in the Debt Service Fund, will be sufficient to pay, in the following priority: (i) the amount required to pay interest on the Outstanding Bonds then coming due on such Interest Payment Date, (ii) the amount required to pay principal (including Sinking Installments) then coming due on such Interest Payment Date.

(ii) If the City receives a notice from the Trustee pursuant to the Indenture that the balance of the Reserve Fund is below the Reserve Requirement, no later than five Business Days before the Interest Payment Date immediately following the receipt of such notice, the City will also will withdraw from the Water Fund and deposit with the Trustee the amount of money necessary to restore the balance of the Reserve Fund to the Reserve Requirement..

The City will covenant to manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits described above will be made at the times and in the amounts so required. Subject to such covenant and the priority described above, so long as no Event of Default will have occurred and be continuing under the Indenture, the City may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the costs for additional improvements, extensions, replacements and betterments to the Water System, (iii) the optional redemption of the Bonds or other optional

prepayment of any Obligations of the City relating to the Water System, (iv) make deposits in the Rate Stabilization Fund, or (v) any other lawful purposes.

At any time there are insufficient Net Revenues to make the required debt service payments due on the Bonds and other Outstanding Parity Obligations, the City will apply Net Revenues to such debt service payments due on the Outstanding Bonds and other Parity Obligations, on a pro rata basis (based on the respective amounts to be paid), without any discrimination on preferences and without regard to debt service reserves (whether funded in cash or supported by surety bonds or other similar funding instruments).

During any Bond Year, upon the City's transfer of all the moneys required to be transferred to the Trustee pursuant to the Indenture for such Bond Year (the "Bond Year Requirement"), the Net Revenues in excess of the Bond Year Requirement will be released from the pledge and lien under the Indenture and such excess Net Revenues may be applied for other lawful purposes

*The Bonds will be special obligation of the City secured solely by the Net Revenues and certain funds and accounts held under the Indenture. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Revenues and the funds and accounts specifically identified in the Indenture for payments on the Bonds, nor will any other funds or property of the City be liable for such payments. Neither the Trustee nor any Owner shall have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City or the forfeiture of any property of the City, including any portion of the Water System, for the making of any payments pursuant to the Bonds or the Indenture. The Bonds do not constitute an indebtedness of the City, the County, the State or any of its political subdivisions within the meaning of any Constitutional debt limitation.*

## **Rate Covenants**

The City will covenant under the Indenture that, to the extent permitted by law, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, to yield Gross Revenues (after making allowances for contingencies and error in the estimates and taking into account transfers, if any, from the Rate Stabilization Fund) which are sufficient to pay the following amounts in the following order of priority:

- (A) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (B) Payments required during such Fiscal Year pursuant to the loan agreement for the 2013 Loan;
- (C) The principal of and interest on then Outstanding Bonds and other Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority (except to the extent such principal and interest are payable from the proceeds of the Parity Obligations, or from any other source of legally available funds of the City which have been deposited with the Trustee or another fiduciary for the Parity Obligations for such purpose prior to the commencement of such Fiscal Year) (the "Parity Obligation Annual Debt Service Requirement");

- (D) All amounts, if any, required to restore the balance in the Reserve Fund to the Reserve Requirement and to replenish the debt service reserve funds relating to other Parity Obligations as required by Parity Obligation Agreements; and
- (E) All other payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year.

In addition, to the extent permitted by law, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, so that Net Revenues will be at least equal to 125 percent of the Parity Obligation Annual Debt Service Requirement described in clause (C) above.

For clarification, the amount of Gross Revenues and Net Revenues for a Fiscal Year will be computed on the basis that include any transfers into the Water Fund that Fiscal Year from the Rate Stabilization Fund; provided if such transfer from the Rate Stabilization Fund includes an amount that were originally transferred from Gross Revenue within the same Fiscal Year, then the calculation should be adjusted so that such amount would not be double-counted.

See “CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES – Proposition 218: Article XIII C and Article XIII D” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE – Other Covenants of the City – Rates and Charges.”

### **Debt Service Fund**

Pursuant to the Indenture, the Trustee will establish and maintain a Debt Service Fund. The Trustee will further establish an Interest Account, the Principal Account and the Sinking Account within the Debt Service Fund. Moneys transferred to the Trustee by the City for payment of interest, principal or Sinking Account payments with respect to the Bonds will be deposited in the Interest Account, Principal Account or the Sinking Account, respectively; provided, the deposit in the Interest Account will have priority over the deposits into the Principal Account or the Sinking Account.

On each June 2, but only after making the interest and principal payments as required by the Indenture on the immediately preceding Interest Payment Date, the Trustee will determine the amount, if any, remaining in the Debt Service Fund and apply such remaining amount in the following order and priority: (i) transfer such money to the Reserve Fund, but solely to the extent necessary to restore the balance in the Reserve Fund to the Reserve Requirement; (ii) pay, or set an amount aside for the payment of, any rebate requirement in accordance with a computation made by the City pursuant to the Internal Revenue Code, if the Trustee has received a Request by the City to do so; and (iii) release to the City for use for any lawful purpose.

See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE – Pledge of Net Revenues; Administration of Water Fund, Debt Service Fund and Reserve Fund – *Debt Service Fund*.”



## **Reserve Fund**

The Trustee will establish and maintain a Reserve Fund. Except for release of excess as provided in the Indenture, all money in (or available to) the Reserve Fund will be used and withdrawn for the following purposes, in such order and priority: (i) make deposits in the Interest Account at any time there is a deficiency in such account for paying the interest on the Bonds then coming due and payable, (ii) make deposits in the Principal Account and Sinking Account (*pro rata* as relating to such principal payments and such Sinking Account Installments in the proportion which all such principal payments and all such Sinking Account Installments bear to each other), at any time there is a deficiency in such accounts for paying the principal and Sinking Installment of the Bonds then coming due and payable, and (iii) make the final payments of principal of and interest on the Bonds.

The Indenture will require the Trustee to value the balance of the Reserve Fund at least semi-annually by each May 1 and November 1. Upon receipt of a notice from the Trustee that the balance of the Reserve Fund has fallen below the Reserve Requirement (defined below), the City will include the amount necessary to restore the balance of the Reserve Fund to the Reserve Requirement in the immediately next transfer of moneys from the Water Fund. Absent any other written instructions from the City, the Trustee will transfer any amount the Reserve Fund in excess of the Reserve Requirement to the Debt Service Fund.

“Reserve Requirement” will be defined to mean, as of any calculation date, an amount equal to the least of (i) ten percent of the principal amount of the Bonds upon issuance; (ii) 125 percent of Average Annual Debt Service (based on Bond Year) of the Outstanding Bonds; or (iii) Maximum Annual Debt Service (based on Bond Year) of the Outstanding Bonds. Upon the issuance of the Bonds, the Reserve Requirement will be \$1,998,987.50, which is the Maximum Annual Debt Service.

The Indenture provides that the Reserve Requirement may be satisfied at any time, in whole or in part, by one or more “Qualified Reserve Credit Instruments” that meet the criteria set forth in the Indenture. A portion of the proceeds of the Bonds will be used to purchase the Reserve Policy (to be issued by the Bond Insurer concurrently with the issuance of the Bonds) to satisfy the Reserve Requirement.

See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE – Pledge of Net Revenues; Administration of Funds and Accounts – *Reserve Fund*.”

## **Rate Stabilization Fund**

Pursuant to the Indenture, the City, at its discretion, may establish a special fund to be known as the “Rate Stabilization Fund,” which will be held by the City, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. 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 which are released from the pledge and lien which secures the Bonds and other Parity Obligations, as the City may determine.

The City may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose

of paying the principal of and interest on the Outstanding Bonds and other Parity Obligations coming due and payable during such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year, subject to provisions of the Indenture.

Before the printing of this Official Statement, the City Council authorized the establishment of a Rate Stabilization Fund and the deposit of up to \$525,000 into the Rate Stabilization Fund from available City moneys during fiscal year 2018-19. Based on the current projections (see Table 10 under “WATER SYSTEM FINANCIAL INFORMATION – Debt Service Coverage”), the City does not anticipate a need to make transfers from the Rate Stabilization Fund to the Water Fund to satisfy the rate covenants of the Indenture in the foreseeable future. See “Rate Covenants” above.

Amounts on deposit in the Rate Stabilization Fund will not be pledged to and will not otherwise secure the Bonds or any other Parity Obligations. All interest or other earnings on deposits in the Rate Stabilization Fund shall be retained in the Rate Stabilization Fund or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the City.

### **Additional Parity Obligations**

The City from time to time may issue or incur Additional Parity Obligations, subject to the satisfaction of the following conditions prior to the incurrence of an Additional Parity Obligation (provided, that such conditions shall not apply to: (i) any Additional Parity Obligation incurred to refund all or a portion of the then Outstanding 2013 Loan, the Bonds or any other Parity Debt, so long as the amount of annual debt service payment coming due in each Bond Year is reduced as a result of such refunding, or (ii) any Additional Parity Obligation incurred solely as the result of the delivery of a Credit Facility (a bond insurance policy or other credit arrangement with respect to a Parity Obligation, as more fully defined in the Indenture)):

- (A) No Event of Default under the Indenture will have occurred and be continuing.
- (B) The Net Revenues received by the City in the most recent Fiscal Year for which audited financial statements are available (or any more recent consecutive 12-month period selected by the City, as shown by the books of the City) (excluding any money derived from the Rate Stabilization Fund), plus, at the option of the City, any Additional Allowance described in clauses (i) or (ii) below, shall be at least equal to 125 percent of the Maximum Annual Debt Service (calculated based on Fiscal Year) with respect to the Parity Obligations which will be Outstanding immediately following the incurrence of such Additional Parity Obligations, as evidenced by a written report of an Independent Accountant or Independent Fiscal Consultant.

The following items (each being an “Additional Allowance”) may be added to such Net Revenues for the purpose of applying the restriction contained in this covenant:

- (i) An allowance for the revenues from any addition to or improvement or extension of the Water System to be made with the proceeds of such proposed Additional Parity Obligation, and also for revenues from any addition to or improvement or extension of the Water System which have been made from moneys from any source but which, during all or part of such Fiscal Year (or more recent 12 month period) were not in service, all in an amount equal to 90 percent of the estimated additional average Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period following the incurrence of the proposed Additional Parity Obligation, as shown by the certificate or opinion of an Independent Fiscal Consultant engaged by the City;
- (ii) An allowance for revenues arising from either of the following, in an amount equal to 100 percent of the amount by which Net Revenues would have increased if such increase in charges had been in effect during the whole of such Fiscal Year (or more recent 12 month period), as shown by the certificate or opinion of an Independent Fiscal Consultant engaged by the City:
  - (a) any increase in charges made for services from such Enterprise as specified in the City's municipal code or adopted Council resolution or ordinance (provided, that if the relevant sections of City's municipal code, resolution or ordinance provide for incremental increases for multiple years, then the allowance shall be based on rates that will become effective no later than 36 months following the incurrence of the proposed Additional Parity Obligation);
  - (b) any additional increase not covered by clause (1) above in the charges made for services from the Water System which have become effective prior to incurring such proposed Additional Parity Obligation but which, during all or any part of such Fiscal Year (or more recent 12 month period), was not in effect.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE – Incurrence of Additional Obligations."

In addition to Additional Parity Obligations described above, the City may issue bonds or incur obligations that are either unsecured or which rank junior to the Bonds in their lien with respect to the Net Revenues. So long as the Bonds are Outstanding, the City may not issue or incur any additional bonds or other Obligations (except for the 2013 Loan) which will rank senior over the Bonds in the priority of lien with respect to the Net Revenues.

## WATER SYSTEM

### Service Area

The City provides water services to users within the City. The City also provides water services to a limited number of users outside of City limits (currently consisting of a mobile home park, a private school and one residential customer).

### Water Supply

The City uses local groundwater as its sole source of water supply to its Water System customers, by pumping from the Tulare Lake Subbasin which underlies the City. In addition, the City holds a small number of shares in the Lemoore Canal and Irrigation Company, a California mutual water company, that gives the City certain entitlement to Kings River water which the City uses exclusively to irrigate the City's municipal golf course. The City currently does not anticipate buying wholesale water from other sources in the near future.

#### Tulare Lake Subbasin.

*The following description of Tulare Lake Subbasin is based on publicly available materials published by California Department of Water Resources ("DWR"). The City has not independently verified this information and makes no representation as to its accuracy.*

The Tulare Lake Subbasin (Groundwater Basin No. 5-22.12) is part of the San Joaquin Valley Groundwater Basin and is one of eight subbasins within the Tulare Lake Hydrologic Region that transport, filter, and store water. Kings River is the major river in the Tulare Lake Subbasin that provides most of the surface water runoff for the region. Of the 5.1 million acres of the San Joaquin Valley Basin, the Tulare Lake Subbasin has a surface area of 524,000 acres (or 818 square miles). The water storage capacity of the Tulare Lake Subbasin is estimated to be 17.1 million acre-feet to a depth of 300 feet and 82.5 million acre-feet to the base of fresh groundwater. An adjudicated groundwater basin refers to when, because of a lawsuit, the court decides who extracts from the basin, how much they extract, and who will manage the basin. The San Joaquin River Groundwater Basin is not adjudicated. Therefore, currently, there are no limitations placed on groundwater pumpage volumes.

Per the results of a statewide assessment of groundwater basin overdraft conditions, the DWR has classified the Tulare Lake Subbasin as one of the groundwater basins in the State being subject to "critical conditions of overdraft." DWR estimates that, on average, the water level of the Tulare Lake Subbasin declined nearly 17 feet from 1970 to 2000.

*Sustainable Groundwater Management Act of 2014 (Establishment of Groundwater Sustainability Agencies and Groundwater Sustainability Plans).*

In 2014, Governor Brown signed into law three bills (Senate Bill 1168, Assembly Bill 1739 and Senate Bill 1319) comprising the Sustainable Groundwater Management Act of 2014 (together with amendments thereto, the "SGMA"). The primary provisions of the SGMA are set forth in Section 10720 *et seq.* of the State's Water Code. The DWR is charged with developing regulations for the implementation of SGMA.

Under the SGMA, by January 31, 2020, a “groundwater sustainability plan” (a “Sustainability Plan”) or coordinated Sustainability Plans must be adopted to manage each basin (or subbasin) that has been designated by the DWR as a critically overdrafted basin, which would include the Tulare Lake Subbasin. (In contrast, for a basin that has been designated as high- or medium priority, but not critically overdrafted, the Sustainability Plan must be adopted by January 31, 2022.) By June 30, 2017, local agencies -- agencies that have water supply, water management or land use responsibility within the Tulare Lake Subbasin -- were obligated to form groundwater sustainability agencies (“GSAs” or each, a “GSA”) to develop and implement the Sustainability Plans. A local agency can serve as its own GSA. Alternatively, two or more local agencies could form a GSA by the execution of a joint powers agreement, a memorandum of agreement or other legal agreement. See “*South Forks GSA*” below.

Each Sustainability Plan must comply with the requirements set forth in Sections 10727 *et seq.* of the State’s Water Code. Among other things, each Sustainability Plan must specify measurable objectives and interim milestones in five-year increments, to achieve the sustainability goals within 20 years of the implementation of the Sustainability Plan. At a GSA’s request, the DWR may grant an extension of up to five years beyond the 20-year sustainability timeframe upon a showing of good cause, and a second extension of up to five years upon a showing of good cause if the GSA has begun implementation a feasible work plan for meeting the sustainability goals during the extension period. Failure to meet the deadlines for the establishment of a GSA or the development of a Sustainability Plan may result in intervention by the State Water Resources Board (the “SWRCB”). SWRCB may intervene with the creation of an interim plan and assess fees for purposes of supporting the interim plan.

*The DWR has published information about SGMA, and the related DWR regulations on its website, which can be found at <http://www.water.ca.gov/groundwater/sgm/index.cfm>. This website reference is included for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such website or the continued maintenance of such website.*

### *South Fork Kings GSA*

In early 2017, the City, the Empire West Side Irrigation District, the Stratford Irrigation District and the Stratford Public Utilities District entered into a Joint Powers Agreement (the “Joint Powers Agreement”), and formed a joint powers authority, named the South Fork Kings GSA (the “SFKGSA”). The SFKGSA serves as the GSA for the portion of the Tulare Lake Subbasin underlying the collective jurisdictional boundaries of its members; provided that the County’s participation is to ensure complete coverage over otherwise un-districted areas in the Tulare Lake Subbasin within the geographic boundaries identified by Joint Powers Agreement. The members of the SFKGSA contemplate negotiating and entering into agreements with other GSAs in the Tulare Lake Subbasin to coordinate each GSA’s Sustainability Plan to collectively manage the Tulare Lake Subbasin in a manner required by the SGMA.

The SFKGSA is governed by a Board of Directors composed of one appointee by each member of the joint powers authority. The Joint Powers Agreement provides that the Board of Directors will adopt an operating budget for each fiscal year (from July 1 to June 30) to be funded by member contributions. Currently, the City’s contribution is \$56,000 per fiscal year. In addition,

the SFKGSA may incur debt pursuant to the provisions of SGMA, but the Joint Powers Agreement clarifies that no debt, liability or obligation of the SFKGSA will constitute the debt, liability or obligation of any of its members. (However, in September 2018, the State Legislature enacted and the Governor signed into Assembly Bill No. 1912, the effect of which is, regardless of such language in existing joint powers agreements, parties to a joint powers agreement may under certain circumstances become liable with respect to the retirement liabilities for contracts between the joint powers authority and a public retirement system. The SFKGSA currently does not have any such contract with a public retirement system.) The Joint Powers Agreement provides that, in the event the SFKGSA should experience an unanticipated need to pay for extraordinary costs, or to pay for costs of litigation or indemnification as provided in the Joint Powers Agreement, to the extent not covered by insurance, and to the extent such costs cannot otherwise be reasonably funded through use of reserves on hand or other revenue sources, the SFKGSA Board of Directors may authorize an assessment of such cost to be equally allocated to each member (unless otherwise specified by the Board).

The SFKGSA is working toward the adoption of a Sustainability Plan by January 31, 2020, in accordance with SGMA requirements. The City currently does not anticipate that the SFKGSA Sustainability Plan will require the City's pumpage from the Tulare Lake Subbasin to be reduced from the current level.

*More information about SFKGSA can be found on its own website, at <http://southforkkings.org/>. This website reference is included for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such website or the continued maintenance of such website.*

### **Existing System Facilities**

The current Water System is comprised of a system of groundwater wells, five storage reservoirs, distribution pipes and mains and a water distribution plant. The City has begun design work for three water treatment plants. See discussion below under "Proposed Projects."

The City maintains ten active groundwater wells: six located within the City, one standby well south of the City and three in the well field north of the City along the Kings River. The City extracts its water supply from underground aquifers through the groundwater wells. Except for the wells in the well field north of the City and the well south of the City, the water production, storage and distribution facilities are interspersed within the City boundaries. Water is conveyed from the wells to the consumers through a network of distribution pipes, primarily between 6 and 16 inches in diameter. The City maintains four ground-level storage reservoirs with a total capacity of approximately five million gallons. The City's main water distribution plant is located along G Street west of Lemoore Avenue. The facilities were acquired or built at different times during the decades between 1970 to present.

The volume of water that the City may pump from the wells in the field north of the City (the "North Field") is subject to an Amended Stipulation and Judgment, filed on December 13, 2003, with the Superior Court of the State of California for Kings County (*City of Lemoore v. Laguna Irrigation District et al., Case No. 60415*) (the "Stipulation"). Pursuant to the Stipulation,

the City must limit its pumping from the wells located within the North Field to an aggregate of 3,380 acre feet per calendar year (plus a “carryover amount,” if any, determined in accordance to the Stipulation, so long as the total in any year does not exceed 3,700 acre-feet per year), except in case of emergencies. While City currently pumps water from the North Field, the City does not anticipate any shortage of water supply based on the limit imposed by the Stipulation.

In addition to the main domestic water supply, the City operates a separate system (which includes one of the active wells (Well No. 9)) to supply industrial water to the tomato processing plant of Olam SVI, a subsidiary of Olam International Ltd., on the south side of the City. This system is generally used only during the tomato processing season, in the months of July, August and September. There is no special contractual arrangement between the City and the Olam tomato processing plant with respect to any exclusive use of such facilities and the plant does not enjoy any special service rates. The two water systems can be connected in case of an emergency such as a major fire or natural disaster. In the future, the City may integrate Well No. 9 with the main system to provide all industrial users with treated water.

Ninety-nine percent of all City connections are metered, with only 67 unmetered facilities principally consisting downtown low-usage commercial service connections. In light of State law requirement, the City intends to require water meters and meter-based billings for all service connections by 2025.

A water audit is a process of accounting for water use throughout a water system to quantify unaccounted for water. Unaccounted-for water is the difference between metered production and metered usage on a system wide basis. Water losses due to pipe leakage are currently minimal as most the City’s water system is less than 35 years old.

The City will initiate a program for comparison of metered well production and metered usage, utilizing that program as guidance for system analysis and any needed repairs or replacement. Comparisons of succeeding-year figures will permit evaluation of program effectiveness.

## **Regulatory Compliance**

The City’s operation of the Water System is subject to various State and federal regulations, including (but not limited to) the federal Safe Drinking Water Act and the California Domestic Water Quality and Monitoring Regulations and other provisions set forth in Titles 17 and 22 of the California Code of Regulations. The standards specify water quality sampling frequencies and locations as well as maximum concentrations of chemical constituents. They are continuously being revised and amended.

Because the City provides chemical disinfectant to treat the water supply, the City must comply with the so-called “Disinfection Byproduct Rule.” The City is currently subject to Compliance Order No. 03-12-14R-004, as amended by Compliance Order Amendment No. 03-12-17R-007-A1, and Compliance Order Amendment No. 03-12-18R-043-A2 (as so amended, the “Compliance Order”), issued by the California State Water Resources Control Board (the “SWRCB”) for violation of the maximum allowed level of Total Trihalomethanes (“TTHM”) based on testing at sample sites. The Compliance Order superseded a prior order issued in May

2011. Excessive levels of TTHM have been linked to liver, kidney, or central nervous system problems, and may have an increased risk of cancer.

Among other things, the Compliance Order requires the City to continue collecting quarterly samples for TTHM, and provide notifications to the public during any calendar quarter that the four-quarter locational running annual average exceeds the State's established maximum contaminant level ("MCL") for TTHM. The City has complied with such quarterly monitoring and notification requirements.

Pursuant to the Compliance Order, as amended, the City has prepared a plan (the "Corrective Action Plan"), which identifies improvements to the Water System to correct the TTHM MCL violation, and include a time schedule for various phases of the project. The Compliance Order also provided that the City must achieve compliance with the TTHM MCL, with the completion of a project and a demonstration that the locational running annual average is reliably less than the MCL by June 30, 2020. The SWRCB may further extend the deadline upon the City's request submitted no less than five days of the deadline.

TTHM is a byproduct reaction between chlorine and natural carbon from the ground and the water. The City adds chlorine to reduce the natural amount of arsenic in the water. The proposed water treatment plants which will be financed with proceeds of the Bonds (see "Proposed Projects" below) are being designed to use a water treatment process that will lower the amount of organic carbon and the amount of chlorine used, significantly reducing the resultant TTHM.

Except for the TTHM MCL violation described above, to the best of the City's knowledge, the City is in compliance with all applicable environmental regulations in all material respects, in providing safe drinking water to its customers.

### **Proposed Projects**

In October 2016, the City Council developed a Five Year Community Investment Program (the "CIP") for fiscal years 2016-17 through 2020-21, and identified various capital projects anticipated to be undertaken by the City and the estimated budget and timing of expenditure for such projects during the subject five year period.

The CIP listed a number of Water System projects including, among others, improvements (consisting of one or more treatment plants) to satisfy the Compliance Order (see "Regulatory Compliance" above), replacement of various water lines, rehabilitation of various existing wells, tanks and lines, and installation of new wells, and tanks lines. Per the CIP, the City anticipates a budget of \$38.8 million over the five years for such projects, to be funded by a combination of proceeds of the Bonds and in part from other revenues.

The City plans to use proceeds from the Bonds for all or a portion of the following projects:

- Engineering has commenced for three new treatment plants to ensure that the City's water meets or exceeds State and federal standards, including satisfaction of the Compliance Order. The City estimates that the cost to completion will be approximately \$22 million, and that the treatment plants will begin operation by June 2020.



- The City plans to drill a new water well in the southeast portion of the City to ensure adequate clean water supply. This project is estimated to cost approximately \$7 million and be completed by September 2019.
- The City plans to acquire and install a one-million gallon water storage water tank at the Well 7 site, located at north Bush Street, near West Hills College. This project is estimated to cost approximately \$2.5 million and be completed by September 2019.

The foregoing reflects the City's current expectation only. The City may spend proceeds of the Bonds on other or additional Water System projects. None of the capital improvements of the Water System, whether or not financed with the proceeds of the Bonds serve as collateral for the Bonds.

### **Organization and Management**

The City provides water services to its residential, commercial and other customers through the Water System. The City Council establishes the rates and charges for the Water System. The City's Public Works Department is responsible for the Water System's day-to-day operation and maintenance. The Public Works Director reports to the City Manager. The City's Finance Department works closely with the City Manager and the director of each City department, including the Public Works Director, to prepare periodic revenue and expenditure reports, revenue projections and to make budget recommendations for all City departments and enterprises, including the Water System. The Assistant City Manager currently oversees the Finance Department, the Human Services Department and Risk Management.

*Nathan Olson, City Manager.* Mr. Olson was appointed City Manager in February of 2018. Before such appointment, he served as the City's Public Works Director for a two and a half years. Prior to working for the City, Mr. Olson was an Operations Manager for Blue Diamond Growers between 2013 and 2015. Mr. Olson has held various management positions in food manufacturing starting back in 2000 and holds a Bachelor of Science degree from University of Phoenix

*Michelle Speer, Assistant City Manager.* Ms. Speer was appointed Assistant City Manager for the City in June 2017. In July 2016, she began with the City as the Assistant to the City Manager. Prior to working for the City, Ms. Speer was the Emergency Services Coordinator for Kings County, and held various positions in the architecture and construction fields. Ms. Speer has worked for both public and private organizations and holds a Bachelor of Arts degree from Fresno Pacific University in Organizational Leadership.

*Frank Rivera, Public Works Director.* Mr. Rivera was appointed as the City's Interim Public Works Director in May 2017, and then became the Public Works Director in April 2018. He previously served as the Public Works Construction Superintendent overseeing the Building Department and Public Works inspections divisions. Mr. Rivera has worked for the City since February 1990.

## Rates and Charges

Revenues deposited in the Water Fund consist primary of money collected from charges the “Service Charges”), comprised of a fixed charge component based on meter size and a commodity charge component that varies based on type of use and usage volume.

*Current Service Charge Rates.* On August 16, 2016, the City Council adopted Resolution No. 2016-26 (the “2016 Water Rate Resolution”), to establish the rates for Service Charges, effective January 1 of 2017, 2018, 2019 and 2020, respectively. These rates were based on the recommendations set forth in a Water Rate Study, dated June 17, 2016, by IG Service. The City commissioned the Water Study to analyze the Water System’s Service Charge rates based on existing and projected demands, revenues, costs and capital expenditures.

**Table 1**  
**CITY OF LEMOORE**  
**Water System**  
**Service Charges Effective January 1 of 2017, 2018, 2019 and 2020**  
**(as adopted under City Council Resolution No. 2016-26)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Volumetric rate</b>				
<b>(per hundred cubic feet)</b>				
Residential single family	\$ 0.87	\$ 1.10	\$ 1.40	\$ 1.77
Multifamily	0.95	1.19	1.50	1.92
Government and schools	1.28	1.72	2.28	2.97
Commercial	1.28	1.63	2.08	2.68
Industrial - Regular	1.20	1.58	2.08	2.75
Industrial - Seasonal Peak <sup>(1)</sup>	1.47	2.02	2.72	3.61
<b>Fixed monthly charge</b>				
<b>based on meter size (per month)</b>				
Single family residential	13.00	17.00	22.00	29.00
All other <sup>(2)</sup>				
up to 1.5-inch	23.00	30.00	39.00	51.00
2-inch up to 2.5-inch	74.00	96.00	124.00	162.00
3-inch	138.00	179.00	233.00	303.00
4-inch	230.00	299.00	389.00	505.00
6-inch	460.00	598.00	777.00	1,011.00
8-inch	736.00	957.00	1,244.00	1,617.00
10-inch	1,058.00	1,375.00	1,788.00	2,324.00
12-inch	1,978.00	2,571.00	3,343.00	4,346.00
<b>Flat rates for non-metered customers<sup>(3)</sup></b>				
Multi-family, per unit	24.00	31.00	40.00	52.00
Business and retail	28.00	36.00	47.00	61.00

(1) Currently, applicable to Olam tomato plant only and generally for the months of July, August and September. See discussion about Well No. 9 under “Existing System Facilities.”

(2) Included 300 to 700 cubic feet of water depending on customer type.

(3) Fixed charge for duplex, triplex apartments and mobile homes based on meter size only.

The City will adopt new schedules of rates, fees and charges from time to time, based on its review of revenues and expenditures. See “SECURITY FOR BONDS – Rate Covenants” and “CONSTITUTIONAL LIMITATIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES – Proposition 218: Article XIIC and Article XIID.”

*Monthly Charge of Typical Residential Customer.* For illustrative purposes only, the following table shows the monthly charges for a typical single family residential unit, based on 1,300 cubic feet usage per month, for fiscal years 2013-14 through 2017-18. Before the adoption of the 2016 Water Rate Resolution, the City’s last water rate increase was in 2007.

**Table 2**  
**CITY OF LEMOORE**  
**Water System**  
**(Illustrative) Monthly Charges Paid by a Typical Single Family Residence**  
**(assuming 1,300 cubic feet usage)**  
**for Fiscal Years 2013-14 through 2017-18**

<b>Fiscal Year Ended June 30</b>	<b>Total Monthly Service Charge</b>
2014	\$18.60
2015	18.60
2016	18.60
2017 <sup>(1)</sup>	24.31
2018	31.30

(1) First year that rates adopted under 2016 Water Rate Resolution went into effect.

Source: City of Lemoore.

*Comparative Rates.* The following table compares the current water service charge imposed by the City for a typical single-family residential unit (assuming a one-inch meter and 1,300 cubic feet usage per month) and those of certain communities in the surrounding area:

**Table 3**  
**CITY OF LEMOORE**  
**Water System**  
**Comparative Service Charges**  
**(Based on Typical Single Family Residence, 1-inch meter and 1,300 cubic feet usage)**  
**as of June 2018**

<b>Community</b>	<b>Monthly Usage Charge</b>
Hanford	\$30.26
<b>Lemoore</b>	<b>31.30</b>
Coalinga	36.00
Fresno	40.52
Corcoran	48.60
Avenal	85.03

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Source: City of Lemoore, based on publicly available information published or posted by each listed entity as of June 2018.

### **Billing and Collection Procedures**

Generally, the City sends the bills to its customers for water service and usage on the 25th day of each month. All water bills are due and payable on the 25th day of the month following the mailing. If a customer fails to pay the water bill in full when due, the bill is deemed delinquent and a delinquent service charge is added. The delinquent charge is currently 10 percent of the outstanding balance of the bill. If a customer fails to pay the bill in full by the 10th day of the month following the date of delinquency, the City may, after complying with State law on discontinuance of utility service for non-payment, discontinue water service and not recommence providing water service to such a user until all previous water charges, delinquent service charges, customer deposit and disconnection/reconnection service charges are paid in full.

## Customer Revenues and Consumption

The following table summarizes the total Water System billing and the uncollectible revenues for the fiscal years shown.

**Table 4**  
**CITY OF LEMOORE**  
**Water System**  
**Total Service Charge Billings and Uncollectible Water Revenues**  
**Fiscal Years 2013-14 through 2017-18**

<b>Fiscal Year Ended June 30</b>	<b>Gross Billings<sup>(1)</sup></b>	<b>Uncollectible Water Revenues</b>	<b>Percent of Gross Billings</b>
2014	\$4,182,222	\$ 5,671	0.14%
2015 <sup>(2)</sup>	3,942,183	16,200	0.41
2016 <sup>(2)</sup>	3,762,207	2,000	0.05
2017	4,248,572	753	0.02
2018	5,716,246	8,669	0.15

(1) Includes service charges, delinquent charges, hang tag fees, returned check fees, and reconnection fees. Dollar amounts are consistent with those shown under “total operating revenues” in Table 9 (Statement of Revenues, Expenses and Changes in Fund Net Assets, under “WATER SYSTEM FINANCIAL INFORMATION – Financial Statements.”)

(2) Decreases in fiscal years 2014-15 and 2015-16 reflective of water conservation measures in light of State-wide drought conditions. See discussion under “Water Conservation and Supply Shortage Contingency Measures.”

Source: City of Lemoore.

The following table shows the fiscal year 2017-18 Service Charge Revenues by each customer class.

**Table 5**  
**CITY OF LEMOORE**  
**Water System**  
**Service Charge Revenues by Customer Type**  
**Fiscal Year 2017-18**

Customer Type	Service Charge Revenues <sup>(1)</sup>	Percentage of Total Service Charge Revenues
Residential		
Single family	\$2,514,463	44.74%
Multifamily	580,012	10.32
Government and schools	577,975	10.28
Commercial	326,984	5.82
Industrial	1,621,502	28.85
Total	\$5,621,116	100.00%

(1) Reflects billed amounts. Total consistent with “charges for services” for fiscal year 2017-18 in Table 9 (Statement of Revenues, Expenses and Changes in Fund Net Assets), under “WATER SYSTEM FINANCIAL INFORMATION – Financial Statements.”

Source: City of Lemoore.

As of the end of January 2019, the City’s Water System had: (i) 6,306 single family residential accounts, (ii) 258 multifamily residential accounts, (iii) 294 government and school accounts, (iv) 326 commercial user accounts, and (v) 14 industrial user accounts.

The following table shows usage volume by customer type for the years shown.

**Table 6**  
**CITY OF LEMOORE**  
**Water System**  
**Usage Volume (in Cubic-Feet) by Customer Type**  
**Fiscal Years 2014-15 through 2017-18**

	2014-15	2015-16	2016-17	2017-18
Residential <sup>(1)</sup>				
Single family	146,963,437	138,609,500	127,988,403	122,000,609
Multifamily	35,316,597	31,713,681	28,142,096	24,729,958
Government and schools	3,272,600	3,397,353	9,239,526	9,413,914
Commercial	1,921,600	2,058,800	5,458,200	12,229,400
Industrial <sup>(2)</sup>	96,585,387	114,909,752	119,527,031	110,730,955
<b>Total<sup>(3)</sup></b>	284,059,621	290,689,086	290,355,256	279,104,836

(1) Decrease in residential water use due to, in part, successful conservation efforts. See discussion under “Water Conservation and Supply Shortage Contingency Measures.”

(2) Increases in fiscal year 2015-16 primarily due to increased usage by Leprino Foods (see “Top Ten Customers (by Service Charge Revenues)” below).

(3) Total may not equal sum due to rounding.

Source: City of Lemoore.

## Top Ten Customers (by Service Charge Revenues)

The following table summarizes the Service Charge Revenues from the top ten customers (by service charge revenues) of the Water System.

**Table 7**  
**CITY OF LEMOORE**  
**Water System**  
**Top Ten Customers (by Service Charge Revenues)**  
**Fiscal Year 2017-18**

Customer	Description	12-month Usage Volume (100 cubic feet)	% of Total Usage Volume <sup>(1)(3)</sup>	12-month Service Charge Revenues	% of Total Service Charge Revenues <sup>(2)(3)</sup>
Leprino Foods Company	Industrial - cheese making and related products	913,114	32.72%	\$1,239,860	22.06%
Olam SVI	Industrial - tomato processing	101,768	3.65	209,745	3.73
West Hills College	School - junior college	76,135	2.73	134,586	2.39
Agusa	Industrial -- tomato processing	45,408	1.63	66,161	1.18
Montgomery Crossing	Multi-family	14,861	0.53	57,439	1.02
The Grove Apartments	Multi-family	15,507	0.56	35,864	0.64
Lakeview Apartments	Multi-family	27,546	0.99	35,806	0.64
Lemoore Apartments	Multi-family	11,660	0.42	31,739	0.56
Lemoore High School	High school	4,354	0.16	31,446	0.56
CalTrans	Governmental	12,996	0.47	23,847	0.42
Total <sup>(4)</sup>		1,223,348	43.83%	\$1,866,494	33.21%

(1) Total usage volume by all customers for fiscal year 2017-18: 279,104,836 cubic feet. See Table 6.

(2) Total Service Charge Revenues from all customers for fiscal year 2017-18 (unaudited): \$5,621,116. See Table 5.

(3) Incongruence between ranking according to Service Charge Revenues and ranking according to volume largely due to sizes of meters used by the customers, which result in different monthly fixed charges. See Table 1.

(4) Total may not equal to sum due to rounding.

Source: City of Lemoore.

*As indicated above, Leprino Foods, Inc. (“Leprino Foods”) is the top Water System customer, representing over 22 percent of fiscal year 2017-18 service charge revenues. The description below is compiled from information published by Leprino Foods or other publicly available materials. The City has not independently verified such information and makes no representation as to the accuracy or completeness thereof. More information can be found at Leprino Foods’ website: <https://leprinofoods.com>. This website reference is included for informational purposes only. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such website or the continued maintenance of such website.*

Leprino Foods is world’s largest mozzarella cheese maker and a top producer of whey protein and dairy ingredients. The company was first established in the 1950’s and remains as a family-owned and run business. Leprino Foods initially built its business around supplying cheese to pizza restaurants and continues to supply to the top pizza chains (such as Pizza Hut, Domino’s, Papa John’s and Little Caesars) and frozen pizza brands around the world. Leprino Foods also supplies its cheese to leading food companies for use as ingredients. In addition, Leprino Foods

has developed nutrition products serving four key segments – infant formula, adult nutrition, sports nutrition and commercial ingredients – reflecting use of lactose, sweet whey, whey protein, micellar casein and other dairy ingredients. To support global sales, the Leprino Foods has joint ventures or business offices in the United Kingdom, Singapore, China, Japan, Korea, and Brazil. Leprino Foods has full-scale manufacturing facilities at nine locations in the United States: two in Colorado, one in New Mexico, two in Minnesota, one in New York, and three in California (in Tracy and Lemoore).

The City hosts two of Leprino Food’s manufacturing plants (known as “Lemoore East” and “Lemoore West” respectively). Although Leprino Foods began its the Lemoore East operations in 1986, that facility has been a continuous dairy operation since 1910. Lemoore East employs approximately 300 employees. Lemoore West contains one of the largest cheese manufacturing facilities in the world, with over 640,000 square feet of cheese making capacity, and approximately 1,000 employees.

**Water Conservation and Supply Shortage Contingency Measures**

*Water Conservation Act of 2009 (SBx7-7).*

The Water Conservation Act of 2009, set forth in State Senate Bill x7-7 (“SBx7-7”), was signed by the Governor in 2009 and became effective in February 2010. Among other things, SBx7-7 seeks to achieve a State-wide 20 percent reduction in urban per capita water use by December 31, 2020. SBx7-7 requires each urban retail water supplier (such as the City) to develop urban water use targets to help meet the 20 percent reduction goal by 2020, with an interim 10 percent reduction goal by 2015. An urban water retail supplier that fails to meet its water use target by December 31, 2020 will be ineligible for a water grant or loan administered by the State until the supplier complies with the provisions of SBx7-7, unless the State Department of Water Resources determines that the supplier is eligible for a water grant or loan after the supplier’s submission of a schedule, financing plan, and budget for achieving the required per capita reductions.

The City determined that its SBx7-7 targets are as follows. The baseline water use was determined based on the City’s gross water use divided by its service area population, reported in gallons per capita per day (“GPCD”):

<b>10-15 year (2001-2015) Baseline</b>	<b>5 year (2006-2010) Baseline</b>	<b>2015 Interim Target</b>	<b>2020 Target</b>
182	184	179	175

The actual fiscal year 2014-15 per capita daily water usage for City’s Water System was 128 GPCD, well below the 2015 interim target and 2020 target.



California 2011-17 Drought: State Emergency Measures and Continuing Efforts.

California has a highly variable climate, and often experiences very wet years followed by extremely dry ones. During the last thirty-five years, the State experienced drought periods between 1986 and 1992, between 2007 and 2009, and between 2011 and 2017.

The drought from December 2011 to March 2017 was considered one of the worst in the State's recorded history, with 2012 through 2015 having the driest four-year statewide precipitation on record. Between 2014 and 2015, the Governor issued two emergency proclamations (on January 14, 2014 and April 25, 2014) and four executive orders (Executive Orders B-26-14, B-28-14, B-29-15 and B-36-15). During this period, SWRCB adopted and implemented regulations for water use reductions and restrictions. Among such actions, the SWRCB adopted emergency regulations in 2015 to achieve a 25 percent reduction in the overall potable urban production statewide in accordance with directives set forth in Executive Order B-29-15. It was reported that, overall, the State saved an average of more than 24 percent during the twelve months that the mandate was in place. In addition, the Sustainable Groundwater Management Act of 2014 was enacted. See "Water Supply -- Sustainable Groundwater Management Act of 2014 (Establishment of Groundwater Sustainability Agencies and Groundwater Sustainability Plans)." The State developed a five-year California Water Action Plan, with the stated goals of more reliable water supplies, the restoration of important species and habitat, and a more resilient, sustainably managed water resources system (water supply, water quality, flood protection, and environment).

On May 16, 2016, the Governor issued Executive Order B-37-16, which among other things, directed: (i) the State Department of Water Resources to work with the SWRCB to develop new water use targets as part of a permanent framework for urban water agencies, (ii) the permanent requirement of urban water suppliers to issue monthly report of their water usage, conservation amounts and enforcement efforts, (iii) prohibition of wasteful potable water practices (such as hosing of sidewalks, watering lawns in a manner that causes runoff); (iv) California Energy Commission's certification of innovative water conservation and water loss detection and control technologies that also increase energy efficiency; (v) consultation by State Department of Water Resources with urban water suppliers, local governments, environmental groups and other partners to update requirements for water shortage contingency plans.

The winter of 2016-17 brought significant precipitation and was the wettest on record for Northern California. On April 7, 2017, Governor Brown issued Executive Order B-10-17, rescinding the two emergency proclamations from January and April 2014 and the four drought related Executive Orders issued in 2014 and 2015. However, Executive Order B-37-16 was largely left in place.

Executive Order B-10-17 terminated the drought state of emergency for all counties in the State, except for the counties of Fresno, Kings, Tulare and Tuolumne. (The City is located in Kings County.) For these counties, Executive Order B-10-17 directed, among other things:

- The State Department of Water Resources would continue to prioritize new and amended safe drinking water permits that would enhance water supply and

reliability for community water systems facing water shortages or that expand service connections to include existing residences facing water shortages.

- The State Department of Water Resources and the SWRCB would accelerate funding for local water supply enhancement projects and will continue to explore if any existing unspent funds can be repurposed to enable near-term water conservation projects.
- The SWRCB would continue to work with local agencies to identify communities that may run out of drinking water, and will provide technical and financial assistance to help these communities address drinking water shortages. It will also identify emergency interconnections that exist among the State’s public water systems that can help these threatened communities. The State Department of Water Resources, the SWRCB, the State Office of Emergency Services, and the State Office of Planning and Research would work with local agencies in implementing solutions to those water shortages.
- For actions taken in the Counties of Fresno, Kings, Tulare, and Tuolumne pursuant to directives 11-13, the provisions of the Government Code and the Public Contract Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements, as well as Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division, are suspended. These suspensions apply to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions.
- California Disaster Assistance Act Funding was authorized until June 30, 2017 to provide emergency water to individuals and households who are currently enrolled in the emergency water tank program.
- State departments must commence all drought remediation projects in Fresno, Kings, Tulare, and Tuolumne Counties within one year of the date of Executive Order B-10-17.

One cannot predict if and when California will experience another drought, and the actions that the State will have to take in response. The State is continuing to implement the directives of Executive Order B-37-16, dubbed “Making Water Conservation a California Way of Life.” The implementation of the Sustainable Groundwater Management Act of 2014 and the additional directives under Executive Order B-10-17 for the counties of Fresno, Kings, Tulare and Tuolumne also continues.

More information about the State’s continuing conservation efforts can be found on the “Water Conservation Portal” of the SWRCB’s website at: [https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/) . None of the websites or webpages referenced in this Official Statement is in any way incorporated into this Official Statement. They are cited for informational purposes only. The City makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

City Water Conservation Program and Shortage Contingency Plan.

In conjunction with the State’s water conservation directives and requirements, the City Council adopted Ordinance No. 2015-06, as an urgency ordinance, to add Article E to Chapter 7 of Title 7 of the City’s Municipal Code (“Article E”). Article E sets forth certain standard water conservation measures, and four stages of action in response to water supply shortage: (i) voluntary compliance, (ii) level I measures, (iii) Level II measures, and (iii) Level III measures (subject to exemptions or waivers which may be granted by the City pursuant to Article E). Level II measures are currently in effect.

**SUMMARY OF CERTAIN PROVISIONS OF  
CITY OF LEMOORE WATER SHORTAGE CONTINGENCY PLAN  
(Article E of Chapter 7 of Title 7 of the Municipal Code,  
per Ordinance No. 2015-06, adopted on July 7, 2015)**

<b>Stage</b>	<b>Trigger</b>	<b>Action/measures</b>	<b>Penalties (after given written reminder for first time violation)<sup>(1)</sup></b>
Standard Water Conservation Measures	Not applicable.	fixtures free from leakage; no excessive water; watering days; possible new lawn exemption; swimming pool draining prohibitions; asphalt/concrete washing prohibitions; vehicle washing prohibitions; watering hours; recirculation pumps requirement; and low-flow requirements for new construction, remodeling, and additions	None
Voluntary Compliance	goal to have voluntary compliance with best practice water conservation measures, reduction of average water consumption by 20 percent	Inform public about water conservation need; reduce landscape watering in municipal parks from six to four days or less per week	None
Level I Conservation Measures	pumping water levels drop 20 percent below the baseline measurement	Reduce landscape watering to two days per week (before 10 AM and after 7 PM); hotels, restaurants, and bars provide water only upon request; customers prohibited from allowing water to leak from premises and such leaks shall be repaired after written notice within 72 hours; and reduce landscape watering in municipal parks to two days per week	2nd violation: \$25; 3rd violation: \$50; 4th violation: \$100; 5th violation: flow restrictor placed in service until such time that violator can assure the Public Works Director that no more waste will occur (with violator responsible for all costs for such installation)

Stage	Trigger	Action/measures	Penalties (after given written reminder for first time violation) <sup>(1)</sup>
Level II Conservation Measures	a high water conservation alert as declared by the city council and whenever a recommendation has been made by the city manager in conjunction with the chief plant operator of the water treatment plant based upon a significant reduction or interruption in water supply or delivery	All Level I prohibitions in effect; reduce landscape watering to one day per week (before 10 AM and after 7 PM); personal vehicle washing restricted to one per week on permitted days with shutoff nozzle; laundry conservation measures encouraged at hotels; and reduce landscape watering in municipal parks to one day per week; and implement golf course watering restrictions	2nd violation: \$40; 3rd violation: \$75; 4th violation: \$150; 5th violation: flow restrictor placed in service until such time that violator can assure the Public Works Director that no more waste will occur (with violator responsible for all costs for such installation)
Level III Conservation Measures	a major earthquake, large scale fire, or other “act of nature” which has or could have serious impacts on the city’s total available water storage or delivery capacity, whether storage capacities have been reduced or not, or in the case of an unanticipated significant reduction in city water supply	All Level I and II prohibitions in effect; landscape watering prohibited between 8 AM and 8 PM; landscape watering in municipal parks limited to one day per week; prohibit swimming pool refilling and new construction of swimming pools; City shall discontinue washing City vehicles or equipment except for health, safety, or critical maintenance reasons; golf course watering restriction shall be increased	2nd violation: \$55.00; 3rd violation: \$100.00; 4th violation: \$200.00; 5th violation: flow restrictor placed in service until such time that violator can assure the Public Works Director that no more waste will occur (with violator responsible for all costs for such installation)

(1) City Manager (or City Manager’s designee) authorized to additionally: (a) place a flow restricting device upon water service; (b) lock off a water meter; (c) remove a water meter; (d) shut off service connection.

In addition, the City’s Water Department has adopted a water conversation mascot named “AquaBob.” The City plans to use AquaBob to perform public outreach to school-age children at events throughout the school year, to educate and inform about the need for water conservation and provide simple steps to implement water conservation strategies at home and school.

**Insurance**

Insurance with respect to the Water System is covered under the City’s general policies. The City is a member of the Central San Joaquin Valley Risk Management Authority (“CSJVRMA”), a joint powers authority formed under the laws of the State. CSJVRMA currently has 54 cities in the State’s San Joaquin Valley. CSJVRMA’s governing board is comprised of one member from each participating city. The day-to-day business operations are handled by a management group employed by CSJVRMA.

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$50,000 up to \$1,000,000. CSJVRMA participates in the excess pool, which provides general liability coverage from \$1,000,000 to \$29,000,000.

The City maintains a self-insured retention level of \$50,000 for workers' compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to the statutory limit.

CSJVRMA member agencies may be assessed the difference between funds available and the annual pooled aggregate in proportion to their annual premium.

## **WATER SYSTEM FINANCIAL INFORMATION**

### **Financial Statements**

Set forth in the following tables are Statements of Net Assets and Statements of Revenues, Expenses and Changes in Fund Net Assets with respect to the Water Fund based on the City's audited financial statements for fiscal years 2013-14 through 2016-17, and unaudited fiscal year 2017-18 financial information compiled by the City's Finance Statement. Such statements are subject to various notes attached to the City's financial statements for the respective years and the footnotes below the respective tables. Excerpts of the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2017, which includes the City's fiscal year 2016-17 audited financial statements and the Independent Auditor's Report issued by Price Paige & Company, Accountancy Corporation (the "Auditor") regarding such financial statements, is set forth in Appendix B. The City has not requested the Auditor to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. A complete copy of the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2017, as well as the reports for prior years, can be obtained from the City's Finance Department. The City expects that its fiscal year 2017-18 audited financial statements will be completed by the end of March 2019 and become available upon presentation to City Council in April 2019.\*

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\* Sentence revised after printing of Preliminary Official Statement. As described in the Preliminary Official Statement, previously, the City expected that the fiscal year 2017-18 audited financial statements would become available by the end of March 2019.

**Table 8**  
**CITY OF LEMOORE**  
**Water Fund**  
**Statement of Net Position**  
**Fiscal Years 2013-14 through 2017-18**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Unaudited FY 2017-18</b>
<b><u>Assets</u></b>					
<i>Current:</i>					
Cash and investments	\$5,565,975	\$3,939,995	\$3,359,621	\$3,443,838	\$5,054,677
Receivables					
Accounts	535,577	713,690	612,556	1,279,679	770,862
Less: allowance for doubtful accounts	(27,570)	(136,877)	(136,877)	(136,877)	(194,396)
Grants	20,000	--	--	--	--
<i>Total current assets</i>	<u>6,093,982</u>	<u>4,516,808</u>	<u>3,835,300</u>	<u>4,586,640</u>	<u>5,631,143</u>
<i>Noncurrent:</i>					
Capital assets					
Non-depreciable	7,275,877	530,351	679,648	1,059,075	1,689,354
Depreciable, net of accumulated depreciation	15,264,248	22,858,122	22,068,102	21,067,443	20,112,311
<i>Total noncurrent assets</i>	<u>22,540,125</u>	<u>23,388,473</u>	<u>22,747,750</u>	<u>22,126,518</u>	<u>21,801,655</u>
<b>Total assets</b>	<u>28,634,107</u>	<u>27,905,281</u>	<u>26,583,050</u>	<u>26,713,158</u>	<u>27,432,808</u>
Deferred charges from pensions <sup>(1)</sup>		113,549	101,467	247,759	389,623
<b><u>Liabilities</u></b>					
<i>Current:</i>					
Accounts payable	998,748	1,116,471	245,601	200,329	161,848
Deposits and other liabilities	22,372	26,277	26,649	29,137	23,579
Compensated absences	8,915	8,980	6,815	8,319	9,703
Accrued interest payable	14,608	13,776	12,925	12,052	12,052
Current portion of long-term liabilities	402,062	412,126	422,443	433,017	443,856
<i>Total current liabilities</i>	<u>1,446,705</u>	<u>1,577,630</u>	<u>714,433</u>	<u>682,854</u>	<u>651,038</u>
<i>Noncurrent:</i>					
Long-term liabilities <sup>(2)</sup>	6,665,938	6,253,811	5,831,369	5,398,352	4,954,496
Advances from other funds	2,371,883	1,921,883	1,921,883	1,471,883	1,021,883
Compensated absences payable	35,662	35,922	27,262	33,274	38,809
Net pension liability		789,164	767,160	992,203	1,278,459
<i>Total noncurrent liabilities</i>	<u>9,073,483</u>	<u>9,000,780</u>	<u>8,547,674</u>	<u>7,895,712</u>	<u>7,293,647</u>
<b>Total liabilities</b>	<u>10,520,188</u>	<u>10,578,410</u>	<u>9,262,107</u>	<u>8,578,566</u>	<u>7,944,685</u>
Deferred inflows from pensions <sup>(1)</sup>		280,815	175,609	122,875	130,139
<b><u>Net position</u></b>					
Net investment in capital assets	15,472,125	16,722,536	16,493,938	14,823,266	15,381,430
Unrestricted	2,641,794	437,069	752,863	3,436,210	4,366,177
<b>Total net position</b>	<u>\$18,113,919</u>	<u>\$17,159,605</u>	<u>\$17,246,801</u>	<u>\$18,259,476</u>	<u>\$19,747,607</u>

(1) Line item added starting in fiscal year 2014-15 to per change in accounting rules.

(2) Consists of debt service payment for 2013 Loan. See "INTRODUCTION – Security for Bonds."

Source: City of Lemoore audited financial statements for fiscal years 2013-14 through 2016-17, with additional explanations for footnotes from City of Lemoore Finance Department; unaudited information for fiscal year 2017-18 from City of Lemoore Department.

**Table 9**  
**CITY OF LEMOORE**  
**Water Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Fiscal Years 2013-14 through 2017-18**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Unaudited FY 2017-18
<b><u>Operating revenues</u></b>					
Charges for services	\$4,100,305	\$3,842,595	\$3,675,582	\$4,158,338	\$5,621,116
Fines and forfeitures	75,568	71,666	71,505	89,933	95,554
Other revenues	6,349	27,923	15,120	301	(424) <sup>(1)</sup>
<b>Total operating revenues</b>	<b>4,182,222</b>	<b>3,942,184</b>	<b>3,762,207</b>	<b>4,248,572</b>	<b>5,716,246</b>
<b><u>Operating expenses</u></b>					
Salaries and benefits	931,100	1,434,467 <sup>(2)</sup>	1,263,012 <sup>(2)</sup>	970,618	1,116,078
Materials and supplies	435,376	526,227	503,670	395,469	448,810
Utilities	958,824	720,754	391,468 <sup>(3)</sup>	776,897 <sup>(2)</sup>	885,634 <sup>(2)</sup>
Contractual services	227,046	214,603	533,784	613,576	505,290
Repairs and maintenance	218,062	214,005	120,141	43,490	558,052
Other expenses	120,132	109,651	121,596	112,021	200,355
Depreciation and amortization	610,845	855,106	1,010,368	994,577	980,919
<b>Total operating expenses</b>	<b>3,501,385</b>	<b>4,074,813</b>	<b>3,944,039</b>	<b>3,906,648</b>	<b>4,695,138</b>
<b>Operating income (loss)</b>	<b>680,837</b>	<b>(132,629)</b>	<b>(181,832)</b>	<b>341,924</b>	<b>1,021,138</b>
<b><u>Non-operating revenues (expenses)</u></b>					
Intergovernmental	38,196	--	--	--	--
Interest income/use of money and property	11,887	26,965	37,734	13,563	30,739
Interest expense	(163,339)	(170,735)	(160,650)	(150,313)	(140,762)
Solar rebate	--	--	--	807,501 <sup>(3)</sup>	577,046 <sup>(3)</sup>
Other nonoperating revenues	--	--	390,841	--	--
Gain (loss) on asset disposal	(2,714)	(39,811)	1,103	--	--
<b>Total non-operating revenue (expenses)</b>	<b>(115,970)</b>	<b>(183,581)</b>	<b>269,028</b>	<b>670,751</b>	<b>467,023</b>
Income (Loss) before transfers	564,867	(316,210)	87,196	1,012,675	1,488,131
Transfers in	209,660	217,544	--	--	--
Transfers out	(406,268) <sup>(2)</sup>	(30,000)	--	--	--
<b>Changes in net assets/position</b>	<b>368,259</b>	<b>(128,666)</b>	<b>87,196</b>	<b>1,012,675</b>	<b>1,488,131</b>
<b><u>Net assets/Position</u></b>					
Beginning of fiscal year	17,899,361	18,113,701	17,159,605	17,246,801	18,259,476
Prior period adjustment	(153,701) <sup>(4)</sup>	(825,430) <sup>(5)</sup>	--	--	--
Beginning of fiscal year, restated	17,745,660	17,288,271	17,159,605	17,246,801	18,259,476
<b>End of fiscal year</b>	<b>\$18,113,919</b>	<b>\$17,159,605</b>	<b>\$17,246,801</b>	<b>\$18,259,476</b>	<b>\$19,747,607</b>

(1) Write-off for uncollectible revenues.

(2) Includes the portion of City general expenses allocable to the Water Fund. Such expenses were incorporated in different lines in the financial statements for fiscal year 2013-14 (under "Transfers Out"), fiscal years 2014-15 and 2015-16 (under "Salaries and benefits") and fiscal year 2016-17 (under "Utilities"), and also under "Utilities" for fiscal year 2017-18 to be consistent with fiscal year 2016-17. For showing projected debt service coverage in Table 10 below, such expenses are included under "Other expenses" starting in fiscal year 2018-19.

(3) Reflects effect of 2013 Loan, which was incurred to finance energy savings facilities. Utilities savings began to materialized in fiscal year 2015-16. See Footnote 2 above regarding certain amounts added to this line item for fiscal years 2016-17 and 2017-18, which were included in different line items for other years. Rebate from the project were received in fiscal years 2016-17 and 2017-18, but no further rebate is expected from this project after fiscal year 2017-18.

(4) Adjustment made to reflect an understatement of depreciation expense in prior years.

(5) Adjustment made to reflect: (i) \$139,730 understatement of prior year receivables and revenues, (ii) change due to implementation of accounting rules (GASB 68).

Source: City of Lemoore audited financial statements for fiscal years 2013-14 through 2016-17, with additional explanations for footnotes from City of Lemoore Finance Department; unaudited information for fiscal year 2017-18 from City of Lemoore Department.

## **Debt Service Coverage**

Table 10 sets forth the historical debt service coverage from fiscal years 2013-14 through 2017-18, as well as the projected debt service coverage for fiscal years 2018-19 through 2022-23. These projections reflect the City's current expectations only and are subject to a number of assumptions, factors and uncertainties that could cause actual results of operations and funds available for debt service to differ materially from those set forth in this Official Statement. There is no guarantee that the debt service coverage projected in Table 10 will in fact be realized. While the City believes that the assumptions underlying in the projections set forth in Table 10 are reasonable, there are a number of factors and uncertainties that could cause actual results to differ materially from those projected. See "WATER SYSTEM," "BONDOWNERS' RISKS" and "CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES."



**Table 10**  
**CITY OF LEMOORE**  
**Water System**  
**Debt Service Coverage**  
**Fiscal Years 2013-14 through 2022-23**

<i>Fiscal year ended June 30,</i>	Historical Debt Service Coverage <sup>(1)</sup>					Projected Debt Service Coverage <sup>(2)</sup>				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues<sup>(3)</sup></b>										
Operating revenues										
Charges for services	\$4,100,305	\$3,842,595	\$3,675,582	\$4,158,338	\$5,621,116	\$7,307,451	\$9,499,686	\$9,499,686	\$9,499,686	\$9,499,686
Fines and forfeitures	75,568	71,666	71,505	89,933	95,554	95,554	95,554	95,554	95,554	95,554
Other operating revenues	6,349	27,923	15,120	301	(424)	--	--	--	--	--
Non-operating revenues - interest	11,887	29,965	37,734	13,563	30,739	83,604	99,493*	94,146*	97,401*	108,394*
<b>Revenues</b>	<b>4,194,109</b>	<b>3,972,149</b>	<b>3,799,941</b>	<b>4,262,135</b>	<b>5,746,985</b>	<b>7,486,608</b>	<b>9,694,733*</b>	<b>9,689,386*</b>	<b>9,692,641*</b>	<b>9,703,634*</b>
<b>Operating expenses<sup>(4)</sup></b>										
Salaries and benefits	931,100	1,434,467 <sup>(5)</sup>	1,263,012 <sup>(5)</sup>	970,618	1,116,078	1,139,410	1,196,381	1,256,200	1,319,010	1,384,960
New pretreatment and filtering exp.	--	--	--	--	--	1,754,374	1,842,093	1,934,197	2,030,907	2,030,907
Materials and supplies	435,376	526,227	503,670	395,469	448,810	290,930	296,749	302,684	308,737	314,912
Utilities	958,824	720,754	391,468 <sup>(6)</sup>	776,897 <sup>(5)</sup>	885,634 <sup>(5)</sup>	600,000	621,000	642,735	665,231	688,514
Contractual services	227,046	214,603	533,784	613,576	505,290	172,500	189,750	208,725	229,598	252,557
Repairs and maintenance	218,062	214,005	120,141	43,490	558,052	675,000	688,500	702,270	716,315	730,642
Other expenses	526,400 <sup>(5)</sup>	109,651	121,596	112,021	200,355	870,350 <sup>(5)</sup>	887,757 <sup>(5)</sup>	905,512 <sup>(5)</sup>	923,622 <sup>(5)</sup>	942,095 <sup>(5)</sup>
<b>Expenses</b>	<b>3,296,808</b>	<b>3,219,707</b>	<b>2,933,671</b>	<b>2,912,071</b>	<b>3,714,219</b>	<b>3,748,190</b>	<b>5,634,510</b>	<b>5,860,218</b>	<b>6,096,710</b>	<b>6,344,587</b>
<b>Net Revenues before 2013 Loan<sup>(7)</sup></b>	<b>897,301</b>	<b>752,442</b>	<b>866,270</b>	<b>1,350,064</b>	<b>2,032,202</b>	<b>3,738,418</b>	<b>4,060,223*</b>	<b>3,829,168*</b>	<b>3,595,931*</b>	<b>3,359,047</b>
<b>2013 Loan debt service</b>	<b>175,773</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>	<b>573,629</b>
<b>Net revenues</b>	<b>\$721,528</b>	<b>\$178,813</b>	<b>\$292,641</b>	<b>\$776,435</b>	<b>\$1,458,573</b>	<b>\$3,164,789</b>	<b>\$3,486,594*</b>	<b>\$3,255,539*</b>	<b>\$3,022,302*</b>	<b>\$2,785,418*</b>
<b>Bonds debt service</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,532,768</b>	<b>1,422,306</b>	<b>1,421,506</b>	<b>1,420,506</b>
<b>Estimated coverage<sup>(8)</sup></b>							<b>2.27</b>	<b>2.29</b>	<b>2.13</b>	<b>1.96</b>

- \* Amounts differ slightly from those shown in Preliminary Official Statement because projected interest earnings (therefore, projected revenues) increased based on 2019 Bonds actual debt service.
- (1) Fiscal years 2013-14 through 2017-18 dollar amounts for “Operating Revenues” and “Operating Expenses” are consistent with those presented in Table 9, except as noted in Footnote 5 below .
  - (2) While the City believes that the assumptions are reasonable, the City cannot guarantee that actual results will not differ.
  - (3) Revenue projections for fiscal year 2018-19 through 2022-23 incorporate the following assumptions: (i) revenues from “charges for services” will increase by 30 percent in each of fiscal years 2019 and 2020 based on scheduled rate increase (see “WATER SYSTEM – Rates and Charges); (ii) revenues from “fines and forfeitures” will remain same beginning in fiscal year 2017-18; (iii) “other operating revenues” are assumed to be \$0 from fiscal years 2018-19 onward; and (iv) non-operating revenues from interest earnings are calculated based on estimated average beginning and ending unrestricted fund balance at 1.5 percent investment interest rate.
  - (4) Expense projections for fiscal year 2018-19 through 2022-23 incorporate the following assumptions: (i) “salaries and benefits” expenses will increase by 5 percent per year; (ii) “utilities” expenses will increase by 3.5 percent per year; (iii) “contract services” expenses will increase by 10 percent per year, (iv) expenses for “materials and supplies” and “repairs and maintenance” and “other expenses” will increase by 2 percent per year; and (v) “new pretreatment and filtering expenses” for fiscal year 2019-20 is based on the City’s most recent estimates of such expenses for the first year upon the completion of the water treatment plants, and is assumed to increase by 5 percent annually thereafter.
  - (5) Each of these dollar amounts includes the portion of City general expenses allocable to the Water Fund. See footnote 2 of Table 9 above.
  - (6) See footnote 3 of Table 9.
  - (7) Net revenues Equals “Operating Revenues” minus “Operating Expenses”; or, as defined in the Indenture, Gross Revenues, minus Operating and Maintenance Costs. See “SECURITY FOR BONDS – Pledge of Net Revenues; Water Fund – Certain Definitions”
  - (8) Estimated coverage represents the ratio of: (a) Net Revenues to (b) debt service on the Bonds.

Source: Del Rio Advisors, LLC, based on operating revenues and expenses provided by the City of Lemoore.

## Pension Plans

The City pays an allocable portion of the City's administrative expenses, including employee compensation and benefits from revenues of the Water System. See Tables 8 and 9 above. Under the Indenture, Net Revenues (which are pledged to the payment of the Bonds) is defined as Gross Revenues less Operation and Maintenance Costs, less payments for the 2013 Loan. Operation and Maintenance Costs include, among other things, administrative costs of the City attributable to the operation and maintenance of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums. The table below shows the City's contribution to the CalPERS plans (discussed below), and the amounts allocated to each of the Water System for the years shown:

**Table 11**  
**CITY OF LEMOORE**  
**City Contribution to CalPERS Plans and Allocation to Water System**  
**Fiscal Years 2014-15 through 2017-18**

<u>Fiscal Year</u>	<u>City Required (and Actual) Contribution</u>	<u>Amount Allocated to Water System</u>
2014-15	\$1,067,105	\$92,183
2015-16	1,088,740	58,906
2016-17	1,194,292	62,367
2017-18	1,314,551	67,059

### General Information Regarding CalPERS Plans

All qualified permanent and probationary City employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan administered by the California Public Employees Retirement System ("PERS" or "CalPERS"). PERS is an agent multiple employer public employee retirement system and issues its own comprehensive annual financial report. PERS acts as a common investment and administrative agent for participating public entities within the State. A menu of benefit provisions as well as other requirements of the PERS program are established by the Public Employees' Retirement Law set forth in California Government Code (commencing with Section 20000). The City selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance (or other local methods). Contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Governor Jerry Brown signed the California Public Employee’s Pension Reform Act of 2013 (“PEPRA”) into law on September 12, 2012. For non-safety CalPERS participants hired after January 1, 2013 (the “Implementation Date”), the Reform Act changes the normal retirement age by increasing the eligibility for the 2 percent age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5 percent to age 67. PEPRA also implements certain other changes to CalPERS including the following: (a) all new participants enrolled in CalPERS after the Implementation Date are required to contribute at least 50 percent of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalPERS is required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (c) “pensionable compensation” is capped for new participants enrolled after the Implementation Date at 100 percent of the federal Social Security contribution and benefit base for members participating in Social Security or 120 percent for CalPERS members not participating in social security.

The California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in the rate. Funding contributions for the City’s Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Plans Offered by City

The provisions and benefits in effect at June 30, 2017 for the City’s four PERS rate plans are summarized below:

	<u>City Miscellaneous Plans</u>		<u>City Safety Plans</u>	
	<b>Before 1/1/2013</b>	<b>(PEPRA) On or after 1/1/2013</b>	<b>Before 1/1/2013</b>	<b>(PEPRA) On or after 1/1/2013</b>
Hire Date				
Benefit formula	2.0% @ 55	2.0% @ 62	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52-67	50-55	50-57
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rate	7.00%	6.25%	9.00%	11.50%
Required employer contribution rate	8.003%	6.2377%	13.813%	11.153%

See information set forth in Note 12 of the City's audited financial statements shown in "APPENDIX B – CITY OF LEMOORE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2017" for details regarding the City's pension liabilities, pension expenses and related deferred outflows and inflows as reported in the financial statements, and additional information regarding actuarial assumptions.

*City Plans Funding Status and History, Required Contributions*

Around August of each year, PERS provides the City reports (each, a "PERS Report") providing the actuarial valuation (as of June 30 of the calendar year preceding the year of the PERS Report) for each of the City's Plans. *The following information is based on information available from PERS and the PERS Reports. The City has not independently verified the information provided by PERS and expresses no opinion regarding the accuracy of such information. PERS' actuarial assessments are based various assumptions (including demographic assumptions and economic assumptions) made by PERS, its actuaries, accountants and other consultants. One or more assumptions may not materialize or be changed in the future. The City expresses no opinion regarding the quality such assumptions and cannot provide any guarantee as to the eventual results.*

Below are definitions for selected terms used in the most recent PERS Reports:

*Accrued Liability* – The total dollars needed as of the valuation date to fund all benefits earned in the past for current members.

*Actuarial Assumptions* – Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include discount rate, salary growth and inflation.

*Actuarial Valuation* – The determination, as of a valuation date, of the Normal Cost, Accrued Liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

*Entry Age Normal Cost Method* – An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll. (The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

*Normal Cost* – The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

*Present Value of Benefits* – The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

*Unfunded Liability (“UAL”)* – When a plan or pool’s Value of Assets is less than its Accrued Liability, the difference is the plan or pool’s Unfunded Liability. If the Unfunded Liability is positive, the plan or pool will have to pay contributions exceeding the Normal Cost.

Beginning with the June 30, 2013 valuation (which set the 2015-16 contribution rates), PERS has used an amortization and smoothing policy that pays for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. PERS no longer uses an actuarial value of assets and only uses the market value of assets. PERS’ policies and actuarial assumptions have changed significantly in recent years and can be expected to change or be modified from time to time by PERS in the future. PERS has adopted a four-year Asset Liability Management (ALM) review cycle, and reviews its capital market and economic assumptions, actuarial assumptions and risk mitigation policy every four years.

The August 2017 PERS Reports show the following funding history for the City’s four rate plans (without accounting for prepayments or benefit changes made during any fiscal year):

*Miscellaneous Plan (for Hire Date before 1/1/2013)*

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Market Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2013	\$22,393,548	\$17,941,542	\$4,452,006	80.1%	\$2,934,551
6/30/2014	24,390,519	20,384,175	4,006,344	83.6	2,866,531
6/30/2015	25,738,694	20,534,126	5,204,568	79.8	2,568,889
6/30/2016	27,037,887	20,000,663	7,037,224	74.0	2,098,585
6/30/2017	28,474,958	21,485,636	6,989,322	75.5	2,016,811

*PEPRA Miscellaneous Plan (for Hire Date after 1/1/2013)*

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Plan’s Share of Pool’s Market Value of Assets</b>	<b>Plan’s Shared of Pooled Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2013	\$ 7,965	\$ 10,686	\$ (2,721)	134.2%	\$ 231,383
6/30/2014	52,409	57,924	(5,515)	110.5	486,656
6/30/2015	143,153	139,481	3,672	97.4	926,920
6/30/2016	298,239	270,038	28,201	90.5	1,434,328
6/30/2017	571,999	545,117	26,882	95.3	1,552,251

*Safety Plan (for Hire Date before 1/1/2013)*

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Market Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2013	\$14,145,146	\$11,068,858	\$3,076,288	78.3%	\$1,601,639
6/30/2014	15,979,192	13,165,261	2,813,931	82.4	1,732,256
6/30/2015	16,823,856	13,180,169	3,643,687	78.3	1,554,476
6/30/2016	18,133,176	13,289,364	4,843,812	73.3	1,539,125
6/30/2017	19,437,081	14,539,247	4,897,834	74.8	1,620,654

*PEPRA Safety Plan (for Hire Date after 1/1/2013)*

<b>Valuation Date</b>	<b>Accrued Liability</b>	<b>Plan's Share of Pool's Market Value of Assets</b>	<b>Plan's Shared of Pooled Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>
6/30/2013	\$ 906	\$ 1,330	\$ (424)	146.8%	\$ 43,278
6/30/2014	40,200	42,404	(2,204)	105.5	222,248
6/30/2015	115,394	109,458	5,936	94.9	389,640
6/30/2016	206,150	182,879	23,271	88.7	445,062
6/30/2017	356,836	333,016	23,820	93.3	701,392

The tables below show the historic required City contribution from fiscal years 2017-18 to 2019-20 and projected City contributions for fiscal years 2020-21 to 2022-23, as reported in the August 2017 PERS Reports. The projections are based on various assumptions. PERS actuarial assumptions are subject to periodic review and revisions. Actual contributions will be subject to such revisions.

*Miscellaneous Plan (Hire Date before 1/1/2013)*

	<b>Required Contribution</b>			<b>Projected Future Employer Contribution<sup>(1)</sup></b>		
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Normal Cost %</b>	8.418%	8.892%	9.680%	10.3%	10.3%	10.3%
<b>UAL Payment</b>	\$316,922	\$403,729	\$496,385	\$563,000	\$643,000	\$710,000

(1) Assumes 7.25 percent return for fiscal year 2019-20 and 7.00 percent the following year, but see discussion below regarding changes adopted by CalPERS.

*PEPRA Miscellaneous Plan (Hire Date after 1/1/2013)*

	Required Contribution			Projected Future Employer Contribution <sup>(1)</sup>		
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Normal Cost %</b>	6.533%	6.842%	6.985%	7.5%	7.5%	7.5%
<b>UAL Payment</b>	\$1,576	\$2,251	\$16,335	\$17,000	\$19,000	\$20,000

(1) Assumes 7.25 percent return for fiscal year 2019-20 and 7.00 percent the following year, but see discussion below regarding changes adopted by CalPERS.

*Safety Plan (Hire Date before 1/1/2013)*

	Required Contribution			Projected Future Employer Contribution <sup>(1)</sup>		
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Normal Cost %</b>	14.971%	15.719%	16.636%	17.7%	17.7%	17.7%
<b>UAL Payment</b>	\$233,898	\$267,206	\$334,179	\$384,000	\$442,000	\$490,000

(1) Assumes 7.25 percent return for fiscal year 2019-20 and 7.00 percent the following year, but see discussion below regarding changes adopted by CalPERS.

*PEPRA Safety Plan (Hire Date after 1/1/2013)*

	Required Contribution			Projected Future Employer Contribution <sup>(1)</sup>		
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Normal Cost %</b>	11.990%	12.141%	13.034%	13.1%	13.1%	13.1%
<b>UAL Payment</b>	\$2,005	\$2,452	\$5,942	\$6,600	\$7,400	\$8,300

(1) Assumes 7.25 percent return for fiscal year 2019-20 and 7.00 percent the following year, but see discussion below regarding changes adopted by CalPERS.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for fiscal year 2019-20 were calculated using a discount rate of 7.25 percent. The projected employer contributions shown above were calculated assuming that the discount rate will be lowered to 7.00 percent next year as adopted by the Board. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and PERS investment staff. The specific decision adopted by the PERS Board reflected recommendations from PERS staff and additional input from employer and employee stakeholder groups. Notwithstanding the PERS Board's decision to phase into a 7.0 percent discount rate, subsequent analysis of the expected investment return of PERS assets or changes to the investment allocation may result in a change to this three year discount rate schedule.

On February 13, 2018, the CalPERS Board adopted the following changes to its amortization policy, applicable to all public agencies commencing fiscal year 2021-22:

1. Shorten the period over which actuarial gains and losses are amortized from 30 years to 20 years. This change applies only to new gains/losses established on or after the effective date of the policy change (see item 5).
2. Amortization payments for all UAL bases will be computed to remain a level dollar amount throughout the amortization period. This change applies only to new UAL bases established on or after the effective date of the policy change (see item 5).
3. Remove the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses established on or after the effective date of the policy change (see item 5).
4. Remove the 5-year ramp-down on investment gains/losses established on or after the effective date of the policy change (see item 5).
5. Set an effective date of June 30, 2019 for policy changes 1-4 above.
6. Set a maximum amortization period of 15 years for all unfunded accrued liability of Inactive Employers (no active members). This change would be effective for the June 30, 2017 actuarial valuations. The actuary will retain the ability to further shorten the period on any valuation date based on the life expectancy of plan members and projected cash flow needs of the plan.

Information regarding CalPERS' administration of the plans, actuarial methods assumptions and asset valuation can be obtained from CalPERS at Lincoln Plaza North, 400 Q Street Sacramento, California 95811 or (888) 225-7377. The comprehensive annual financial reports of CalPERS are available on CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The website reference is for informational purposes only. None of the content of the website is any way incorporated into this Official Statement. The City makes no representation concerning, and does not take any responsibility for, the accuracy or timeliness of information posted on such website or the continued maintenance of such website.

### **Other Post-Employment Benefits Other Than Pensions**

The City allows its retirees who retire under provisions of a regular service retirement to have the opportunity to continue enrollment in the City's health insurance program. The retirees have the same choice of insurance plans as those of current employees. The retirees are pooled together separately from the active employee pool and pay the full cost of the insurance premiums without cost to the City.



## **BONDOWNERS' RISKS**

*Investment in the Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.*

### **Limited Obligations of City**

The Bonds will be special obligation of the City payable solely from and secured by Net Revenues and the funds specifically identified in the Indenture. The City will not be required to advance moneys derived from any source of income other than the Net Revenues and the funds and accounts specifically identified in the Indenture for payment on the Bonds, nor shall any other funds or property of the City be liable for such payments. Neither the Trustee nor any Owner shall have the right, directly or indirectly, to require or compel the exercise of the *ad valorem* taxing power of the City or the forfeiture of any property of the City, including any portion of the Water System, for the making of any payments pursuant to the Bonds or the Indenture. The Bonds do 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.

### **Water Supply**

Currently, water extracted from the Tulare Lake Subbasin is the City's sole water supply source for its Water System customers. As discussed under "WATER SYSTEM -- Water Supply," the State has determined that the Tulare Lake Subbasin is subject to "critical conditions of overdraft." Pursuant to State law, the local agencies that have water supply, water management or land use responsibility within the Tulare Lake Subbasin must form groundwater sustainability agencies to develop and implement Sustainability Plans by January 2020. The City is a member of South Fork Kings GSA, which was formed in 2017. At this time, it is uncertain whether and, if so, how, the eventual Sustainability Plan will affect the volume of water that the City can annually extract from the Tulare Lake Subbasin or whether the City would have to seek water supply from other means (such as, but not limited to purchasing or importing water, use surface water, use recycled water, enter water exchanges). Each such alternative will require additional expenditures for implementation. Furthermore, the City, as a member, makes annual contributions to the SFKGSA for its operating budget, and may be called upon to make additional contributions or pay assessments for extraordinary costs. See discussion under "WATER SYSTEM -- Water Supply -- *South Fork Kings GSA*." Such additional expenditures would impact the City's operating expenses with respect to the Water System and cause the debt service coverage for payment on the Bonds to be lower than those shown in Table 10 under "WATER SYSTEM FINANCIAL INFORMATION."

## **Water System Operation and Expenses; Net Revenues**

Projected revenues, operational expenses and demands of the Water System described in this Official Statement are based on certain assumptions that the City believes are reasonable. However, no assurance can be given that actual operating results will be consistent with these projections. In addition to the potential impact of the State drought discussed under “Water Supply” above, Net Revenues may also be affected by the disruption in service from system failures, the relocation of customers out of the Service Area (contributed by, for example, an unexpected reduction of major contributors to the local economy such as the Lemoore NAS or Leprino Foods), or the discontinued use of the City’s water services by one or more major customers, an increase in operating costs of the Water System, or a number of other risk factors, whether or not described in this Official Statement. The occurrence of any of these events, or changes in technology or regulatory standards, could impact the Water System’s revenues and expenses. In such case, the City may be required to increase service charges for the Water System in order to comply with the City’s rate covenant under the Indenture. Under certain circumstances, the City could be unable to raise rates in accordance with the rate covenant. See, for example, “CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES.” Receipt of the Water System’s Net Revenues in amounts sufficient to pay the Bonds is dependent on the continual use of the services at forecasted levels.

### **Regulatory Requirements**

The operations of the Water System are subject to state and federal laws and regulations, particularly with respect to water quality requirements. See “WATER SYSTEM -- Regulatory Compliance.” The Bonds are being issued, in part, to finance the construction of three water treatment plants that will comply with SWRCB’s Compliance Order No. 03-12-14R-004. The adoption of more stringent laws and regulations may cause the City to incur greater expenses for the operation of the Water System, particularly, for example, if such changes require the use of new or costly technology. Although the City covenants in the Indenture to fix rates and collect revenues for the Water System to meet certain debt service coverage requirements (see “SECURITY FOR BONDS – Rate Covenants”), no assurance can be given that the costs of complying with such new laws and regulations will not adversely affect the City’s ability to generate sufficient Net Revenues in the amounts required by the Indenture. It is not possible to predict the timing or nature of more stringent operation standards that may be imposed on the City over the term of the Bonds.

### **Significant Source of Revenue from Top Customer**

As shown under “WATER SYSTEM – Top Customers (by Service Charge Revenues),” the Water System’s top customer, Leprino Foods, accounted for 22 percent of the total fiscal year 2017-18 of the service charge revenues of the Water System (in contrast to the second top customer which accounted for only 3.73 percent). A change in Leprino Foods’ operation causing significant reduction of water use could have a material adverse impact on the revenues of the Water System. The City is currently unaware of any event which would cause Leprino Foods to reduce its operation in the City or be unable or unwilling to pay water service charges when due. The City, however, has not undertaken Leprino Food’s finances and does not make any representation and gives no assurance that any such event does not exist or will not occur in the future.

## **Natural Calamities**

From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City. The occurrence of a natural calamity, such as an earthquake, a drought, a flood or any other disaster, may affect the City's water supply, substantially damage or destroy Water System facilities or otherwise disrupt the Water System's operation. In such circumstances, Net Revenues may be reduced or eliminated if the City was unable to provide the affected Water System's services to its customers, or if large amounts of revenues were required to be applied to make extensive repairs to the affected Water System. Such a reduction or elimination of Net Revenues could impair the City's ability to pay debt service on the Bonds when due.

There are no known active seismic faults in the County or its immediate vicinity. Beyond surface rupture along the fault zone, potential hazards related to major earthquakes include ground shaking and related secondary ground failures. The principle earthquake hazard affecting the County is ground shaking as opposed to surface rupture or ground failure. The closest active fault is the Nunez fault located in western Fresno County. The Nunez fault is a 4.2-km-long, north-south-trending, right-reverse, oblique-slip fault situated about 8 miles northwest of City of Coalinga. Two earthquakes in 1983 and 1985 associated with this fault had a greater than 6.0 magnitude. However, the location of this fault is sufficiently far away from the City that aftershocks did not cause any damage.

According to the United States Federal Emergency Management Agency ("FEMA"), a small area (approximately 446 acres) in the western portion of the City is in a 100-year flood plain. The City has adopted a Flood Damage Prevention Ordinance, which requires compliance by all new developments in the flood zone. While some of the City's wells are located within the 100-year flood plain, most of the Water System infrastructures is located within areas designated by FEMA as zone X, with low flood risk.

As reported in the City's General Plan (last adopted in 2008), less than one percent of the Planning Area covered by the General Plan (consisting of approximately 12,200 acres in and surrounding the City) has a high threat of wildfire, which threat would likely decrease as vacant parcels in those areas become developed.

As set forth in Article E of Chapter 7 of Title 7 of the City's Municipal Code, adopted pursuant to Ordinance No. 2015-06 (see "WATER SYSTEM – Water Conservation and Supply Shortage Contingency Measures – *City Water Conservation Program and Shortage Contingency Plan*"), the City has developed a set of water conservation measures (*i.e.*, Level III measures) which may be triggered in case of a major earthquake, large scale fire, or natural calamity that has a serious impact on the city's total available water storage or delivery capacity.

## **Insurance**

The City will covenant in the Indenture to maintain insurance relating to the Water System that will afford protection in such amounts and against such risks as are usually covered in connection with public Water Systems similar to the Water System. The City maintains liability insurance through the self-insurance risk pool administered by Central San Joaquin Valley Risk

Management Authority. See “WATER SYSTEM -- Insurance.” In the event of an extraordinary casualty or loss, there is no assurance that the insurance proceeds will be adequate to cover the claim. In such circumstances, the amount of Net Revenues available to pay debt service may be impacted.

### **Limitations on Remedies and Bankruptcy**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinions as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity 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 Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State.

The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, the City may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. The City, upon becoming a debtor under the Bankruptcy Code, would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. The ability, timing and amount that the Trustee or the Owners of the Bonds will be able to recover claims in such case will be subject to the uncertainty presented by such bankruptcy proceedings.

### **Investment of Funds**

The funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.” All investments, including Permitted Investments, authorized by law from time to time for investments by the City contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture could have a material adverse effect on the security for the Bonds.

## **Constitutional Limitations (Proposition 218); Future Initiative and Legislation**

Proposition 218, which added Articles XIIC and XIID to the California Constitution, affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter a majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of a majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the Bonds. Notwithstanding the foregoing, the City has covenanted to effect water service rate increases as needed for compliance with its rate covenant to the maximum extent permitted by law in compliance with Proposition 218. See "CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES."

Other initiative measures could be adopted, affecting the City's ability to generate revenues through property related fees, charges, taxes or otherwise, and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the City.

### **Loss of Tax Exemption**

*Compliance by City.* In order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the City has covenanted to comply with the applicable requirements of Section 148 and certain other sections of the Tax Code, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. Interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance of the Bonds as a result of acts or omissions of the City in violation of these covenants. See "CONCLUDING MATTERS – Tax Matters."

*Future Legislation or Court Decisions.* Legislation affecting the tax exemption of interest on the Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax exemption of interest on the Bonds or the market value of the Bonds.

### **Secondary Market**

There can be no assurance that there will be a secondary market for the Bonds, or if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

## **CONSTITUTIONAL PROVISIONS AFFECTING WATER SYSTEM REVENUES AND EXPENDITURES**

### **Article XIII A and Article XIII B**

Pursuant to California law, any fee that exceeds the reasonable cost of providing the service for which the fee is charged is a “special tax,” which under Article XIII A of the California Constitution must be authorized by a two-thirds vote of the electorate. This requirement may be applicable to rates for water and sewer service and capacity charges, to the extent that such rates and charges exceed the reasonable costs of providing service. In addition, the California courts have determined that fees imposed as a condition of approval of a development project, such as impact fees for water or sewer service, will not be special taxes if the fees approximate the reasonable cost of constructing the related improvements contemplated by the local agency imposing the fee. Such court determinations have been codified in California Government Code Section 66005.

On November 6, 1979, California voters approved Proposition 4, the “Gann Initiative,” which added Article XIII B to the California Constitution. Under Article XIII B, state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions, and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any tax year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by voters and payments required to comply with court or federal mandates which without discretion required an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The City believes that its rates and charges for water service do not exceed the costs the City reasonably bears in providing such service, and are presently in compliance with Article XIII A and Article XIII B.

### **Proposition 218: Article XIII C and Article XIII D**

*General.* On November 5, 1996, California voters approved Proposition 218, “the Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, providing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. The City believes that it has complied with the requirements of Proposition 218 in all material respects with respect to the adoption of the City’s current charges for Water System services.

Article XIIC. Article XIIC provides that a local government may not impose, extend, or increase local taxes until such taxes are submitted to the electorate for approval. General taxes, imposed, extended, or increased for general governmental purposes of the city, require a majority vote and special taxes, imposed, extended, or increased for specific purposes, require a two-thirds vote. In addition, Article XIIC provides that the constitutional initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local taxes, assessments, fees, and charges. This provision with respect to the initiative power is not limited to taxes, assessments, fees, and charges imposed on or after November 6, 1996, the effective date of Proposition 218. However, on July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states: “Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996 general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.” Government Code Section 5854 appears to limit the voters’ power to repeal or reduce Water System fees and charges if such reduction would interfere with the City’s payment of the Bonds. If Government Code Section 5854 becomes the subject of a challenge, however, no guarantee can be made that the courts will agree with such interpretation.

Article XIID. Article XIID imposes various procedural and substantive requirements on local governments that levy an “assessment,” “fee,” or “charge.” Article XIID defines “fees” or “charges” 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 a user fee or charge for a property related service.” “Property related service” means a public service having a direct relationship to property ownership (property ownership includes tenancies where tenants are directly liable to pay the fee or charge). In particular, a fee or charge (i) may not exceed the funds required to provide the property related service, (ii) may not be used for any purpose other than that for which the fee or charge was imposed, (iii) may not exceed the proportional cost of the service attributable to the parcel, (iv) may not be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and (v) may not be imposed for general governmental services.

In addition, before any property related fee or charge may be imposed or increased, the local government agency must provide mailed notice 45 days in advance of a hearing regarding the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local government agency may not impose or increase the fee or charge. Moreover, except for fees or charges for water, wastewater, and refuse collection services (or fees for electrical and gas service, which are expressly exempted from Proposition 218), no property related fee or charge may be imposed or increased without a majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds approval by those residing in the affected area and voting in the election. Article XIID states that, beginning July 1, 1997, all fees or charges must comply with its provisions.

The City believes that it has complied with the procedural and substantive requirements of Proposition 218 with respect to the Water System services charges that it currently imposes. The ability of the City to comply with the covenants in the Indenture, including the rate covenant described under “SECURITY FOR BONDS – Rate Covenants,” in connection with the levy and

collection of Water System service charges could be adversely affected by actions taken or not taken by voters, property owners or other persons obligated to pay Water System service charges.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the Water System revenues or the City's ability to expend such revenues.

## **CONCLUDING MATTERS**

### **No Litigation Affecting Bonds**

To the City's knowledge, there is no litigation pending or threatened to restrain or enjoin the execution or delivery of the Indenture, the issuance of the Bonds, or to contest the validity of the Bonds or any proceedings of the City with respect thereto. In the opinion of the City, there is no lawsuit or claim pending against the City that will materially impair the City's ability to enter into the Indenture or restrain or enjoin the collection of Net Revenues of the Enterprises as contemplated in the Indenture.

In August 2018, four of the five City Council members voted to adopt a resolution to censure Council member Holly Blair after she had, among other things, publicly made certain comments regarding other Council members and key City employees. An effort to put the recall of Ms. Blair's Council membership on the November 2018 ballot was unsuccessful. In January 2019, the majority of the City Council voted to direct the City Attorney's office to initiate court action to seek a temporary restraining order ("TRO") against Council member Blair for public discussion of confidential personnel information of individual public safety officers. The TRO application was filed on January 29, 2019.

### **Continuing Disclosure**

The City has undertaken in a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of Owners and beneficial owners of the Bonds to provide certain financial information relating to the City and other data relating to the Water System (the "Annual Report") by not later than nine months after the close of each fiscal year (which currently would be March 31, with the fiscal year ending on each June 30), commencing with the report for the 2017-18 fiscal year (provided that the report for fiscal year 2017-18 will consist of the City's financial statements only, because the balance of the information is already included in this Official Statement)\*, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed by the City or Willdan Financial Services, as the Dissemination Agent on behalf of the City, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." This undertaking has been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") promulgated

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\* Parenthetical added for clarification purposes after printing of Preliminary Official Statement.



by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A failure by the City to comply with the provisions of the Continuing Disclosure Certificate is not an event of default under the Indenture (although the Owners and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the City to comply with the provisions of the Continuing Disclosure Certificate may adversely affect the marketability of the Bonds on the secondary market.

During the past five years, the City has not had any continuing disclosure obligations pursuant to the Rule, except in its capacity as the Successor Agency to Lemoore Redevelopment Agency (the “Successor Agency”), for bonds issued by the former Lemoore Redevelopment Agency (the “RDA Bonds”). For the RDA Bonds, the Successor Agency is required file with the MSRB by posting on EMMA, no later than nine months after the end of each fiscal year (the “CD Deadline”), a report consisting of: (i) audited financial statements, and (ii) certain fiscal information relevant to the RDA Bonds (the “Additional Data”). A review of the Successor Agency’s continuing disclosure filing records in September 2018 showed that: (i) the financial statements for fiscal year 2012-13 was filed by the applicable CD Deadline, (ii) the audited financial statements for fiscal years 2013-14 and 2014-15 were filed late, (iii) the audited financial statements for fiscal years 2015-16 and 2016-17 had not yet been filed, (iv) the Additional Data reporting for each of the fiscal years 2012-13 through 2016-17 were incomplete or missing, (v) notice of a rating change in 2014 had not been filed (however, the affected bonds are no longer outstanding), and (vi) notices of late filing had not been filed. The City, in its capacity as the Successor Agency, retained a fiscal consultant for a report (the “Fiscal Consultant Report”). The Fiscal Consultant Report, completed in October 2018, contains not only the information needed to address the past incomplete or missing Additional Data filings, but also includes the Additional Data required to be filed by the March 31, 2019 CD Deadline. The Successor Agency filed the Fiscal Consultant Report and the audited financial statements for fiscal years 2015-16 and 2016-17, onto EMMA in December 2018.

The City has taken steps to ensure future compliance with its continuing disclosure obligations in a timely manner. Before the printing of this Official Statement, the City Council adopted Resolution No. 2019-05 and approved a set of continuing disclosure procedures.

## **Legal Matters**

All of the legal proceedings in connection with the authorization and issuance of the Bonds are subject to the approval of Richards Watson & Gershon, A Professional Corporation, Bond Counsel. Bond Counsel’s final approving opinion with respect to the Bonds will be substantially in the form set forth in Appendix D of this Official Statement. Certain matters with respect to this Official Statement will be considered on behalf of the City by Richards, Watson & Gershon, A Professional Corporation, in its capacity as Disclosure Counsel. Certain legal matters will also be passed upon for the City by the firm of Lozano Smith, Attorney at Law, in its capacity as City

Attorney. Certain legal matters will also be passed upon for the Underwriter, by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel.

## **Tax Matters**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issue. These requirements include, but are not limited to, provisions which limit how the proceeds of the Bonds may be spent and invested, and generally require that certain investment earnings be rebated on a periodic basis to the United States of America. The City has made certifications and representations and have covenanted to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law and assuming the accuracy of such certifications and representations by, and compliance with such covenants of, the City: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and (ii) the Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, interest on the Bonds is not a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from State of California personal income taxes. Bond counsel expresses no opinion as to any other tax consequences regarding the Bonds.

Under the Code, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding these and other such consequences.

Bond Counsel has not undertaken to advise in the future whether any circumstances or events occurring after the date of issue of the Bonds may affect the tax status of interest on the Bonds. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issue of the Bonds, will not contain provisions which could eliminate, or directly or indirectly reduce the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes, or have an adverse effect on the market value or marketability of the Bonds.

For example, federal tax legislation enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax for taxable years beginning after December 31, 2017, and generally eliminated advance refunding bonds, among other things. This legislation increased, reduced or otherwise changed the financial benefits provided to certain owners of state and local government bonds. In addition, investors in the Bonds should be aware that future legislative actions may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Certain requirements and procedures contained or referred to in relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon.

If the issue price of a Bond (the first price at which a substantial amount of the bonds of a maturity are sold to the public) is less than the stated redemption price at maturity of such Bond, the difference constitutes original issue discount, the accrual of which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant yield method over the term of each such Bond and the basis of each Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Purchasers who acquire Bonds with original issue discount are advised that they should consult with their own independent tax advisors with respect to the state and local tax consequences of owning such Bonds.

If the issue price of a Bond is greater than the stated redemption price at maturity of such Bond, the difference constitutes original issue premium, the amortization of which is not deductible from gross income for federal income tax purposes. Original issue premium is amortized over the period to maturity of such Bond based on the yield to maturity of that Bond (or, in the case of a Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. For purposes of determining gain or loss on the sale or other disposition of such Bond, the purchaser is required to decrease such purchaser's adjusted basis in such Bond by the amount of premium that has amortized to the date of such sale or other disposition. As a result, a purchaser may realize taxable gain for federal income tax purposes from the sale or other disposition of such Bond for an amount equal to or less than the amount paid by the purchaser for that Bond. A purchaser of that Bond in the initial public offering at the issue

price for that Bond who holds it to maturity (or, in the case of a callable Bond, to its earlier call date that results in the lowest yield on that Bond) will realize no gain or loss upon its retirement.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of a Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Bonds should consult their own independent tax advisors regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in a judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

### **Municipal Advisor**

The City has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the "Municipal Advisor") in connection with the offering of the Bonds. All financial and other information presented in this Official Statement has been provided by the City and others from their records. Unless otherwise footnoted, the Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City or others and has not undertaken to make an independent verification and does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor has assisted the City with the structure, timing and terms for the sale of the Bonds. The Municipal Advisor provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

### **Underwriting**

Pursuant to a bond purchase contract (the "Purchase Contract"), Stifel, Nicolaus & Company, Incorporated, the Underwriter, has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$30,303,757.30 (which is equal to the principal amount of the Bonds, plus a net original issue premium of \$3,107,157.30, and less an Underwriter's discount of \$183,400.00). The Purchase Contract provides that the Underwriter will purchase all of the Bonds

if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover of this Official Statement, which prices may subsequently change without any requirement of prior notice.

## **Ratings**

S&P Global Ratings (“S&P”) has assigned an underlying rating of “A+” to the Bonds without giving effect to the Bond Insurance Policy. In addition, S&P is expected to assign a rating of “AA” to the Bonds conditioned on the issuance by the Bond Insurer of the Bond Insurance Policy at the time of delivery of the Bonds. See “BOND INSURANCE.” S&P’s ratings reflect only the views of S&P and any explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely, if in S&P’s judgment, circumstances so warrant. Other than as described in the Continuing Disclosure Certificate, the City takes no responsibility regarding either to bring to the attention of the Owners of the Bonds any revision, suspension or withdrawal of such ratings or to oppose any such revision or withdrawal. Any such downward, suspension, revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## **Miscellaneous**

All of the preceding description and summaries of the Bonds, the Indenture, other applicable agreements, legislation and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The City has duly authorized the execution and delivery of this Official Statement by its officer.

**CITY OF LEMOORE**

By: /s/ Nathan C. Olson  
City Manager

## APPENDIX A

### SUPPLEMENTAL INFORMATION ABOUT CITY OF LEMOORE

*This Appendix is included solely to provide background and demographic information regarding the City. The City's obligation to pay the Bonds is a special obligation limited solely to the Net Revenues of the Water System. No other funds or property of the City shall be liable for the payment of the Bonds or any other amounts payable under the Indenture.*

#### **General**

The City of Lemoore (the "City") is situated in the northern portion of Kings County, in the center of the San Joaquin Valley. The San Joaquin Valley is a part of the Central Valley of California (the "State"), one of the world's most productive agricultural regions. The City is located at the junction of State Route 198 and State Route 41, providing access to Interstate 5 and Highway 99, two major highways that connect northern and southern California. The City is approximately 200 miles north of Los Angeles and 210 miles south of San Francisco. A number of national parks including Yosemite, Sequoia, and Kings Canyon National Park and the scenic Central Coast, are located within a two-hour drive from the City. The Fresno/Yosemite International Airport, located 35 miles from the City, services commercial and freight air traffic.

The City exhibits characteristics of many Central Valley communities, with a traditional downtown surrounded by residential neighborhoods and agriculture lands. Two major employers of City residents are located outside of the City. The Lemoore Naval Air Station, the United States Navy's largest master jet air station in the country, is located approximately 3 miles west of the City limits, and is a major economic contributor to the community's economy. The Tachi Palace Hotel and Casino (formerly, Palace Indian Gaming Center), owned by the Santa Rosa Indian Community of the Santa Rosa Rancheria, is also a significant employer in the area. The WSL Surf Ranch, formerly known as the Kelly Slater Surf Ranch, is located just outside of the City and has attracted much media coverage in recent years. At the Surf Ranch, hydrofoil technology is used to make artificial waves in a freshwater pool. Professional competitions were held for the first time at the Surf Ranch in 2018.

A full range of municipal services are provided by the City, including water services; refuse collection, disposal, and recycling service; a police department, community development services; park and recreation facilities; and volunteer fire department services. The City maintains a volunteer fire department.

The Lemoore Union Elementary Union School District, with six campuses, serves students from kindergarten through middle school. The Lemoore Union High School District provides ninth through twelfth grade education. The Lemoore campus of West Hills Community College is located on the west side of the City provides college level education to residents from around the region.

The climate of the area in and around City is characteristic of that of the Southern San Joaquin Valley. The summer climate is hot and dry, while winters are cool and periodically humid. Mean daily maximum temperatures range from a low of approximately 40°F in February to a high of about 96°F in August. Rainfall is concentrated during the six months from October to May.

December and January typically experience heavy fog, mostly nocturnal, caused when moist cool air is trapped in the valley by high pressure systems. In extreme cases, this fog may last continuously for two or three weeks.

### **Municipal Government**

The City was incorporated in 1900 as a general law city, and became a charter city in 2000 upon approval of the City’s voters. The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members. Formerly, the Council members were elected at large. Starting in November 2018, a by-district system of election has been implemented. The City Council membership for two of the five districts was part of the November 2018 election, and will be subject to elections every four years thereafter. An election for the City Council membership for the other three districts will be held in November 2020, and every four years thereafter. The City Council selects two of its members to serve as the Mayor and Mayor Pro Tem. As of October 1, 2018, the City had approximately 138 full-time employees.

The current members of the City Council are as follows:

<b>Name and Office</b>	<b>Current Term Expires</b>
Eddie Neal, <i>Mayor</i>	December 2020
Chad Billingsley, <i>Mayor Pro Tem</i>	December 2022
Holly Andrade Blair, <i>Council Member</i>	December 2020
David Brown, <i>Council Member</i>	December 2020
Stuart Lyons, <i>Council Member</i>	December 2022



## Population

The following table shows the estimated population growth for the City, the County and the State of California for the years shown.

### City of Lemoore City and County Population Growth<sup>(1)</sup> Calendar Years 1980, 1990, 2000, 2010, 2014-2018

Calendar Year	City of Lemoore	% Change from Prior Period Shown	Kings County	% Change from Prior Period	State of California	% Change from Prior Period
1980	8,850	--	73,500	--	23,510,815	--
1990	13,450	52.0%	100,800	37.1%	29,558,000	25.7%
2000	19,525	45.2	128,787	27.8	33,721,583	14.1
2010	24,351	24.7	152,717	18.6	37,223,900	10.4
2014	25,169	0.9	149,754	-0.5	38,912,464	1.8
2015	25,306	0.5	149,730	-0.0	38,915,880	0.0
2016	25,648	1.4	149,744	0.0	39,179,627	0.7
2017	25,681	0.1	149,559	-1	39,500,973	0.8
2018	25,892	0.8	151,662	1.4	39,809,693	0.8

(1) As of January 1 of each year.

Source: State of California Department of Finance.

## Taxable Valuation

The following is a table showing the City's taxable valuation for the fiscal years shown. These figures are presented for historical comparison, with reference only to the time frame of the years shown.

### City of Lemoore Assessed Values of All Taxable Property Fiscal Years 2007-08 through 2016-17

Fiscal Year	Secured Value	Utility	Unsecured Value	Total Assessed Value	% Change from Prior Year
2007-08	\$1,476,908,563	\$857,527	\$42,301,715	\$1,520,067,805	--
2008-09	1,618,788,968	828,108	42,411,801	1,662,028,877	9.34%
2009-10	1,626,916,526	825,630	39,269,425	1,667,011,581	0.30
2010-11	1,709,130,426	554,384	28,706,275	1,738,391,085	4.28
2011-12	1,758,796,967	574,763	26,393,761	1,785,765,491	2.73
2012-13	1,737,953,522	575,662	28,254,947	1,766,784,131	-1.06
2013-14	1,751,569,065	574,057	27,317,455	1,779,460,577	0.72
2014-15 <sup>(1)</sup>	1,665,821,072	684,859	25,689,595	1,692,195,526	-4.90
2015-16	1,797,274,999	680,243	23,520,387	1,821,475,629	7.64
2016-17	1,864,123,891	665,582	24,922,222	1,889,711,695	3.75

(1) 2014-15 tax roll included a \$104.3 million reduction to the assessed value of Leprino Foods' property, based an assessment appeal by Leprino Foods. Secured value of Leprino Foods' property increased from \$313.4 million on the 2014-15 tax roll to \$362.3 million on the 2016-17 tax roll. Subsequently, the secured value was reduced to \$333.8 million on the 2017-18 tax roll and \$281.4 million on the 2018-19 tax roll because of appeals. As of October 2018, there was still a pending appeal by Leprino Foods further reduction to \$138.3 million.

Source: Table appearing in supplemental section of City of Lemoore Comprehensive Annual Financial Report for Year Ended June 30, 2017.

## Construction Activity

The following table shows the number of construction permits issued in the City and the related values during fiscal years shown.

<b>City of Lemoore Construction Permits Fiscal Years 2013-14 through 2017-18</b>					
	<b>Residential</b>		<b>Non-Residential</b>		
<b>Fiscal Year</b>	<b>Number of Permits Issued</b>	<b>Estimated Valuation</b>	<b>Number of Permits Issued</b>	<b>Estimated Valuation</b>	<b>Total Estimated Valuation</b>
2013-14	386	\$29,220,350	1	\$1,725,000	\$30,945,350
2014-15	689	20,240,897	2	40,700	20,281,597
2015-16	813	26,523,868	1	222,360	26,746,228
2016-17	832	18,287,524	0	--	18,287,524
2017-18	815	19,514,634	67	15,272,264	34,786,898

Source: City of Lemoore Community Development Department.

## Employment

According to the State of California Employment Development Department, the December 2018 preliminary estimated unemployment rates for the City, the County and the State were 6.0 percent, 8.2 percent and 4.1 percent, respectively. The following table shows certain employment statistics for the City and the County for calendar years 2013 through 2017.

### City of Lemoore City, County and State Employment Statistics Calendar Years 2013 through 2017<sup>(1)</sup>

Year	City			County	State
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	Unemployment Rate
2013	12,000	10,500	12.0%	13.4	8.9%
2014	11,900	10,600	10.7	11.9	7.5
2015	12,000	10,800	9.3	10.5	6.2
2016	11,800	10,800	8.9	10.0	5.4
2017	12,200	11,500	5.9	8.9	4.8

(1) Not seasonally adjusted. March 2017 benchmark.

Source: State of California, Employment Development Department.

The following table lists the major employers within the City and their estimated number of employees.

### City of Lemoore Top Ten Employers<sup>(1)</sup> as of End of Fiscal Year 2017-18

Company	Industry Description	No. of Employees
US Naval Air Station	Government military base	8,053
Leprino Foods Company (East and West locations)	Dairy products production and processing	1,305
Lemoore Union Elementary School District <sup>(1)</sup>	Education	322
Lemoore Union High School District	Education	232
West Hills College District	Education	162
Superior Truck Lines	Trucking company	120
City of Lemoore <sup>(2)</sup>	Municipal government	118
Kmart <sup>(3)</sup>	Retail	85
Save Mart <sup>(2)</sup>	Supermarket	75
McDonald's <sup>(2)</sup>	Restaurant	60

(1) Includes classified, certified and administrative employees.

(2) Includes full and part time.

(3) In connection with the bankruptcy of Sears (Kmart's parent company), Kmart in Lemoore closed in January 2019.

Source: City of Lemoore.

The following table summarizes the civilian labor force in the County for the calendar years shown. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**Kings County**  
**(Hanford-Corcoran Metropolitan Statistical Area)**  
**Annual Average Employment by Industry<sup>(1)</sup>**  
**Calendar Years 2013 through 2017**

<b>Industry</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Private, non-farm</b>					
<i>Goods producing:</i>					
Mining, logging and construction	800	800	900	900	900
Manufacturing	4,500	4,600	4,900	4,800	4,800
<i>Service providing:</i>					
Wholesale trade	600	600	600	600	600
Retail trade	4,200	4,200	4,200	4,400	4,500
Transport., warehousing and utilities	900	900	1,000	1,100	1,400
Information	200	200	200	200	200
Financial activities	900	1,000	1,000	900	900
Professional and business services	1,300	1,400	1,300	1,300	1,200
Educational and health services	5,900	6,000	6,100	6,000	6,200
Leisure and hospitality	2,900	3,100	3,300	3,300	3,300
Other services	600	600	600	600	600
<b>Subtotal<sup>(2)</sup></b>	22,800	23,300	24,000	24,100	24,700
<b>Government</b>	14,300	14,300	14,500	14,700	14,700
<b>Farm</b>	6,900	6,900	7,400	7,400	7,900
<b>Total<sup>(2)</sup></b>	<b>43,900</b>	<b>44,500</b>	<b>45,900</b>	<b>46,200</b>	<b>47,300</b>

(1) Employment reported by place of work; does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Based on March 2017 benchmark. Not seasonally adjusted.

(2) Detail may not compute to total due to rounding.

Source: State of California, Employment Development Department.

## Median Household Income

The following table shows the estimated median household income for the City, County, the State and the United States for the years shown.

### City of Lemoore, Kings County, California and the United States Median Household Income<sup>(1)</sup> Calendar Years 2013 through 2017

Year	City	County	State	U.S.
2013	\$53,711	\$48,133	\$61,094	\$53,046
2014	52,701	47,341	61,489	53,482
2015	49,623	46,481	61,818	53,889
2016	50,871	47,241	63,783	55,322
2017	54,471	49,742	67,169	57,652

(1) Estimated. Inflation adjusted based on corresponding year.

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates.

## Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for calendar years shown.

### City of Lemoore Taxable Sales Calendar Years 2012 through 2016 (in Thousands of Dollars)

Year	Retail and food services	Other Outlets	Total <sup>(1)</sup>
2012	\$107,489	\$65,830	\$173,319
2013	115,927	65,710	181,637
2014	121,276	59,392	180,668
2015	115,117	44,831	159,947
2016	114,305	40,653	154,959

(1) Detail may not compute to total due to rounding.

Source: Compiled from data published by State of California Board of Equalization.

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**APPENDIX B**

**CITY OF LEMOORE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED JUNE 30, 2017**

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017



Prepared by the Finance Department  
119 Fox Street  
Lemoore, CA 92345  
(559) 924 6712

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**CITY OF LEMOORE  
CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**Prepared by**

**FINANCE DEPARTMENT**

**CITY OF LEMOORE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017**

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## INTRODUCTORY SECTION

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119 Fox Street • Lemoore, California 93245 • (559) 924-6700 • Fax (559) 924-9003  
Office of the City Manager

June 27, 2018

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lemoore:

It is with great pleasure that we present to you the City of Lemoore Comprehensive Annual Financial Report (CAFR). This report is prepared in compliance with the Governmental Accounting Standards Board (GASB) Statement 63, which incorporates deferred outflows and inflows of resources in deriving net position. This report also complies with GASB Statement 65, which changed the method for accounting and reporting items previously reported as assets and liabilities.

This report was prepared by the Finance Department in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed Certified Public Accountants. The report consists of management representation concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lemoore has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lemoore's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management 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.

## **INDEPENDENT AUDITS**

The City contracted with Price, Paige & Company Accountancy Corporation, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lemoore for the fiscal year ending June 30, 2017, are fairly presented in conformity with generally accepted accounting principles (GAAP).

There was no requirement for a Single Audit this fiscal year because the total federal grant award expenditures did not reach the \$750,000 threshold. However, as a recipient of federal, state and county grant funding, the City continues to be responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulation relating to these award programs. Internal controls are subject to periodic evaluation by management and the City's independent auditors.

## KEY FINANCIAL REPORT SECTIONS

The CAFR is divided into the following sections:

**The Introductory Section** includes information about the organizational structure of the City, the City's economic activities, and notable financial activities.

**The Financial Section** is prepared in accordance with GASB Statement No. 34 - Including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include government-wide financial statements that present information for all City Funds. Also included in this section is the Independent Auditors' Report on the Basic Financial Statement and schedules.

The Successor Agency to the Redevelopment Agency of the City of Lemoore is also presented. The Successor Agency was created to serve as the custodial for assets to wind down the affairs of the former Redevelopment Agency.

**The Statistical Section** includes up to ten years of historical financial data, debt statistics and miscellaneous social and economic data of the city that is of interest to potential bond investors and other readers. Its presentation conforms to GASB Statement No. 44.

## CITY PROFILE

Lemoore was incorporated in 1900 as a general law city with a council-manager government. Lemoore is located in the middle of the state in the San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry. Lemoore is positioned at the crossroads of State Highways 198 and 41. The City of Lemoore is approximately 8.5 square miles and serves a population of 26,369.

The City Council ("Council") is made up of five members. The five Council members are elected at large to serve four-year, overlapping terms. Municipal elections are held in November of even number years. Council selects two of its members to serve as the Mayor and Mayor Pro-tem. The Council is responsible, among other things, for making policy, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the ordinances and policies of the governing council, for overseeing the day-to-day operations of the government, and for appointing the City's department heads.

The City of Lemoore provides a full range of municipal services, including: police and fire protection, the construction, maintenance, and cleaning of streets and other infrastructure; community development services; water service; refuse collection, disposal, and recycling services; waste water and storm drainage; recreation activities; and general administration.

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared on an annual basis with a process that begins in January. The budget is prepared by departments (i.e., General Fund, Traffic Safety Fund, etc.), by divisions (i.e. City Manager, City Clerk, etc.). All departments of the City are required to submit requests for appropriations to the City Manager and Finance Director. The council is required to adopt a budget no later than June 30, the close of the City of Lemoore's fiscal year. The City Manager may transfer appropriations within a department, provided that the total appropriation is not increased. All other budget appropriations require Council action. The budgets are managed and controlled by the department heads under the supervision of the City Manager and the Finance Director.

Budgets are adopted annually for the General Fund, some of the special revenue funds, enterprise funds and one internal service fund. A capital improvement program (CIP) projects budget is prepared for approval by the City Council, and updated as necessary. CIP projects are funded by capital projects funds, impact fees, operating accounts, grant proceeds or debt proceeds.

The Comprehensive Annual Financial Report includes budgetary comparisons for each individual governmental fund for which an appropriated annual budget has been adopted. The General Fund comparison is presented on page 20 as part of the basic financial statements for governmental funds. Governmental funds comparisons, other than the General Fund, with appropriated annual budgets are presented in the governmental fund subsection of this report which starts on page 21. Non-major funds are presented in the combining schedules beginning on page 75.

## **ECONOMIC CONDITION AND OUTLOOK**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lemoore operates.

### **Local Economy**

Lemoore enjoyed a one percent increase in population over the last year. This is the same as the average for the past nine years. The City of Lemoore is home to over 1,190 businesses (as measured by business licenses issued) with the top twenty five businesses generating approximately 68 percent of the City's total sales tax revenue. Additionally, the City's general economic base includes apparel stores, food and drug stores, building materials, auto dealers and supplies, service stations, restaurants and retail stores. The top three taxable sales earners for this fiscal year are restaurants, service stations and retail stores. The top three categories account for 50 percent of the total sales tax revenue.

The available labor force in Lemoore has the benefit of being very diverse. Due to the City's heavy agricultural ties, there is a large pool of diverse workers who possess a variety of educational and technical training backgrounds. Many residents are related to Navy personnel stationed at Naval Air Station Lemoore or were former military personnel and have chosen to reside permanently in Lemoore.

Demand for new business services has been steady over the past several years. The number of business licenses has remained relatively flat, with the most significant decline occurring in fiscal year 2009-2010. Fiscal year 2009-2010 was the year where the Great Recession hit businesses the hardest at the City of Lemoore. The average annual number of business licenses was 1,183 during the last eight years of history.

Overall, the City has shown growth in some of the areas that impact economic growth. According to the State of California Employment Development Department (EDD) November 2016 preliminary numbers, California's unemployment rate fell to 4.9 percent. Kings County's unemployment rate fell from 10.2 percent as of June 2016 to 8.4 percent in December 2017. This is an excellent recovery from the City of Lemoore's all time high of 16.2 percent in June of 2011. For year-end 2016-2017, transit occupancy tax and business licenses revenues were higher than budgeted.

The top three revenues in the City's General Fund generate 58% of the funding for the budget. By focusing on these, the City can maximize the return on cash flows when making decisions that affect these revenue streams.

The City's primary revenue source is the state Vehicle License Fee (VLF) which generates just over \$2 million per year. The VLF revenues has remained relatively flat, with a small increase over last fiscal year.

The second revenue source in Lemoore is Sales Tax revenue from retail sales generated from the 1% City share of the total 7.50% rate. The sales tax revenues average \$1.8 million per year sales tax has experienced a slight downward dip in the last couple of years. The drop in fuel prices at the pump is the largest impact on the sales tax revenues in Lemoore, due to the relative importance of gas stations to the City's retail sales.

The third revenue source is Property Tax, which was flat from 2007 through 2012, with a large increase in property revenues in 2013 related to the dissolution of the Redevelopment Agency in 2011. The property tax revenue had been steadily decreasing since 2014 until this year. Fiscal year 2017 showed a \$980,000 or 70% increase from the prior fiscal year. The City is watching this closely for the next fiscal year.

### **Financial Policies**

The City of Lemoore has adopted financial policies promoting good fiscal stewardship across a number of financial areas. The following are summaries of select financial policies.

#### Reserve Fund Policy

The Reserve Fund policy provides guidelines to ensure sufficient reserves are maintained for revenue shortfalls and unanticipated expenditures. The Reserve Fund policy established a goal of a Reserve fund of 25 percent of General Fund expenditures. This is expected to be raised to 35 percent within five years.

### Debt Financing Policy

The Debt Financing Policy provides guidelines regarding how to finance capital assets with a useful life of ten years or longer. This policy is to utilize debt financing for infrastructure assets with useful lives of over forty years. This allows the infrastructure costs to be spread out over the generations of residents that will benefit from them.

### Risk Management Fund Policy

The Risk Management Fund Policy maintains cash reserves for litigation costs, claims payable and to cover claims costs under the self-insured retention. The amount in the Risk Management Fund will vary from \$300,000 to \$500,000 depending on claims activity. This policy helps to stabilize the City's budget in the long term.

### **AWARDS**

The City received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the CAFR for 2015/2016.

### **ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the Finance Department. We would like to extend out thanks to staff in all City Departments for their efforts in responding to questions and requests for detailed information during the audit and CAFR process. In addition, we would like to acknowledge the role of Price Paige and Company, for their professional support in the preparation of the CAFR. Finally, we would like to thank the Mayor, Mayor ProTem, and the City Council members for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Heather J. Corder". The signature is written in a cursive style.

Heather J. Corder  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lemoore  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

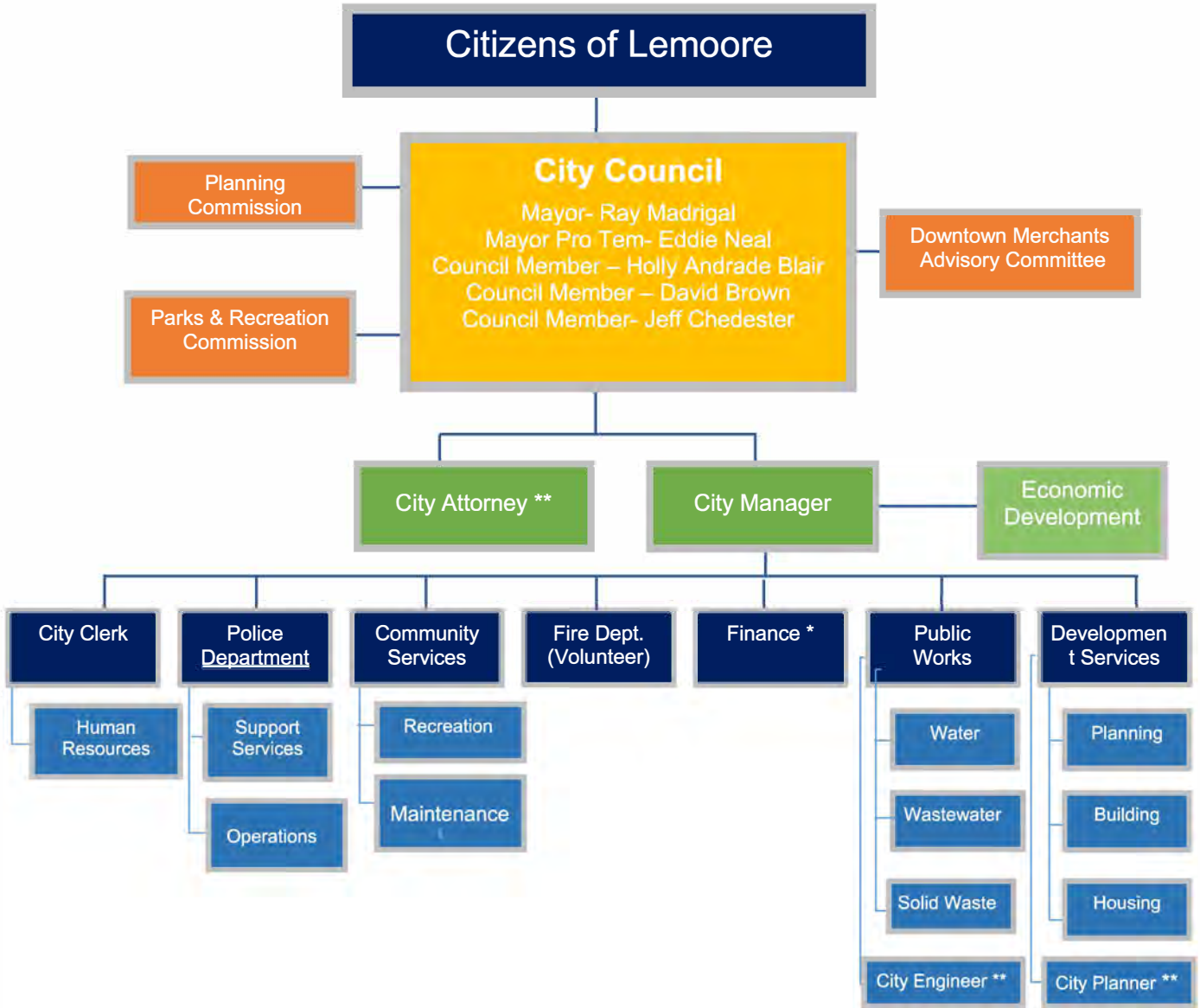
**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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# CITY OF LEMOORE ORGANIZATION CHART



\*City Treasurer  
\*\*Contract Person

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**CITY OF LEMOORE, CALIFORNIA**  
**FISCAL YEAR 2016-2017**

**CITY COUNCIL**

**MAYOR – RAY MADRIGAL**  
**MAYOR PRO TEM – EDDIE NEAL**  
**COUNCIL MEMBER – HOLLY ANDRADE BLAIR**  
**COUNCIL MEMBER – DAVID BROWN**  
**COUNCIL MEMBER – JEFF CHEDESTER**

**DIRECTORY OF CITY OFFICIALS**

**NATHAN OLSON – CITY MANAGER**  
**MICHELLE SPEER – ASSISTANT CITY MANAGER**  
**JANIE VENEGAS – CITY CLERK**  
**HEATHER J. CORDER – FINANCE DIRECTOR**  
**JASON GLICK – PARKS & REC DIRECTOR**  
**DARRELL SMITH – POLICE CHIEF**  
**FRANK RIVERA – PUBLIC WORKS DIRECTOR**  
**JENELL VAN BINDSBERGERN – CITY ATTORNEY**

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## FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore, California (the City) as of and for the year ended June 30, 2017, 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 City'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 City'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, the aggregate remaining fund information, and the respective budgetary comparisons of the City of Lemoore, California, as of June 30, 2017, and, the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Gasoline Tax and Lemoore Housing Authority special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, the Proportionate Share of Net Pension Liability on page 64, and the Schedule of Contributions on page 65 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.

### *Supplementary Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and related budgetary comparison 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 June 27, 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 City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
June 27, 2018

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

This discussion and analysis of the City of Lemoore's (City) financial performance is for the fiscal year ended June 30, 2017. This Management's Discussion and Analysis (MD&A) provides a comparison of current year to prior year ending results based on the government-wide and major fund financial statements, and an analysis on the City's overall financial position and results of operations to assist users in evaluating the City's financial position as of June 30, 2017. Please read this MD&A in conjunction with the City's financial statements, notes and supplementary schedules.

**FINANCIAL HIGHLIGHTS**

- The City's governmental activities total assets exceeded liabilities by \$89,946,499, a decrease of \$2,050,299, compared to the prior fiscal year. This was due mostly to the City receiving a two grants from the State of California in the prior fiscal year.
- General Fund expenditures exceeded General Fund revenues by \$1,623,368. City General Fund revenue totaled \$8,837,637 and General Fund expenses totaled \$10,467,438 for fiscal year 2017. Public safety (police and fire protection) costs comprised \$5,925,328 (56.60%) of General Fund expenditures.
- The City's General Fund ended the year with a fund balance of \$9,183,761, a decrease of \$1,623,368 from the previous fiscal year. Revenues were \$745,603 less than budgeted. Expenditures were \$1,179,341 over budget due to an increase in professional services. Professional services was increased because of the increased amount of new construction. The amended budget for FY17 was reducing the General Fund in the amount of \$4,045,103.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. These statements include all activities of the City of Lemoore for the period July 1, 2016 through June 30, 2017 using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a more comprehensive analysis of the City's finances, with an economic resources measurement focus. Fund financial statements show how City services are financed, with a measurement focus on spendable resources. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's major funds.

**REPORTING THE CITY AS A WHOLE**

**Government-wide financial statements.** The government-wide financial statements report information about the City as a whole, providing readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All the current year's revenues and expenses are taken into account in the statement of activities regardless of when cash is received or paid.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as one indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years' reporting periods.

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**REPORTING THE CITY AS A WHOLE (Continued)**

The City's governmental activities are reported in the government-wide financial statements. Governmental activities include General Government, Public Safety (Police and Fire), Public Works, Development Services (building and planning), and Parks and Recreation.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements.** The fund financial statements provide detailed information about the City's most significant *funds*—not the City as a whole. 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. Some funds are required to be established by state or federal law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other funding resources. The City's three types of funds are; 1) governmental, 2) proprietary, and, 3) fiduciary.

*Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can readily 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. Governmental fund information helps determine whether more or fewer financial resources can be spent in the near future to finance City programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The differences of results in the governmental funds financial statements to those in the government-wide financial statements are shown in reconciliations following the governmental funds financial statements.

*Proprietary funds*—Proprietary funds include enterprise and internal service funds, which are self-supporting and follow a similar basis of accounting and measurement focus as the government-wide financial statements in this report. The proprietary funds financial statements provide the same type of information as the government-wide financial statements in this report. The City has four enterprise funds which include Golf Course, Water, Wastewater, and Refuse. There is one internal service fund that provides fleet maintenance service and is funded through allocations.

*Fiduciary funds*—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**Notes to the Financial Statements:** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 – 62 of this report



**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position.** Net position as noted earlier may serve over time as a useful indicator of the City's financial position.

Below is a table showing the City's net position as of June 30, 2017 compared to June 30, 2016.

STATEMENT OF NET POSITION  
JUNE 30, 2017 AND 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 32,674,494	\$ 33,304,920	\$ 18,244,024	\$ 15,621,370	\$ 50,918,518	\$ 48,926,290
Capital assets, net of accumulated depreciation	<u>65,054,544</u>	<u>66,120,166</u>	<u>34,449,922</u>	<u>35,217,344</u>	<u>99,504,466</u>	<u>101,337,510</u>
Total assets	<u>97,729,038</u>	<u>99,425,086</u>	<u>52,693,946</u>	<u>50,838,714</u>	<u>150,422,984</u>	<u>150,263,800</u>
Deferred outflows of resources from pensions	<u>2,159,890</u>	<u>830,907</u>	<u>696,368</u>	<u>293,977</u>	<u>2,856,258</u>	<u>1,124,884</u>
Long-term liabilities outstanding	8,206,098	6,074,204	8,301,848	8,174,529	16,507,946	14,248,733
Other liabilities	<u>1,216,579</u>	<u>1,256,001</u>	<u>2,759,777</u>	<u>2,935,561</u>	<u>3,976,356</u>	<u>4,191,562</u>
Total liabilities	<u>9,422,677</u>	<u>7,330,205</u>	<u>11,061,625</u>	<u>11,110,090</u>	<u>20,484,302</u>	<u>18,440,295</u>
Deferred inflows of resources	<u>519,752</u>	<u>928,990</u>	<u>350,259</u>	<u>505,362</u>	<u>870,011</u>	<u>1,434,352</u>
Net position:						
Net investment in capital assets	65,054,544	66,120,166	28,618,553	28,963,532	93,673,097	95,083,698
Restricted	22,995,134	21,964,173	-	-	22,995,134	21,964,173
Unrestricted	<u>1,896,821</u>	<u>3,912,459</u>	<u>13,359,877</u>	<u>10,553,707</u>	<u>15,256,698</u>	<u>14,466,166</u>
Total net position	<u>\$ 89,946,499</u>	<u>\$ 91,996,798</u>	<u>\$ 41,978,430</u>	<u>\$ 39,517,239</u>	<u>\$ 131,924,929</u>	<u>\$ 131,514,037</u>

Compared to the prior year, total net position of the City's governmental activities decreased by \$2,050,299 due to an increase in deferred outflows of resources from pensions and an increase of long-term liabilities outstanding.

The City's total net position include three components: 1) Invested in capital assets (net of related debt), 2) restricted net assets, and 3) unrestricted net assets.

Of total net position, \$65,054,544 is the City's governmental activities investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. This is a decrease of \$1,065,622 from prior fiscal year.

Governmental activities restricted net position of \$22,995,134 represent 25.57% of total net position, an increase of \$1,030,961 from prior fiscal year. Restricted net assets are resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations. The increase in governmental activities total net position is due in part to a large number capital projects and improvements budgeted to be completed in the fiscal year.

Unrestricted net position are those resources that may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position is \$15,256,698. This is an increase from the prior fiscal year. The increase of unrestricted net position is due in part to an increase in current assets in the Business-type Activities for fiscal year 2017.

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

Below is a table showing the government-wide changes in net position for fiscal year June 30, 2017 and 2016.

CITY OF LEMOORE CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services, miscellaneous	\$ 1,875,100	\$ 1,865,580	\$11,824,581	\$11,791,727	\$ 13,699,681	\$ 13,657,307
Operating grants and contributions	1,843,904	2,118,359	-	-	1,843,904	2,118,359
Capital grants and contributions	404,215	1,568,238	133,590	548,312	537,805	2,116,550
General revenues:						
Property taxes	2,379,422	1,395,750	-	-	2,379,422	1,395,750
Other taxes	4,668,294	4,705,014	-	-	4,668,294	4,705,014
Use of money and property	6,433	16,067	-	54,521	6,433	70,588
Unrestricted investment earnings	334,829	355,254	54,462	159,513	389,291	514,767
Other revenue	235,139	532,324	832,020	456,185	1,067,159	988,509
Total revenues and transfers	<u>11,747,336</u>	<u>12,556,586</u>	<u>12,844,653</u>	<u>13,010,258</u>	<u>24,591,989</u>	<u>25,566,844</u>
<b>Expenditures</b>						
General government	1,261,457	1,198,510	-	-	1,261,457	1,198,510
Public safety	6,424,105	5,595,808	-	-	6,424,105	5,595,808
Public works	4,167,172	4,034,421	-	-	4,167,172	4,034,421
Community development	711,114	14,675	-	-	711,114	14,675
Parks and recreation	1,382,208	357,965	-	-	1,382,208	357,965
Water	-	-	4,068,306	4,132,417	4,068,306	4,132,417
Sewer	-	-	2,189,816	2,535,675	2,189,816	2,535,675
Refuse	-	-	2,897,227	3,098,749	2,897,227	3,098,749
Golf Course	-	-	1,228,113	1,190,227	1,228,113	1,190,227
Total expenses	<u>13,946,056</u>	<u>11,201,379</u>	<u>10,383,462</u>	<u>10,957,068</u>	<u>24,329,518</u>	<u>22,158,447</u>
Change in net position	(2,198,720)	1,355,207	2,461,191	2,053,190	262,471	3,408,397
Prior period adjustment	148,421	251,328	-	-	148,421	251,328
Net position, beginning	<u>91,996,798</u>	<u>90,390,263</u>	<u>39,517,239</u>	<u>37,464,049</u>	<u>131,514,037</u>	<u>127,854,312</u>
Net position, ending	<u>\$ 89,946,499</u>	<u>\$ 91,996,798</u>	<u>\$ 41,978,430</u>	<u>\$ 39,517,239</u>	<u>\$ 131,924,929</u>	<u>\$ 131,514,037</u>

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

Total government-wide revenues for this fiscal year totaled \$24,591,987, a decrease of \$974,857 or 3.81% when compared to last fiscal year revenue of \$25,566,844. The overall decrease in revenue is a result of the City of Lemoore receiving two grants from the State of California in the prior fiscal year.

Total government-wide expenses for this fiscal year total \$24,329,518, an increase of \$2,171,071 or 9.80% when compared to last fiscal year revenue of \$22,158,447. The overall decrease is due to an increase in expenditures in all departments except Public Works.

Total governmental revenues for this fiscal year totaled \$11,747,336 a decrease of \$809,250 or 6.44% when compared to last fiscal year revenue of \$12,556,586. There was an increase in the revenues from taxes, however this was offset by the decrease in Capital Grants and Contributions.

Total governmental expenses for this fiscal year total \$13,946,056 an increase of \$2,744,677 or 24.5% when compared to last fiscal year of \$11,201,379. This was due to the large increase in expenditures in the Public Safety and Parks and Recreation Department.

Total business-type revenues for this fiscal year totaled \$12,844,653 a decrease of \$165,605 or 1.27% when compared to last fiscal year revenue of \$13,010,258. This decrease came in part from a reduced amount of funds being received from grants and contributions in 2017.

Total business-type expenses for this fiscal year total \$10,383,462, a decrease of \$573,606 or 5.24% when compared to last fiscal year of \$10,957,068. This is due in part to greater focus on the budget and a reduction in salaries and benefits.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds ended the year with a combined fund balance of \$31,276,343. This is a decrease of \$626,886 when compared to last fiscal year.

Major fund balance changes are noted below:

- General Fund expenditures exceeded revenues by \$1,629,801 with for a change in fund balance of a negative \$1,623,368. Total fund balance in the General Fund totals \$9,183,761 at June 30, 2017. This change in the General Fund was due to revenue falling short from budget by \$745,603 and expenditures exceeding the adjusted budget by \$1,179,341.
- Gasoline Tax Fund ended the year with \$1,106,293 in fund balance after \$114,877 excess of revenues over expenditures in the current fiscal year.
- Lemoore Housing Authority Fund ended the year with \$7,495,036 in fund balance due to the \$134,082 excess of revenues over expenditures.
- Other Governmental Funds combined ended the year with \$13,491,253 in fund balances due to the \$747,523 excess of revenues over expenditures.
- Business-Type Activities ended the year with \$41,978,430 in fund net position, which is an increase of \$2,461,190 or 6.23% increase over last year

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

Total revenue in all governmental funds decreased by \$974,855 in 2017 compared to previous year due mostly to intergovernmental revenue (Contributions) for various projects from other agencies being reduced in the amount of \$1,400,204.

Total expenditures in all governmental funds increased by \$2,171,071 in current fiscal year when compared to the previous fiscal year, largely due to an increase in salaries and benefits and the addition of Capital Improvement Projects.

**General Fund Budgetary Highlights.** During the fiscal year, there were multiple amendments to the adopted budget for fiscal year 2016/17. The original expenditure budget was \$13,333,200 this amount was decreased in the amount of \$4,045,103 for a total expenditure budget of \$9,288,097. Actual expenditures were \$1,179,341 above the expenditure budget; this was due mostly to the cost allocation being changed mid-year. Also an increase in professional services due to an increased amount of construction inside city limits. The original revenue budget of \$9,587,900 and was amended to \$9,583,240. Actual revenues came in less than budget in the amount of \$745,603.

General Government expenditures were \$70,964 under the adjusted budget. Public Safety expenditures were under budget in the amount of \$91,372.

Public Works and Parks and Recreation were well over budget, with \$616,399 and \$270,043, respectively, in budget excess for each department. This is due to salaries and benefits and professional services exceeding the budget.

All budget amendments that either increased or decreased appropriations were approved by the City Council.

**CAPITAL AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the City had \$99,504,466 invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and infrastructure. This amount represents a net of depreciation decrease of \$1,833,044 from the prior year.

The table below sets forth the City's capital assets as of June 30, 2017 and 2016.

**CITY OF LEMOORE  
CAPITAL ASSETS (NET OF DEPRECIATION)  
JUNE 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,815,713	\$ 2,815,713	\$ 2,053,591	\$ 2,053,591	\$ 4,869,304	\$ 4,869,304
Construction in progress	1,845,318	1,382,804	750,309	277,931	2,595,627	1,660,735
Buildings and improvements	11,588,657	11,872,651	16,631,110	17,281,646	28,219,767	29,154,297
Equipment and vehicles	2,781,673	2,782,067	15,014,912	15,604,176	17,796,585	18,386,243
Road network	43,637,952	44,580,778	-	-	43,637,952	44,580,778
Infrastructure	2,385,231	2,686,153	-	-	2,385,231	2,686,153
Total	<u>\$ 65,054,544</u>	<u>\$ 66,120,166</u>	<u>\$ 34,449,922</u>	<u>\$ 35,217,344</u>	<u>\$ 99,504,466</u>	<u>\$ 101,337,510</u>

Additional information on the City of Lemoore's capital assets can be found in **Note 6** of the footnotes to these financial statements on pages 47-49 of this report.

**CITY OF LEMOORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**CAPITAL AND DEBT ADMINISTRATION (Continued)**

The table below sets forth the City's long-term debt as of June 30, 2017 and 2016.

**CITY OF LEMOORE  
LONG-TERM DEBT  
JUNE 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Net pension liability	\$ 7,799,416	\$ 5,714,421	\$ 2,792,960	\$ 2,245,747	\$10,592,376	\$ 7,960,168
Series 2013 water loan	-	-	5,831,369	6,253,812	5,831,369	6,253,812
<b>Total</b>	<b>\$ 7,799,416</b>	<b>\$ 5,714,421</b>	<b>\$ 8,624,329</b>	<b>\$ 8,499,559</b>	<b>\$16,423,745</b>	<b>\$14,213,980</b>

The City's long-term liabilities primarily relate to CalPERS pension liabilities and enterprise loan. Total long-term debt increased from \$14,213,980 last fiscal year to \$16,423,745, which represents an increase of \$2,209,765. This is due to an increase in the net pension liability in the amount of \$2,632,208. This increase is offset by a decrease in the liability on the Series 2013 Water Loan in the amount of \$422,443.

**NEXT YEAR'S BUDGETS – FISCAL YEAR 2017/18 ECONOMIC FACTORS**

This financial report was prepared eleven months after the June 30, 2017 closing date. Most of next year's budget (fiscal year 2017/18) is completed, and revenue is expected to equal or slightly exceed expenses in the General Fund for fiscal year 2017/18.

For fiscal year 2018, the City's General Fund recurring revenues are projected to be \$12,250,000, compared to the 2018 budget of \$11,551,454, an increase of \$716,222.

General Fund expenditures are budgeted to be \$11,317,150 but are projected to be slightly higher due to a salary increase at midyear. The fiscal policy of maintaining a structurally balanced budget will continue to be upheld by the City.

City management continues to take a position of conservative revenue projection and cost containment resulting in modest increases to the General Fund department expenditures outside of the five year Community Investment Program.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Lemoore's finances. If you have questions about this report or need additional information, contact the City's Finance Director at:

City of Lemoore  
119 Fox Street  
Lemoore, California 93245  
(559) 924-6712

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## BASIC FINANCIAL STATEMENTS

**CITY OF LEMOORE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 23,295,016	\$ 17,140,605	\$ 40,435,621
Restricted cash and investments	77,587	-	77,587
Receivables:			
Accounts, net	76,494	2,017,255	2,093,749
Notes	5,352,943	-	5,352,943
Intergovernmental	1,285,869	-	1,285,869
Other	1,314	-	1,314
Prepaid expenses	37,479	46,337	83,816
Internal balances	1,022,228	(1,022,228)	-
Inventory	-	62,055	62,055
Assets held for resale	1,485,564	-	1,485,564
Other assets	40,000	-	40,000
Capital assets:			
Nondepreciable	4,661,031	2,803,900	7,464,931
Depreciable, net of accumulated depreciation	<u>60,393,513</u>	<u>31,646,022</u>	<u>92,039,535</u>
 Total assets	 <u>97,729,038</u>	 <u>52,693,946</u>	 <u>150,422,984</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources from pensions	<u>2,159,890</u>	<u>696,368</u>	<u>2,856,258</u>
 Total deferred outflows of resources	 <u>2,159,890</u>	 <u>696,368</u>	 <u>2,856,258</u>
<b>LIABILITIES</b>			
Accounts payable	1,036,859	399,870	1,436,729
Accrued interest payable	-	12,052	12,052
Deposits and other liabilities	25,469	45,061	70,530
Unearned revenue	52,581	-	52,581
Advances from successor agency	-	1,842,143	1,842,143
Noncurrent liabilities:			
Due within one year	101,670	460,651	562,321
Due in more than one year	406,682	5,508,888	5,915,570
Net pension liability	<u>7,799,416</u>	<u>2,792,960</u>	<u>10,592,376</u>
 Total liabilities	 <u>9,422,677</u>	 <u>11,061,625</u>	 <u>20,484,302</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	<u>519,752</u>	<u>350,259</u>	<u>870,011</u>
 Total deferred inflows of resources	 <u>519,752</u>	 <u>350,259</u>	 <u>870,011</u>
<b>NET POSITION</b>			
Net investment in capital assets	65,054,544	28,618,553	93,673,097
Restricted for:			
Public safety	438,618	-	438,618
Public works	7,828,298	-	7,828,298
Community development	8,639,440	-	8,639,440
Parks and recreation	40,663	-	40,663
Capital projects and improvements	6,048,115	-	6,048,115
Unrestricted	<u>1,896,821</u>	<u>13,359,877</u>	<u>15,256,698</u>
 Total net position	 <u>\$ 89,946,499</u>	 <u>\$ 41,978,430</u>	 <u>\$ 131,924,929</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LEMOORE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/programs:</b>							
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,261,457	\$ 216,006	\$ -	\$ -	\$ (1,045,451)	\$ -	\$ (1,045,451)
Public safety	6,424,105	217,687	412,234	5,373	(5,788,811)	-	(5,788,811)
Public works	4,167,172	299,850	1,177,098	398,842	(2,291,382)	-	(2,291,382)
Community development	711,114	776,209	254,572	-	319,667	-	319,667
Parks and recreation	1,382,208	365,348	-	-	(1,016,860)	-	(1,016,860)
<b>Total governmental activities</b>	<b>13,946,056</b>	<b>1,875,100</b>	<b>1,843,904</b>	<b>404,215</b>	<b>(9,822,837)</b>	<b>-</b>	<b>(9,822,837)</b>
<b>Business-type activities:</b>							
Water	4,068,306	4,248,572	-	-	-	180,266	180,266
Sewer	2,189,816	3,441,368	-	120,000	-	1,371,552	1,371,552
Refuse	2,897,227	3,020,063	-	13,590	-	136,426	136,426
Golf Course	1,228,113	1,114,578	-	-	-	(113,535)	(113,535)
<b>Total business-type activities</b>	<b>10,383,462</b>	<b>11,824,581</b>	<b>-</b>	<b>133,590</b>	<b>-</b>	<b>1,574,709</b>	<b>1,574,709</b>
<b>Total primary government</b>	<b>\$ 24,329,518</b>	<b>\$ 13,699,681</b>	<b>\$ 1,843,904</b>	<b>\$ 537,805</b>	<b>(9,822,837)</b>	<b>1,574,709</b>	<b>(8,248,128)</b>
<b>General revenues:</b>							
Property taxes					2,379,422	-	2,379,422
Sales taxes					1,752,910	-	1,752,910
Franchise taxes					625,638	-	625,638
Transient taxes					229,248	-	229,248
Motor vehicle in-lieu					2,060,498	-	2,060,498
Unrestricted investment earnings					334,829	54,462	389,291
Other revenue					235,139	832,020	1,067,159
Gain on sale of assets					6,433	-	6,433
<b>Total general revenues and transfers</b>					<b>7,624,117</b>	<b>886,482</b>	<b>8,510,599</b>
Changes in net position					(2,198,720)	2,461,191	262,471
Net position - beginning, restated					92,145,219	39,517,239	131,662,458
Net position - ending					<b>\$ 89,946,499</b>	<b>\$ 41,978,430</b>	<b>\$ 131,924,929</b>

The accompanying notes are an integral part of these financial statements.

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## **FUND FINANCIAL STATEMENTS**

The funds described below were determined to be Major Funds by the City in fiscal year 2017. Individual nonmajor funds may be found in the supplemental section.

### **GENERAL FUND**

This fund is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with governments, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services, and grants.

### **GASOLINE TAX SPECIAL REVENUE FUND**

This fund accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance, and construction must be street related.

### **LEMOORE HOUSING AUTHORITY SPECIAL REVENUE FUND**

This fund has taken over the assets and associated functions of the Low/Moderate Income Housing Fund of the former Lemoore Redevelopment Agency and is used to account for current and future low-income households for the acquisition, rehabilitation, or new construction of single-family homes.

**CITY OF LEMOORE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Gasoline Tax Fund	Lemoore Housing Authority Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 7,875,133	\$ 1,139,309	\$ 1,530,200	\$ 12,750,374	\$ 23,295,016
Restricted cash and investments	77,587	-	-	-	77,587
Receivables:					
Accounts	-	-	-	76,455	76,455
Notes	19,532	-	4,682,211	651,200	5,352,943
Intergovernmental	583,971	202	-	701,696	1,285,869
Other	1,314	-	-	-	1,314
Interfund receivables	815,799	-	-	-	815,799
Advances to other funds	740,653	-	-	-	740,653
Prepaid items	37,479	-	-	-	37,479
Other assets	40,000	-	-	-	40,000
Assets held for resale	-	-	1,485,564	-	1,485,564
<b>Total assets</b>	<b><u>\$ 10,191,468</u></b>	<b><u>\$ 1,139,511</u></b>	<b><u>\$ 7,697,975</u></b>	<b><u>\$ 14,179,725</u></b>	<b><u>\$ 33,208,679</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 929,657	\$ 33,218	\$ 2,939	\$ 37,272	\$ 1,003,086
Deposits and other liabilities	25,469	-	-	-	25,469
Unearned revenue	52,581	-	-	-	52,581
<b>Total liabilities</b>	<b><u>1,007,707</u></b>	<b><u>33,218</u></b>	<b><u>2,939</u></b>	<b><u>37,272</u></b>	<b><u>1,081,136</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	200,000	651,200	851,200
<b>Total deferred inflows of resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>200,000</u></b>	<b><u>651,200</u></b>	<b><u>851,200</u></b>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	37,479	-	-	-	37,479
Notes receivable	19,532	-	4,482,211	-	4,501,743
Long-term interfund advances	740,653	-	-	-	740,653
Restricted:					
Public safety	9,901	-	-	428,717	438,618
Public works	-	1,106,293	-	6,722,005	7,828,298
Community development	788	-	3,012,825	292,416	3,306,029
Parks and recreation	40,663	-	-	-	40,663
Capital projects and improvements	-	-	-	6,048,115	6,048,115
Committed:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital projects and improvements	-	-	-	-	-
Purchase of real estate	232,275	-	-	-	232,275
Assigned:					
Subsequent year's budget:					
Appropriation of fund balance	4,745,894	-	-	-	4,745,894
Unassigned	3,356,576	-	-	-	3,356,576
<b>Total fund balances</b>	<b><u>9,183,761</u></b>	<b><u>1,106,293</u></b>	<b><u>7,495,036</u></b>	<b><u>13,491,253</u></b>	<b><u>31,276,343</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 10,191,468</u></b>	<b><u>\$ 1,139,511</u></b>	<b><u>\$ 7,697,975</u></b>	<b><u>\$ 14,179,725</u></b>	<b><u>\$ 33,208,679</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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

Total fund balances - governmental funds		\$ 31,276,343
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.		65,001,354
Compensated absences are not due and payable in the current period, and therefore are not reported in the funds.		(497,400)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension liability	(7,492,290)	
Deferred outflows of resources	2,083,213	
Deferred inflows of resources	<u>(476,322)</u>	(5,885,399)
Certain assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.		851,200
Internal service funds are used by management to charge the costs of fleet maintenance services to individual funds. The assets and liabilities of the internal revenue service funds are included in the governmental activities in the statement of net position.		<u>(799,599)</u>
Net position of governmental activities		<u>\$ 89,946,499</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Gasoline Tax Fund	Lemoore Housing Authority Fund	Other Governmental Funds	
<b>REVENUES</b>					
Property taxes	\$ 2,290,741	\$ -	\$ -	\$ -	\$ 2,290,741
Other taxes	2,573,569	-	-	-	2,573,569
Licenses and permits	691,486	-	-	9,024	700,510
Charges for services	576,716	-	-	-	576,716
Intergovernmental	2,259,702	475,636	-	1,641,316	4,376,654
Fees and assessments	23,522	-	-	502,357	525,879
Use of money and property	179,136	4,211	116,401	38,716	338,464
Other revenue	<u>242,765</u>	<u>203</u>	<u>110,028</u>	<u>-</u>	<u>352,996</u>
Total revenues	<u>8,837,637</u>	<u>480,050</u>	<u>226,429</u>	<u>2,191,413</u>	<u>11,735,529</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,229,916	-	-	8,124	1,238,040
Public safety	5,925,328	-	-	-	5,925,328
Public works	1,145,509	328,155	-	397,084	1,870,748
Community development	314,793	-	92,347	-	407,140
Parks and recreation	1,099,643	-	-	80,766	1,180,409
Capital outlay	<u>752,249</u>	<u>37,018</u>	<u>-</u>	<u>957,916</u>	<u>1,747,183</u>
Total expenditures	<u>10,467,438</u>	<u>365,173</u>	<u>92,347</u>	<u>1,443,890</u>	<u>12,368,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,629,801)</u>	<u>114,877</u>	<u>134,082</u>	<u>747,523</u>	<u>(633,319)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,433</u>
Total other financing sources (uses)	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,433</u>
Net changes in fund balances	(1,623,368)	114,877	134,082	747,523	(626,886)
Fund balances, beginning, restated	<u>10,807,129</u>	<u>991,416</u>	<u>7,360,954</u>	<u>12,743,730</u>	<u>31,903,229</u>
Fund balances - ending	<u>\$ 9,183,761</u>	<u>\$ 1,106,293</u>	<u>\$ 7,495,036</u>	<u>\$ 13,491,253</u>	<u>\$ 31,276,343</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$	(626,886)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.		1,086,762
Depreciation expense on capital assets is reported on the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(2,139,604)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.		(75,223)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(401,706)
Internal service funds are used by management to change the costs of fleet maintenance, employee benefits, liability and property insurance and general services to individual funds. The change in net position of certain activities of internal service funds is reported with governmental activities.		<u>(42,063)</u>
Change in net position of governmental activities	\$	<u>(2,198,720)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,997,900	\$ 2,354,700	\$ 2,290,741	\$ (63,959)
Other taxes	2,603,100	2,627,700	2,573,569	(54,131)
Licenses and permits	743,400	765,800	691,486	(74,314)
Charges for services	465,300	651,000	576,716	(74,284)
Intergovernmental	2,302,500	2,414,300	2,259,702	(154,598)
Fees and assessments	45,500	7,900	23,522	15,622
Use of money and property	180,000	162,500	179,136	16,636
Other revenue	1,250,200	599,340	242,765	(356,575)
Total revenues	<u>9,587,900</u>	<u>9,583,240</u>	<u>8,837,637</u>	<u>(745,603)</u>
<b>EXPENDITURES</b>				
Current:				
General government	953,100	1,300,880	1,229,916	70,964
Public safety	6,012,500	6,016,700	5,925,328	91,372
Public works	5,007,000	529,110	1,145,509	(616,399)
Community development	322,900	341,900	314,793	27,107
Parks and recreation	829,600	829,600	1,099,643	(270,043)
Capital outlay	208,100	269,907	752,249	(482,342)
Total expenditures	<u>13,333,200</u>	<u>9,288,097</u>	<u>10,467,438</u>	<u>(1,179,341)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,745,300)</u>	<u>295,143</u>	<u>(1,629,801)</u>	<u>(1,924,944)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	6,433	6,433
Transfers in	24,600	12,300	-	(12,300)
Transfers out	(6,796,900)	(6,796,900)	-	6,796,900
Total other financing sources (uses)	<u>(6,772,300)</u>	<u>(6,784,600)</u>	<u>6,433</u>	<u>6,791,033</u>
Net changes in fund balances	(10,517,600)	(6,489,457)	(1,623,368)	4,866,089
Fund balances, beginning, restated	<u>10,807,129</u>	<u>10,807,129</u>	<u>10,807,129</u>	<u>-</u>
Fund balances - ending	<u>\$ 289,529</u>	<u>\$ 4,317,672</u>	<u>\$ 9,183,761</u>	<u>\$ 4,866,089</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LEMOORE  
GASOLINE TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
From other agencies	\$ 534,000	\$ 755,880	\$ 475,636	\$ (280,244)
Use of money and property	300	7,400	4,211	(3,189)
Other revenue	-	-	203	203
Total revenues	<u>534,300</u>	<u>763,280</u>	<u>480,050</u>	<u>(283,230)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	56,900	56,900	328,155	(271,255)
Capital outlay	-	-	37,018	(37,018)
Total expenditures	<u>56,900</u>	<u>56,900</u>	<u>365,173</u>	<u>(308,273)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>477,400</u>	<u>706,380</u>	<u>114,877</u>	<u>(591,503)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(507,500)</u>	<u>(507,500)</u>	-	<u>507,500</u>
Total other financing sources (uses)	<u>(507,500)</u>	<u>(507,500)</u>	-	<u>507,500</u>
Net change in fund balances	(30,100)	198,880	114,877	(84,003)
Fund balances - beginning	<u>991,416</u>	<u>991,416</u>	<u>991,416</u>	<u>-</u>
Fund balances - ending	<u>\$ 961,316</u>	<u>\$ 1,190,296</u>	<u>\$ 1,106,293</u>	<u>\$ (84,003)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE  
LEMOORE HOUSING AUTHORITY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 116,401	\$ 116,401
Other revenue	-	-	110,028	110,028
Total revenues	-	-	226,429	226,429
<b>EXPENDITURES</b>				
Current:				
Community development	75,000	75,000	92,347	(17,347)
Total expenditures	75,000	75,000	92,347	(17,347)
Excess (deficiency) of revenues over (under) expenditures	(75,000)	(75,000)	134,082	209,082
Net change in fund balances	(75,000)	(75,000)	134,082	209,082
Fund balances - beginning	7,360,954	7,360,954	7,360,954	-
Fund balances - ending	<u>\$ 7,285,954</u>	<u>\$ 7,285,954</u>	<u>\$ 7,495,036</u>	<u>\$ 209,082</u>

The accompanying notes are an integral part of these financial statements.

## **MAJOR PROPRIETARY FUNDS**

Proprietary funds account for the City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds and its Internal Service Fund as major funds in fiscal year 2017.

### **ENTERPRISE FUNDS**

#### **WATER FUND**

This fund accounts for activities associated with the acquisition or construction of water facilities and the production, distribution, and transmission of potable water to users.

#### **SEWER FUND**

This fund accounts for activities associated with the acquisition or construction, and operations and maintenance of the City's sewer system, including drainage, treatment, and disposal of sanitary wastewater.

#### **REFUSE FUND**

This fund accounts for activities associated with the acquisition of refuse and disposal equipment and vehicles, and the collection and disposal of refuse throughout the City.

#### **GOLF COURSE FUND**

This fund accounts for the resources provided and used in the City's public golf course.

### **INTERNAL SERVICE FUND**

#### **FLEET MAINTENANCE FUND**

This fund is used for the maintenance, service, and repair of the City's fleet. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

**CITY OF LEMOORE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-type Activities				Total	Governmental
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		Activities Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 3,443,838	\$ 11,928,692	\$ 1,768,075	\$ -	\$ 17,140,605	\$ -
Receivables:						
Accounts	1,279,679	699,847	351,687	17	2,331,230	39
Less: allowance for doubtful accounts	(136,877)	(94,584)	(82,514)	-	(313,975)	-
Inventory	-	-	-	62,055	62,055	-
Prepaid expenses	-	-	-	46,337	46,337	-
<b>Total current assets</b>	<b>4,586,640</b>	<b>12,533,955</b>	<b>2,037,248</b>	<b>108,409</b>	<b>19,266,252</b>	<b>39</b>
Noncurrent assets:						
Advances to other funds	-	1,471,883	-	-	1,471,883	-
Capital assets:						
Nondepreciable	1,059,075	868,307	252,505	624,013	2,803,900	-
Depreciable, net of accumulated depreciation	21,067,443	8,288,029	723,913	1,566,637	31,646,022	53,190
<b>Total noncurrent assets</b>	<b>22,126,518</b>	<b>10,628,219</b>	<b>976,418</b>	<b>2,190,650</b>	<b>35,921,805</b>	<b>53,190</b>
<b>Total assets</b>	<b>26,713,158</b>	<b>23,162,174</b>	<b>3,013,666</b>	<b>2,299,059</b>	<b>55,188,057</b>	<b>53,229</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows from pensions	247,759	237,846	210,763	-	696,368	76,677
<b>Total deferred outflows of resources</b>	<b>247,759</b>	<b>237,846</b>	<b>210,763</b>	<b>-</b>	<b>696,368</b>	<b>76,677</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	200,329	43,598	85,100	70,843	399,870	33,774
Deposits and other liabilities	29,137	-	-	15,924	45,061	-
Compensated absences	8,319	8,403	10,912	-	27,634	2,190
Interfund payables	-	-	-	310,349	310,349	505,450
Accrued interest payable	12,052	-	-	-	12,052	-
Current portion of long-term liabilities	433,017	-	-	-	433,017	-
<b>Total current liabilities</b>	<b>682,854</b>	<b>52,001</b>	<b>96,012</b>	<b>397,116</b>	<b>1,227,983</b>	<b>541,414</b>
Noncurrent liabilities:						
Long-term liabilities	5,398,352	-	-	-	5,398,352	-
Advances from other funds	1,471,883	-	-	740,653	2,212,536	-
Advances from Successor Agency	-	148,380	-	1,693,763	1,842,143	-
Compensated absences	33,274	33,612	43,650	-	110,536	8,762
Net pension liability	992,203	953,969	846,788	-	2,792,960	307,125
<b>Total noncurrent liabilities</b>	<b>7,895,712</b>	<b>1,135,961</b>	<b>890,438</b>	<b>2,434,416</b>	<b>12,356,527</b>	<b>315,887</b>
<b>Total liabilities</b>	<b>8,578,566</b>	<b>1,187,962</b>	<b>986,450</b>	<b>2,831,532</b>	<b>13,584,510</b>	<b>857,301</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows from pensions	122,875	126,120	101,264	-	350,259	43,430
<b>Total deferred inflows of resources</b>	<b>122,875</b>	<b>126,120</b>	<b>101,264</b>	<b>-</b>	<b>350,259</b>	<b>43,430</b>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	14,823,266	10,628,219	976,418	2,190,650	28,618,553	53,190
Unrestricted	3,436,210	11,457,719	1,160,297	(2,723,123)	13,331,103	(824,015)
<b>Total net position (deficit)</b>	<b>\$ 18,259,476</b>	<b>\$ 22,085,938</b>	<b>\$ 2,136,715</b>	<b>\$ (532,473)</b>	<b>41,949,656</b>	<b>\$ (770,825)</b>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					28,774	
<b>Net position of business-type activities</b>					<b>\$ 41,978,430</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Business-type Activities				Total	Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		
Operating revenues:						
Charges for services	\$ 4,158,338	\$ 3,354,837	\$ 2,952,842	\$ 1,114,578	\$ 11,580,595	\$ 720,897
Fines and forfeitures	89,933	65,210	58,855	-	213,998	-
Other revenues	301	21,321	8,366	-	29,988	-
<b>Total operating revenues</b>	<b><u>4,248,572</u></b>	<b><u>3,441,368</u></b>	<b><u>3,020,063</u></b>	<b><u>1,114,578</u></b>	<b><u>11,824,581</u></b>	<b><u>720,897</u></b>
Operating expenses:						
Salaries and benefits	970,618	662,676	730,643	23,014	2,386,951	240,828
Materials and supplies	395,469	157,604	142,925	286,275	982,273	304,736
Utilities	776,897	545,673	377,350	115,136	1,815,056	1,064
Contractual services	613,576	193,402	1,121,509	517,761	2,446,248	34,350
Repairs and maintenance	43,490	17,440	4,950	8,205	74,085	232,124
Other expenses	112,021	104,779	271,812	97,722	586,334	812
Depreciation and amortization	994,577	468,740	235,151	149,822	1,848,290	12,780
<b>Total operating expenses</b>	<b><u>3,906,648</u></b>	<b><u>2,150,314</u></b>	<b><u>2,884,340</u></b>	<b><u>1,197,935</u></b>	<b><u>10,139,237</u></b>	<b><u>826,694</u></b>
<b>Operating income (loss)</b>	<b><u>341,924</u></b>	<b><u>1,291,054</u></b>	<b><u>135,723</u></b>	<b><u>(83,357)</u></b>	<b><u>1,685,344</u></b>	<b><u>(105,797)</u></b>
Nonoperating revenues (expenses):						
Intergovernmental	-	120,000	13,590	-	133,590	-
Interest income	13,563	35,122	5,714	63	54,462	-
Interest expense	(150,313)	-	-	(30,178)	(180,491)	-
Solar rebate	807,501	-	-	-	807,501	-
Other nonoperating revenues	-	24,519	-	-	24,519	-
<b>Total nonoperating revenues (expenses)</b>	<b><u>670,751</u></b>	<b><u>179,641</u></b>	<b><u>19,304</u></b>	<b><u>(30,115)</u></b>	<b><u>839,581</u></b>	<b><u>-</u></b>
<b>Changes in net position</b>	<b>1,012,675</b>	<b>1,470,695</b>	<b>155,027</b>	<b>(113,472)</b>	<b>2,524,925</b>	<b>(105,797)</b>
<b>Net position (deficit) - beginning</b>	<b><u>17,246,801</u></b>	<b><u>20,615,243</u></b>	<b><u>1,981,688</u></b>	<b><u>(419,001)</u></b>		<b><u>(665,028)</u></b>
<b>Net position (deficit) - ending</b>	<b><u>\$ 18,259,476</u></b>	<b><u>\$ 22,085,938</u></b>	<b><u>\$ 2,136,715</u></b>	<b><u>\$ (532,473)</u></b>		<b><u>\$ (770,825)</u></b>
Adjustments to reflect consolidation of internal service fund activities related to enterprise funds					<u>(63,734)</u>	
<b>Change in net position of business-type activities</b>					<b><u>\$ 2,461,191</u></b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-type Activities				Total	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipt from customers and users	\$ 3,583,636	\$ 3,402,218	\$ 2,986,526	\$ 1,117,295	\$ 11,089,675	\$ 720,858
Payments to suppliers and service providers	(1,986,725)	(1,017,410)	(2,007,223)	(998,862)	(6,010,220)	(604,395)
Payments to employees for salaries and benefits	(937,085)	(749,269)	(671,460)	(23,014)	(2,380,828)	(312,361)
Other receipts	301	21,321	8,366	-	29,988	-
Net cash provided (used) by operating activities	<u>660,127</u>	<u>1,656,860</u>	<u>316,209</u>	<u>95,419</u>	<u>2,728,615</u>	<u>(195,898)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating grants	-	-	13,590	-	13,590	-
Advance from (to) other funds	(450,000)	450,000	-	(43,163)	(43,163)	195,898
Other nonoperating revenues	-	24,519	-	-	24,519	-
Net cash provided (used) by noncapital financing activities	<u>(450,000)</u>	<u>474,519</u>	<u>13,590</u>	<u>(43,163)</u>	<u>(5,054)</u>	<u>195,898</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants and rebates	807,501	120,000	-	-	927,501	-
Principal paid on capital debt	(422,443)	-	-	-	(422,443)	-
Interest paid on capital debt	(151,186)	-	-	(30,178)	(181,364)	-
Acquisition and construction of capital assets	(373,345)	(654,635)	(30,747)	(22,141)	(1,080,868)	-
Net cash provided (used) by capital and related financing activities	<u>(139,473)</u>	<u>(534,635)</u>	<u>(30,747)</u>	<u>(52,319)</u>	<u>(757,174)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	13,563	35,122	5,714	63	54,462	-
Net cash provided (used) by investing activities	<u>13,563</u>	<u>35,122</u>	<u>5,714</u>	<u>63</u>	<u>54,462</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	84,217	1,631,866	304,766	-	2,020,849	-
Cash and cash investments, July 1	3,359,621	10,296,826	1,463,309	-	15,119,756	-
Cash and cash investments, June 30	<u>\$ 3,443,838</u>	<u>\$ 11,928,692</u>	<u>\$ 1,768,075</u>	<u>\$ -</u>	<u>\$ 17,140,605</u>	<u>\$ -</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating income (loss)	\$ 341,924	\$ 1,291,054	\$ 135,723	\$ (83,357)	\$ 1,685,344	\$ (105,797)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	994,577	468,740	235,151	149,822	1,848,290	12,780
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(667,123)	(17,829)	(25,171)	490	(709,633)	(39)
(Increase) decrease in inventory	-	-	-	5,336	5,336	-
(Increase) decrease in deferred outflows of resources	(146,292)	(128,022)	(128,077)	-	(402,391)	(37,443)
Increase (decrease) in accounts payable	(45,272)	1,488	(88,677)	20,901	(111,560)	(31,309)
Increase (decrease) in deposits and other liabilities	2,488	-	-	2,227	4,715	-
Increase (decrease) in compensated absences	7,516	(7,486)	16,374	-	16,404	(16,601)
Increase (decrease) in deferred inflows of resources	(52,734)	(62,133)	(40,236)	-	(155,103)	(23,946)
Increase (decrease) in net pension liability	225,043	111,048	211,122	-	547,213	6,457
Net cash provided (used) by operating activities	<u>\$ 660,127</u>	<u>\$ 1,656,860</u>	<u>\$ 316,209</u>	<u>\$ 95,419</u>	<u>\$ 2,728,615</u>	<u>\$ (195,898)</u>

The accompanying notes are an integral part of these financial statements.

## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City administers the activity of a private purpose trust fund. The City uses an agency fund to account for assets which are custodial in nature and does not involve measurement of results of the operations. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs.

### **LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**

This fund is used to account for assets and liabilities of the former Lemoore Redevelopment Agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

### **AGENCY FUNDS**

These funds are used to account for assets held by the City as an agent for the Irrigation District, individuals, private organizations, other governments and/or other funds. The funds are custodial in nature and do not involve measurement of results in operations.

**CITY OF LEMOORE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

	<u>Lemoore Redevelopment Successor Agency Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,219,098	\$ 451,505
Restricted cash with fiscal agent	2,325,871	-
Intergovernmental receivables	-	305,858
Advances to City of Lemoore	1,842,143	-
Notes receivable	1,225,798	-
Land held for resale	524,058	-
Other assets	<u>-</u>	<u>28,800</u>
 Total assets	 <u>\$ 10,136,968</u>	 <u>\$ 786,163</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,004,168	\$ 323,758
Payable to State Department of Finance	18,050	-
Interest payable	270,448	-
Deposits and other liabilities	-	462,405
Long-term liabilities:		
Due within one year	806,612	-
Due in more than one year	<u>16,699,171</u>	<u>-</u>
 Total liabilities	 <u>\$ 18,798,449</u>	 <u>\$ 786,163</u>
<b>NET POSITION</b>		
Net position held in trust for the retirement of obligations of the Lemoore Successor Agency to the former Lemoore Redevelopment Agency	   <u>\$ (8,661,481)</u>	

The accompanying notes are an integral part of these financial statements.



**CITY OF LEMOORE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Lemoore Redevelopment Successor Agency Private Purpose Trust Fund
<b>ADDITIONS</b>	
Taxes	\$ 2,770,924
Investment earnings	98,604
Miscellaneous	113
Intrafund transfers	2,000,508
Total additions	4,870,149
<b>DEDUCTIONS</b>	
Community development	273,612
Transfer of loan receivable	2,000,508
Interest expense	1,630,091
Total deductions	3,904,211
Change in net position	965,938
Net position (deficit) - beginning	(9,627,419)
Net position (deficit) - ending	\$ (8,661,481)

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Lemoore, California (the “City”) is a charter city operating under a Council-Member form of government. During the year ended June 30, 2000, the voters of the City approved a Charter which gives the City Council greater self-rule, and the Charter was accepted by the California Secretary of State.

The accompanying basic financial statements include the financial activities of the City, the primary government and its component units, the Lemoore Financing Authority (Financing Authority) and the Lemoore Housing Authority (Housing Authority). Financial information for the City and its component units are accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate sessions, serve as the governing board of the component units. These entities are presented on a blended basis.

The **Lemoore Financing Authority** (Financing Authority) was formed in August 1989 for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. The Financing Authority is governed by a five-member board of directors, which consists of the members of the City Council with the City Manager as the Executive Director. The financial transactions for the Financing Authority are recorded in the Water, Sewer, and Golf Course enterprise funds. The Financing Authority does not issue separate financial statements.

The **Lemoore Housing Authority** (Housing Authority) was formed in February 2011 for the purpose of providing sanitary and safe housing for people of very low, low, or moderate income within the City’s territorial jurisdiction. The Housing Authority is governed by a five-member board of directors, which consists of the members of the City Council with the City Manager as the Executive Director. The financial transactions for the Housing Authority are recorded in the Lemoore Housing Authority special revenue fund. The Housing Authority does not issue separate financial statements.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental audits. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**Basis of Presentation**

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

*Government-Wide Financial Statements* – The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, interfund note receivable/interfund long-term debt, and transfers in/transfers out.

*Fund Financial Statements* – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent fund type total and five percent of the City's funds. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds. The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with government, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services, and grants.

The **Gasoline Tax Fund** accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance, and construction must be street related.

The **Lemoore Housing Authority Fund** has taken over the assets and associated functions of the Low/Moderate Income Housing Fund of the former Lemoore Redevelopment Agency and is used to account for current and future low-income households for the acquisition, rehabilitation, or new construction of single-family homes.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

Enterprise fund financial statements include a statement of net position, statement of revenues, expenses and changes in net position, a statement of cash flows for each major enterprise fund and nonmajor funds aggregated.

The City has four major enterprise funds, the Water Fund, Sewer Fund, Refuse Fund, and Golf Course Fund, which are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities of the City's water production and distribution operations.

The **Sewer Fund** accounts for the activities of the City's sanitary sewer system operations.

The **Refuse Fund** accounts for the activities of the City's refuse collection and disposal operations.

The **Golf Course Fund** accounts for the resources provided and used in the golf course.

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The City uses an agency fund to account for assets which are custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The City reports the following fiduciary funds:

**Lemoore Redevelopment Successor Agency Private Purpose Trust Fund** is used to account for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

**Agency Funds** are used to account for assets held by the City as an agent for the Irrigation District, individuals, private organizations, other governments and/or other funds. The funds are custodial in nature and do not involve measurement of results of operations.

Additionally, the City reports the following fund type:

**Internal Service Funds** are used to account for fleet maintenance services provided to other departments or agencies of the City on a cost reimbursement basis.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues, except for grants, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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 revenue of the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirement, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues items are considered to be measurable and available only when cash is received by the City.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary 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.

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following private sector standards issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. This pool utilizes investments authorized by the Government Code and is further defined by the City's investment policy that is approved by the City Council.

Authorized investments include deposits in the State of California administered Local Agency Investment Fund (LAIF), insured certificates of deposits, collateralized certificates of deposits, commercial paper, money market mutual funds, federally sponsored credit agency securities, and securities backed by the U.S. Government. All investments are stated at fair value.

Interest income earned as a result of pooling is distributed to the appropriate funds based on month end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**Restricted Assets**

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with fiscal agent" is used to report resources set aside for potential deficiencies in the repayment ability of the enterprise funds, and for payment of construction projects undertaken by the City.

**Interfund Transactions**

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

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

**Receivables**

Enterprise fund statements report an allowance for uncollectible accounts against the account receivables. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances  
(Continued)**

**Property Tax Calendar**

Property taxes are assessed, collected and allocated by Kings County throughout the fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1 <sup>st</sup> installment; February 1, 2 <sup>nd</sup> installment
Delinquent Dates	December 10, 1 <sup>st</sup> installment; April 10, 2 <sup>nd</sup> installment

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year-end.

The City accrues as receivable all property taxes received during the first (60) days of the new fiscal year.

**Inventory of Supplies and Prepaid Items**

Inventory is valued at the lower of cost, determined by the first-in, first-out method, or market and consists primarily of golf merchandise and food and beverage items sold at the golf course. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Assets Held for Resale**

Land and improvements held by the City for the purpose of improving and reselling are accounted for in the account. Property is valued at the lower of cost or net realizable value.

**Capital Assets**

The City's assets are categorized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements .....	40 years
Machinery and equipment .....	5-15 years
Road network.....	25-50 years
Infrastructure.....	10-15 years

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City's road network consists of seven subsystems which include sidewalk, curb and gutter, pavement, landscape zones, streetlights, railroad crossings, and traffic signals. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems. The assets in these subsystems are depreciated using the straight-line method.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**  
**(Continued)**

**Risk Management**

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

**Interest Payable**

In the government-wide financial statements, interest payable for long-term debt is recognized as the liability is incurred for the governmental fund-types and proprietary-fund types.

In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

**Compensated Absences Payable**

City employees are granted vacation and sick leave in varying amounts depending on the number of years of service. City employees also accumulate hours of overtime as compensated time off. For governmental funds, earned but unused, vested leave (vacation, compensated time off, holiday) is expensed and established as a liability and is reported in the government-wide statement of net position in the governmental activities column. Vested leave for enterprise funds is recorded as an expense and liability of those funds as the benefits accrue. No liability is recorded for non-vesting leave such as sick leave.

**Unearned Revenue**

Unearned revenue is that for which asset recognition criteria have been met, but for which asset revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred) as unearned revenue.

**Unavailable Revenue**

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

**Long-Term Debt**

In the government-wide financial statements and enterprise fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discount.

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



**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**  
**(Continued)**

**Pensions**

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 12 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability of the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Notes 10 and 12 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

**Budgetary Information**

***Budgetary and Budgetary Accounting***

Budgets are established by department and approved by the City Council. The budgets are then managed and controlled by department heads under the supervision of the City Manager. Budgets are adopted annually for the general funds, some of the special revenue funds, enterprise funds, and internal service funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

A two-year capital projects budget is prepared in even years for approval by the City Council, and updated in odd years. Capital projects are funded by capital projects funds, impact fees, operating accounts, grant proceeds or loan proceeds.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any department. The City Council may transfer funds from reserves to departments or enterprise activities as deemed appropriate during the fiscal year.

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances  
(Continued)**

***Excess of Expenditures Over Appropriations***

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City only adopts annual operating budgets for the General Fund, Gasoline Tax Fund, Traffic Safety Fund, Maintenance Assessment District Fund, Downtown Improvement Fund, and Facility Infrastructure Fund. Therefore, budget comparison information for all other special revenue and capital projects funds is not included in the City's financial statements.

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2017:

Major Funds:

General Fund:

Current:

Public works	\$ 616,399
Parks and recreation	270,043
Capital outlay	482,342

Gasoline Tax Special Revenue Fund:

Current:

Public works	271,255
Capital outlay	37,018

Lemoore Housing Authority Special Revenue Fund:

Community development	17,347
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Nonmajor Funds:

Grants Special Revenue Fund:

Current:

Parks and recreation	28,566
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Streets Grant Special Revenue Fund:

Current:

Parks and recreation	18,147
Capital outlay	186,571

Recreation Improvement Capital Project Fund:

Current:

Parks and recreation	37,500
Capital outlay	167,862

Capital Improvement Fees Capital Project Fund:

Capital outlay	602,783
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The excess expenditures were covered by available fund balance in the funds.

**Use of Estimates**

The preparation of the 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 and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**  
**(Continued)**

**Classification of Net Position**

In the government-wide financial statements, net position is classified in the following categories:

- ***Net investment in capital assets*** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- ***Restricted net position*** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted net position*** – This category represents the net position of the City, which is not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

**Fund Balances**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 40,435,621
Restricted cash and investments	77,587
Fiduciary funds:	
Cash and investments	4,670,603
Restricted cash with fiscal agents	<u>2,325,871</u>
 Total cash and investments	 <u>\$ 47,509,682</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 6,050
Deposits with financial institutions	18,827,815
Investments	<u>28,675,817</u>
 Total cash and investments	 <u>\$ 47,509,682</u>

**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 by the California Government Code (or the City's investments 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. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debts 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio or Amount</u>	<u>Maximum Investment of One Issuer or Amount</u>
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
National certificates of deposit	5 years	30%	Legal Limit
Repurchase agreements	1 year	None	None
Medium-term notes	5 years	30%	None
Mutual accounts	N/A	20%	10%
Money market accounts	N/A	20%	10%
Local agency investment fund (LAIF)	N/A	None	None

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Investments Authorized by Debt Agreements**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio or Amount	Maximum Investment of One Issuer or Amount
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Bankers acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None

**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 maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

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	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool	\$ 16,146,090	\$ 16,146,090	\$ -	\$ -	\$ -
Federal agency securities:					
Federal Home Loan Mortgage Corporation	4,988,333	-	-	4,988,333	-
Certificates of Deposits	5,215,523	1,080,548	2,394,608	1,740,367	-
Held by Bond Trustee:					
Money Market Funds	2,325,871	2,325,871	-	-	-
<b>Total</b>	<b>\$ 28,675,817</b>	<b>\$ 19,552,509</b>	<b>\$ 2,394,608</b>	<b>\$ 6,728,700</b>	<b>\$ -</b>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**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 year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings as of Year-End			
			AAAm	AA+	A	Not Rated
State Investment Pool	\$ 16,146,090	N/A	\$ -	\$ -	\$ -	\$ 16,146,090
Federal agency securities:						
Federal Home Loan Mortgage Corporation	4,988,333	N/A	-	4,988,333	-	-
Certificates of Deposits	5,215,523	N/A	-	-	-	5,215,523
Held by Bond Trustee:						
Money Market Funds	<u>2,325,871</u>	A	<u>868,060</u>	<u>-</u>	<u>238,586</u>	<u>1,219,225</u>
Total	<u>\$ 28,675,817</u>		<u>\$ 868,060</u>	<u>\$ 4,988,333</u>	<u>\$ 238,586</u>	<u>\$ 22,580,838</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. As of June 30, 2017, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the total pooled investment in the following:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal agency securities	\$ 4,988,333

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a city 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, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit). The market 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.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments:

As of June 30, 2017, the carrying amount of the City's bank deposits was \$18,827,815, and the respective bank balances totaled \$17,997,251. Of the total bank balance, \$933,122 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$17,064,129 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not in the name of the City.

In addition, as of June 30, 2017, none of the City's investments with financial institutions were held in uncollateralized accounts.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Local Agency Investment Fund**

The City of Lemoore 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. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals to and from LAIF are transferred on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, LAIF is uncategorized.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2017:

<b>Investments by Fair Value Level</b>	<b>Amount</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>	<b>Level 3 Inputs</b>
Certificates of Deposit	\$ 5,215,523	\$ -	\$ 5,215,523	\$ -
Federal agency securities:				
Federal Home Loan Mortgage Corporation	4,988,333	-	4,988,333	-
	<u>10,203,856</u>	<u>\$ -</u>	<u>\$ 10,203,856</u>	<u>\$ -</u>
State Investment Pool	16,146,090			
Money Market Funds	<u>2,325,871</u>			
	<u>\$ 28,675,817</u>			

In determining fair value, the City’s custodians use various methods including market and income approaches. Based on these approaches, the City’s custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The City’s custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the City’s investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 – quoted prices in active markets for identical investments, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 – significant unobservable inputs (including the district’s own assumptions in determining the fair value of investments).

**NOTE 3 – FORGIVABLE LOANS**

The City administers a housing rehabilitation loan program. Under this program, individuals with incomes below certain levels are eligible to receive low interest loans for rehabilitation work on their homes. These performing loans are secured by deeds of trust on the rehabilitation properties.

Forgivable loans are not required to be paid back unless the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling at which time the full amount of the deferred loan is due. These loans are “non-performing loans” and are not recorded as loans receivable in the financial statements. Such loans totaled \$1,883,761 as of June 30, 2017.



**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – INTERFUND ACTIVITIES**

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2017, is as follows:

**Current Interfund Receivables/Payables**

Current interfund balances are generally short-term loans to cover temporary cash deficits in various funds and are expected to be repaid shortly after the end of the fiscal year. The City's interfund receivables and payables consisted of the following at June 30, 2017.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund	\$ 815,799	\$ -
Golf Course Fund	-	310,349
<b>Internal Service Funds</b>		
Fleet Maintenance Fund	<u>-</u>	<u>505,450</u>
Totals	<u>\$ 815,799</u>	<u>\$ 815,799</u>

**Long-Term Interfund Advances**

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City's long-term interfund advances consisted of the following at June 30, 2017:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund	\$ 740,653	\$ -
<b>Enterprise Funds</b>		
Major Funds:		
Water Fund	-	1,471,883
Sewer Fund	1,471,883	148,380
Golf Course Fund	-	2,434,416
<b>Fiduciary Funds</b>		
Successor Agency Private Purpose Trust Fund	<u>1,842,143</u>	<u>-</u>
Totals	<u>\$ 4,054,679</u>	<u>\$ 4,054,679</u>

On August 5, 2013, the City's General Fund loaned \$1,439,128 to the Golf Course enterprise fund to pay off the 1995 Golf Course Bonds and related expenses. The loan bears 1.35% interest, payable quarterly over an eight-year term. The final payment of the loan is scheduled for June 30, 2021. The loan balance is \$740,653 as of June 30, 2017.

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – INTERFUND ACTIVITIES (Continued)**

**Long-Term Interfund Advances (Continued)**

On May 7, 2013, the City’s Sewer Fund loaned \$2,371,883 to the Water Fund for the solar project. The loan is payable annually over a five-year term. The final payment of the loan is scheduled for June 30, 2020. The loan balance is \$1,471,883 as of June 30, 2017.

On June 30, 2005, the City’s Golf Course Fund obtained a loan from the Lemoore Redevelopment Successor Agency for \$1,039,850 bearing 2.38% interest. This loan incurred interest beginning July 1, 2005. Payments of approximately \$300,000 per year will begin in fiscal year 2021. The loan was obtained to cover both direct expenses and debt service of the golf course. The final payment of the loan is scheduled for June 30, 2027. The loan balance is \$1,693,763 as of June 30, 2017.

On March 21, 2006, the City’s Sewer Fund obtained a loan from the Lemoore Redevelopment Successor Agency for \$148,380. The loan was obtained for the installation of the oversized storm sewer improvements along 19½ Avenue. During the ten years immediately following payment of the loan, any new adjoining property development will reimburse the City its prorated share for oversizing; and the City will then reimburse the Successor Agency of the City of Lemoore annually for all funds collected for such oversizing. Any balance remaining on the loan to the Successor Agency, after the ten-year period, will be forgiven to the City, provided the non-payment is due to lack of development. The loan balance is \$148,380 as of June 30, 2017.

**NOTE 5 – ASSETS HELD FOR RESALE**

The following is a summary of changes in the assets held for resale during the 2016-2017 fiscal year:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Land held for resale	<u>\$ 1,485,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,564</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended June 30, 2017 is as follows:

**Governmental Activities**

	Balance (as restated) June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 2,815,713	\$ -	\$ -	\$ 2,815,713
Construction in progress	<u>1,478,728</u>	<u>707,144</u>	<u>(340,554)</u>	<u>1,845,318</u>
Total capital assets, not being depreciated	<u>4,294,441</u>	<u>707,144</u>	<u>(340,554)</u>	<u>4,661,031</u>
Capital assets, being depreciated				
Buildings and improvements	16,451,735	197,794	-	16,649,529
Machinery and equipment	7,125,841	436,397	(309,850)	7,252,388
Road network	46,293,329	80,032	-	46,373,361
Infrastructure	<u>4,791,535</u>	<u>5,949</u>	<u>-</u>	<u>4,797,484</u>
Total capital assets, being depreciated	<u>74,662,440</u>	<u>720,172</u>	<u>(309,850)</u>	<u>75,072,762</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,579,084)	(481,788)	-	(5,060,872)
Machinery and equipment	(4,343,774)	(436,791)	309,850	(4,470,715)
Road network	(1,808,475)	(926,934)	-	(2,735,409)
Infrastructure	<u>(2,105,382)</u>	<u>(306,871)</u>	<u>-</u>	<u>(2,412,253)</u>
Total accumulated depreciated, net	<u>(12,836,715)</u>	<u>(2,152,384)</u>	<u>309,850</u>	<u>(14,679,249)</u>
Total capital assets, being depreciated, net	<u>61,825,725</u>	<u>(1,432,212)</u>	<u>-</u>	<u>60,393,513</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 66,120,166</u>	<u>\$ (725,068)</u>	<u>\$ (340,554)</u>	<u>\$ 65,054,544</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities:	
General government	\$ 29,094
Public safety	326,646
Public works	1,737,038
Parks and recreation	46,470
Community development	356
Capital assets held by the Internal Service Funds were charged to the various functions based on their usage	<u>12,780</u>
Total depreciation expense - governmental activities	<u>\$ 2,152,384</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS (Continued)**

Capital assets activity of the business-type activities for the year ending June 30, 2017 is as follows:

**Business-Type Activities**

	Balance (as restated) June 30, 2016	Additions	Reductions	Transfers/ Adjustments	Balance June 30, 2017
<b>Water Fund:</b>					
Capital Assets, not being depreciated:					
Land	\$ 427,232	\$ -	\$ -	\$ -	\$ 427,232
Construction in progress	<u>252,416</u>	<u>379,427</u>	<u>-</u>	<u>-</u>	<u>631,843</u>
Total capital assets, not being depreciated	<u>679,648</u>	<u>379,427</u>	<u>-</u>	<u>-</u>	<u>1,059,075</u>
Capital assets, being depreciated:					
Buildings and improvements	16,795,957	-	-	-	16,795,957
Machinery and equipment	<u>14,325,091</u>	<u>-</u>	<u>(19,349)</u>	<u>-</u>	<u>14,305,742</u>
Total capital assets, being depreciated	<u>31,121,048</u>	<u>-</u>	<u>(19,349)</u>	<u>-</u>	<u>31,101,699</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,762,617)	(256,918)	-	-	(7,019,535)
Machinery and equipment	<u>(2,295,209)</u>	<u>(737,659)</u>	<u>18,147</u>	<u>-</u>	<u>(3,014,721)</u>
Total accumulated depreciation, net	<u>(9,057,826)</u>	<u>(994,577)</u>	<u>18,147</u>	<u>-</u>	<u>(10,034,256)</u>
Total capital assets, being depreciated, net	<u>22,063,222</u>	<u>(994,577)</u>	<u>(1,202)</u>	<u>-</u>	<u>21,067,443</u>
Water fund capital assets, net	<u>\$ 22,742,870</u>	<u>\$ (615,150)</u>	<u>\$ (1,202)</u>	<u>\$ -</u>	<u>\$ 22,126,518</u>
<b>Sewer Fund:</b>					
Capital assets, not being depreciated:					
Land	\$ 749,841	\$ -	\$ -	\$ -	\$ 749,841
Construction in progress	<u>25,515</u>	<u>92,951</u>	<u>-</u>	<u>-</u>	<u>118,466</u>
Total capital assets, not being depreciated	<u>775,356</u>	<u>92,951</u>	<u>-</u>	<u>-</u>	<u>868,307</u>
Capital assets, being depreciated:					
Buildings and improvements	8,142,916	-	-	-	8,142,916
Machinery and equipment	<u>5,314,816</u>	<u>561,684</u>	<u>-</u>	<u>(20,442)</u>	<u>5,856,058</u>
Total capital assets, being depreciated	<u>13,457,732</u>	<u>561,684</u>	<u>-</u>	<u>(20,442)</u>	<u>13,998,974</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,497,430)	(263,705)	-	-	(2,761,135)
Machinery and equipment	<u>(2,765,217)</u>	<u>(205,035)</u>	<u>-</u>	<u>20,442</u>	<u>(2,949,810)</u>
Total accumulated depreciation, net	<u>(5,262,647)</u>	<u>(468,740)</u>	<u>-</u>	<u>20,442</u>	<u>(5,710,945)</u>
Total capital assets, being depreciated, net	<u>8,195,085</u>	<u>92,944</u>	<u>-</u>	<u>-</u>	<u>8,288,029</u>
Sewer fund capital assets, net	<u>\$ 8,970,441</u>	<u>\$ 185,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,156,336</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS (Continued)**

**Business-Type Activities (Continued)**

	Balance June 30, 2016	Additions	Reductions	Transfers/ Adjustments	Balance June 30, 2017
<b>Refuse Fund:</b>					
Capital assets, not being depreciated:					
Land	\$ 252,505	\$ -	\$ -	\$ -	\$ 252,505
Total capital assets, not being depreciated	<u>252,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,505</u>
Capital assets, being depreciated					
Machinery and equipment	2,463,435	30,747	-	-	2,494,182
Total capital assets, being depreciated	<u>2,463,435</u>	<u>30,747</u>	<u>-</u>	<u>-</u>	<u>2,494,182</u>
Less accumulated depreciation for:					
Machinery and equipment	(1,535,118)	(235,151)	-	-	(1,770,269)
Total accumulated depreciation, net	<u>(1,535,118)</u>	<u>(235,151)</u>	<u>-</u>	<u>-</u>	<u>(1,770,269)</u>
Total capital assets, being depreciated, net	<u>928,317</u>	<u>(204,404)</u>	<u>-</u>	<u>-</u>	<u>723,913</u>
Refuse fund capital assets, net	<u>\$ 1,180,822</u>	<u>\$ (204,404)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,418</u>
<b>Golf Course Fund:</b>					
Capital assets, not being depreciated:					
Land	\$ 624,013	\$ -	\$ -	\$ -	\$ 624,013
Total capital assets, not being depreciated	<u>624,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,013</u>
Capital assets, being depreciated					
Buildings and improvements	4,428,991	-	-	-	4,428,991
Machinery and equipment	561,443	22,141	(809)	20,441	603,216
Total capital assets, being depreciated	<u>4,990,434</u>	<u>22,141</u>	<u>(809)</u>	<u>20,441</u>	<u>5,032,207</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,831,051)	(125,033)	-	-	(2,956,084)
Machinery and equipment	(465,065)	(24,789)	809	(20,441)	(509,486)
Total accumulated depreciation, net	<u>(3,296,116)</u>	<u>(149,822)</u>	<u>809</u>	<u>(20,441)</u>	<u>(3,465,570)</u>
Total capital assets, being depreciated, net	<u>1,694,318</u>	<u>(127,681)</u>	<u>-</u>	<u>-</u>	<u>1,566,637</u>
Golf course fund capital assets, net	<u>\$ 2,318,331</u>	<u>\$ (127,681)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,190,650</u>
<b>Business-type capital assets, net</b>	<u>\$ 35,212,464</u>	<u>\$ (761,340)</u>	<u>\$ (1,202)</u>	<u>\$ -</u>	<u>\$ 34,449,922</u>

Depreciation expense is charged to business-type functions as follows:

<b>Business-Type Activities:</b>	
Water	\$ 994,577
Sewer	468,740
Refuse	235,151
Golf Course	<u>149,822</u>
Total	<u>\$ 1,848,290</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – DEPOSITS AND OTHER LIABILITIES**

Deposits and other liabilities consist of the following at June 30, 2017:

	General Fund	Water Fund	Golf Course Fund	Total
Deposits	\$ 25,469	\$ -	\$ -	\$ 25,469
Other liabilities	-	29,137	15,924	45,061
Total deposits and other liabilities	<u>\$ 25,469</u>	<u>\$ 29,137</u>	<u>\$ 15,924</u>	<u>\$ 70,530</u>

**NOTE 8 – COMPENSATED ABSENCES**

The City's policy relating to compensated absences is described in Note 1. As shown in long-term liabilities (Note 9), the noncurrent portion of this debt at fiscal year-end was \$406,682 and \$110,535, for governmental activities and business-type activities, respectively. This obligation is expected to be paid in future years from the available resources derived from the respective funds to which the employee services are rendered.

Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity of compensated absences has not been presented. At June 30, 2017, the balance is \$508,352 for governmental activities and \$138,170 for business-type activities.

**NOTE 9 – LONG-TERM LIABILITIES**

The following is a summary of the long-term liabilities transactions of the City for governmental activities for the year ended June 30, 2017:

	Balance June 30, 2016	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 449,729	\$ 339,399	\$ (280,776)	\$ 508,352	\$ 101,670
Governmental activities long-term liabilities	<u>\$ 449,729</u>	<u>\$ 339,399</u>	<u>\$ (280,776)</u>	<u>\$ 508,352</u>	<u>\$ 101,670</u>

The following is a summary of the long-term liabilities transactions of the City for business-type activities for the year ended June 30, 2017:

	Balance June 30, 2016	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Due Within One Year
<b>Business-Type Activities:</b>					
Series 2013 water revenue loan	\$ 6,253,812	\$ -	\$ (422,443)	\$ 5,831,369	\$ 433,017
Compensated absences	121,766	138,335	(121,931)	138,170	27,634
Business-type activities long-term liabilities	<u>\$ 6,375,578</u>	<u>\$ 138,335</u>	<u>\$ (544,374)</u>	<u>\$ 5,969,539</u>	<u>\$ 460,651</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – LONG-TERM LIABILITIES (Continued)**

**Series 2013 Water Revenue Loan**

In May 2013, the City obtained a water revenue loan from Pinnacle Public Finance, Inc. for \$7,068,000 bearing 2.48% interest, payable quarterly over a fifteen-year term. The loan was obtained to finance the acquisition and construction of various capital improvements, which primarily consists of photovoltaic water wells water systems throughout the City, as well as the expansion of a parking complex. The City irrevocably pledged all of the net revenues of the water fund to the punctual payment of the loan. After September 1, 2018, the City has the option to prepay the unpaid principal of the loan in whole or in part on any loan payment date. The final payment of the loan is scheduled for March 1, 2029.

The following is a schedule of the future estimated minimum payments related to the Series 2013 Water Revenue Loan at June 30, 2017:

Fiscal Years Ending June 30	Series 2013 Water Revenue Loan		
	Principal	Interest	Total
2018	\$ 433,017	\$ 140,612	\$ 573,629
2019	443,856	129,773	573,629
2020	454,967	118,662	573,629
2021	466,355	107,274	573,629
2022	478,029	95,600	573,629
2023-2027	2,575,735	292,408	2,868,143
2028-2029	<u>979,410</u>	<u>24,440</u>	<u>1,003,850</u>
Totals	<u>\$ 5,831,369</u>	<u>\$ 908,769</u>	<u>\$ 6,740,138</u>

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 12.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

- Unavailable revenues arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Lemoore Housing Authority	Other Governmental Funds	Total Governmental Funds
Deferred housing loans	<u>\$ 200,000</u>	<u>\$ 651,200</u>	<u>\$ 851,200</u>
Total	<u>\$ 200,000</u>	<u>\$ 651,200</u>	<u>\$ 851,200</u>

- The City has pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 12.

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 – POST-RETIREMENT BENEFITS**

The City allows its retirees who retire under provisions of a regular service retirement to have the opportunity to continue enrollment in the City’s health insurance program. The retirees have the same choice of insurance plans as those of current employees. The retirees are pooled together separately from the active employee pool and pay the full cost of the insurance premiums without cost to the City.

**NOTE 12 – DEFINED BENEFIT PENSION PLAN**

**California Public Employees’ Retirement Plan (CalPERS)**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Lemoore’s (City) sponsors four rate plans (two miscellaneous and two safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.377%	6.555%
	<b>Safety</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	14.785%	12.082%



**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**California Public Employees’ Retirement Plan (CalPERS) (Continued)**

**A. General Information about the Pension Plans (Continued)**

***Benefits Provided*** (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$449,754 for the fiscal year ended June 30, 2017.

***Contributions*** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the plan for the year ended June 30, 2017 were \$1,088,741.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,592,376.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.1160%
Proportion - June 30, 2016	0.1224%
Change - Increase (Decrease)	0.0064%

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**California Public Employees’ Retirement Plan (CalPERS) (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2017, the City recognized pension expense of \$1,372,268. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,035,775	\$ -
Changes of assumptions	-	308,542
Differences between actual and expected experience	8,280	29,815
Net differences between projected and actual earnings on plan investments	1,562,054	-
Change in employer's proportion	250,149	350,635
Differences between the employer's actual contributions and the employer's proportionate share of contributions	-	181,019
Total	\$ 2,856,258	\$ 870,011

\$1,035,775 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	\$ (155,733)
2019	(44,563)
2020	745,206
2021	405,562
2022	-
Thereafter	-

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.5% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds <sup>(3)</sup>

<sup>(1)</sup> Depending on age, service and type of employment

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

<sup>(3)</sup> The mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**California Public Employees' Retirement Plan (CalPERS) (Continued)**

**C. Actuarial Assumptions (Continued)**

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

**D. Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**California Public Employees’ Retirement Plan (CalPERS) (Continued)**

**D. Discount Rate (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

<sup>(a)</sup>An expected inflation of 2.5% used for this period.

<sup>(b)</sup>An expected inflation of 3.0% used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –***

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Discount Rate -1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
6.65%	7.65%	8.65%
<u>\$16,565,019</u>	<u>\$10,592,376</u>	<u>\$5,669,390</u>

**E. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**F. Payable to the Pension Plan**

There was no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**NOTE 13 – DEFERRED COMPENSATION**

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts deferred under the plan and all income attributable to those amounts are solely the property and rights of the plan participants. The City has no liability for losses under the plan. The assets and related liabilities are not reported on the City’s financial statements in accordance with Governmental Accounting Standards Board Statement No. 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.”

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 14 – RISK MANAGEMENT**

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of 54 cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such that CSJVRMA is not considered a component unit of the City for financial reporting purposes.

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$50,000 up to \$1,000,000. CSJVRMA participates in the excess pool, which provides general liability coverage from \$1,000,000 to \$29,000,000.

The City maintains a self-insured retention level of \$50,000 for workers' compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to the statutory limit.

At the termination of the joint venture agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

The annual financial report may be obtained from the consortium's executive office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2017:

Total assets	\$ 100,984,219
Total liabilities	<u>83,009,648</u>
Member's equity	<u>\$ 17,974,571</u>
Total revenue for year	\$ 46,513,252
Total expenses for year	<u>43,973,513</u>
Change in net position	<u>\$ 2,539,739</u>

**NOTE 15 – CONTINGENT LIABILITIES AND COMMITMENTS**

**General Liability**

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

**Federal Awards**

The City has received federal awards for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under award terms, any required reimbursements are not expected to be material.

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 16 – SEGMENT INFORMATION FOR WATER FUND**

The Water Fund is an enterprise fund that accounts for the City’s water utility operations and collection and administration of water fees. Segment information for the utility operations is as follows:

	<u><b>Water Fund</b></u>
<b>CONDENSED STATEMENT OF NET POSITION</b>	
Assets:	
Current assets	\$ 4,586,640
Noncurrent assets	<u>22,126,518</u>
Total assets	<u>26,713,158</u>
Deferred Outflows of Resources	<u>247,759</u>
Liabilities:	
Current liabilities	682,854
Noncurrent liabilities	<u>7,895,712</u>
Total liabilities	<u>8,578,566</u>
Deferred Inflows of Resources	<u>122,875</u>
Net Position:	
Net investment in capital assets	14,823,266
Unrestricted	<u>3,436,210</u>
Total net position	<u>\$ 18,259,476</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	
Operating revenues	\$ 4,248,572
Depreciation expenses	(994,577)
Other operating expenses	<u>(2,912,071)</u>
Operating income (loss)	<u>341,924</u>
Nonoperating revenues (expenses)	
Other nonoperating revenue	807,501
Investing income	13,563
Interest expense	<u>(150,313)</u>
Total nonoperating revenues (expenses)	<u>670,751</u>
Changes in net position	1,012,675
Beginning net position	<u>17,246,801</u>
Ending net position	<u>\$ 18,259,476</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>	
Net cash provided (used) by:	
Operating activities	\$ 660,127
Noncapital financing activities	(450,000)
Capital and related financing activities	(139,473)
Investing activities	<u>13,563</u>
Net increase (decrease) in cash and investments	84,217
Beginning cash and investments	<u>3,359,621</u>
Ending cash and investments	<u>\$ 3,443,838</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**

On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the “Bill”) which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**Cash and Investments**

A reconciliation of the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund’s cash and investments as of June 30, 2017 is as follows:

Cash on hand	\$ 4,219,098
Cash with fiscal agents	<u>2,325,871</u>
Total cash and investments	<u>\$ 6,544,969</u>

**Receivables**

A reconciliation of the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund’s receivables balances as of June 30, 2017 is as follows:

Advances to the City of Lemoore	\$ 1,842,143
Note receivable	<u>1,225,798</u>
Total receivables	<u>\$ 3,067,941</u>

**CITY OF LEMOORE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**  
**(Continued)**

**Long-term Liabilities**

The following is a summary of long-term liabilities transactions for the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund at June 30, 2017:

	Balance June 30, 2016	Incurred or Issued	Satisfied or Matured	Balance June 30, 2017	Amounts Due Within One Year	Amounts Due in More Than One Year
Bonds payable:						
2011 RDA Tax Allocation	\$ 18,485,000	\$ -	\$ 17,320,000	\$ 1,165,000	\$ 180,000	\$ 985,000
Less: bond discount	(631,330)	-	(447,192)	(184,138)	-	(184,138)
2014 RDA Tax Allocation Refunding	<u>15,330,587</u>	-	<u>604,523</u>	<u>14,726,064</u>	<u>626,612</u>	<u>14,099,452</u>
Total bonds payable	<u>33,184,257</u>	-	<u>17,477,331</u>	<u>15,706,926</u>	<u>806,612</u>	<u>14,900,314</u>
Leprino Owner Participation Agreement Obligation	<u>2,801,525</u>	-	<u>1,002,668</u>	<u>1,798,857</u>	-	<u>1,798,857</u>
Business-type activities long-term liabilities	<u>\$ 35,985,782</u>	<u>\$ -</u>	<u>\$ 18,479,999</u>	<u>\$ 17,505,783</u>	<u>\$ 806,612</u>	<u>\$ 16,699,171</u>

**Tax Allocation Refunding Bonds**

**2011 Tax Allocation Bonds**

On March 4, 2011, the Agency issued \$19,150,000 of its 2011 Tax Allocation Bonds (the 2011 Bonds) bearing interest of 3.0% to 7.375%, payable semi-annually on February 1 and August 1, commencing August 1, 2011. Beginning August 2, 2012, principal comes due annually in various sums through August 1, 2040, subject to optimal redemption by the Agency, on whole or in part on August 1, 2017. The 2011 Bonds are payable from and secured by incremental property tax revenue (Pledged Tax Revenues).

On December 5, 2016, the Agency participated in a partial defeasance of the 2011 Tax Allocation Bonds by placing cash in irrevocable escrow accounts held and managed by bank trustees. Accordingly, the escrow account and the defeased portion of the bonds are not included on the Agency's financial statements. The Agency's remaining bonds are payable through August 1, 2024.

The following is a schedule of the future estimated minimum payments related to the 2011 Bonds at June 30, 2017:

Fiscal Years Ending June 30	2011 Tax Allocation Refunding Bond		
	Principal	Interest	Total
2018	\$ 180,000	\$ 61,419	\$ 241,419
2019	180,000	52,306	232,306
2020	195,000	42,453	237,453
2021	195,000	31,728	226,728
2022	200,000	20,244	220,244
2023-2024	<u>215,000</u>	<u>21,697</u>	<u>236,697</u>
Totals	<u>\$ 1,165,000</u>	<u>\$ 229,847</u>	<u>\$ 1,394,847</u>



**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**  
(Continued)

**Long-term Liabilities (Continued)**

**2014 RDA Tax Allocation Refunding Bonds**

The Agency issued \$15,855,465 of its Tax Allocation Refunding Bonds on June 27, 2014 (the 2014 Bonds) to currently fund \$4,160,427 and \$10,269,654 of the Agency's remaining issuances of the 1998 RDA Tax Allocation Refunding Bond and the 2003 RDA Tax Allocations Refunding Bonds, and to fund issuance costs and a reserve account. Beginning February 1, 2015, interest and principal on the 2014 Bonds is payable semi-annually on February 1 and August 1 of each year at an interest rate of 3.960% per annum. Debt Service payments of the 2014 Bonds are secured by a pledge of the property tax revenue increments collected on properties within the redevelopment project area. The debt agreement requires a reserve account to be held by the trustee. The final payment of the loan is scheduled for August 1, 2033.

The following is a schedule of the future estimated minimum payments related to the 2014 Bonds at June 30, 2017:

Fiscal Years Ending June 30	2014 Tax Allocation Refunding Bond		
	Principal	Interest	Total
2018	\$ 626,612	\$ 570,745	\$ 1,197,357
2019	653,805	545,393	1,199,198
2020	675,446	519,074	1,194,520
2021	706,474	491,712	1,198,186
2022	736,800	463,135	1,199,935
2023-2027	4,117,091	1,846,793	5,963,884
2028-2032	4,947,189	953,059	5,900,248
2033-2034	<u>2,262,647</u>	<u>90,390</u>	<u>2,353,037</u>
Totals	<u>\$ 14,726,064</u>	<u>\$ 5,480,301</u>	<u>\$ 20,206,365</u>

**Leprino Owner Participation Agreement Obligation**

On March 7, 2000, the Agency entered into an owner participation agreement with Leprino Foods Company (Leprino) whereby Leprino was to construct a dairy and related products manufacturing and storage facility within the redevelopment project area. The City was to reimburse Leprino \$3 million for the cost of the infrastructure improvements which contributed to the elimination of blight in the project area. Subsequently, due to an expansion of the project scope requiring Leprino to increase its investment from \$125 million to more the \$250 million, the Agency's reimbursement obligation increased to \$6 million, payable in 10 annual installments of \$600,000 each year, subject to the Leprino facility having an assessed value in excess of \$250 million and verification of actual infrastructure costs incurred by Leprino. During the June 30, 2013 fiscal year, a final payment of \$1,613,666 was made. This payment was adjusted from \$600,000 because the facility's assessed value was \$413 million.

On September 4, 2007, the Agency entered into an amendment to the Owner Participation Agreement with Leprino Foods Company (Leprino). Leprino has decided to expand the production capacity of the plant to permit the increase in the milk received on a daily basis from its current level of 6,000,000 pounds of milk per day, to install additional packaging capacity and make other process improvements. The 2007 Expansion Project includes the completion of the addition work at the Expanded Wastewater Pretreatment System.

It has been acknowledged that the City will incur an additional liability of approximately \$6 million for wastewater improvements at the Leprino plant and this liability will be paid from the additional tax increments that the plant would generate based on this expansion.

The total liability to Leprino Foods Company at June 30, 2017 was \$1,798,857.

**CITY OF LEMOORE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 18 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE**

**Prior Period Adjustments**

Governmental Activities

Beginning net position of the Governmental Activities in the Government-Wide Statement of Activities has been restated to record a prior period adjustment as presented in the reconciliation below:

Beginning net position	\$ 91,996,798
Prior Period Adjustment:	
Overstatement of deposit	<u>148,421</u>
Total prior period adjustments	<u>148,421</u>
Beginning net position, as restated	<u><u>\$ 92,145,219</u></u>

Fund Financial Statements

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance of the General Fund has been restated as presented in the reconciliation below:

<u>Description</u>	<u>General Fund</u>
Beginning fund balance	\$ 10,658,708
Prior period adjustment:	
Overstatement of deposit	<u>148,421</u>
Total prior period adjustment	<u>148,421</u>
Beginning fund balance, as restated	<u><u>\$ 10,807,129</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LEMOORE  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS\*  
AS OF JUNE 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.1197%	0.1160%	0.1224%
Proportionate share of the net pension liability	\$ 7,519,752	\$ 7,960,168	\$ 10,592,376
Covered payroll	\$ 5,076,165	\$ 5,273,173	\$ 5,467,395
Proportionate Share of the net pension liability as percentage of covered payroll	148.14%	150.96%	193.74%
Plan fiduciary net position as a percentage of the total pension liability	81.49%	80.97%	76.05%

**Notes to Schedule:**

**Benefit changes.** There were no changes in benefits.

**Change in assumptions.** The discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent to correct for an adjustment to exclude administrative expenses.

\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF LEMOORE  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 YEARS\*  
AS OF JUNE 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,048,489	\$ 1,067,105	\$ 1,088,741	\$ 1,035,775
Contributions in relation to the actuarially determined contributions	<u>1,048,489</u>	<u>1,067,105</u>	<u>1,088,741</u>	<u>1,035,775</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,076,165	\$ 5,273,173	\$ 5,467,395	\$ 5,850,364
Contributions as a percentage of covered payroll	20.66%	20.24%	19.91%	17.70%

\* Schedule is intended to show information for 10 years commencing with the fiscal year ended June 30, 2015. Additional years will be displayed as they occur.

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## SUPPLEMENTARY INFORMATION

**CITY OF LEMOORE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

**Nonmajor Special Revenue Funds**

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

The **Traffic Safety Fund** is used to account for proceeds of traffic citations, which may be used for programs promoting traffic safety, such as street improvements, striping, and the like.

The **Local Transportation Fund** is used to account for the maintenance and construction of roadways and for specialized engineering services using transportation development act funds.

The **Grants Fund** is used to account for the City's receipts and expenditures of the state, federal, and other grants.

The **Maintenance Assessment District Fund** is used to account for City maintenance costs relating to the public improvements within the assessment district area.

The **TE/STP Exchange Fund** is used to account for projects undertaken with federal streets transportation and planning funds received by the City through the State of California.

The **Downtown Improvement Fund** is used to account for economic development and revitalization endeavors by local businesses in the downtown area.

The **Streets Grant Fund** is used to account for the City's street improvements using miscellaneous state and federal grants.

**Nonmajor Capital Projects Funds**

The **Capital Projects Funds** are established to account for resources used for the acquisition and constructions of capital facilities by the City, except for those financed for enterprise funds.

The **Street Improvement Fund** is used to account for improvements to local streets and roads using developer fees, grant proceeds, and other sources designated by the City Council for this purpose.

The **Recreation Improvement Fund** is used to account for the revenue from developer fees to be used for acquisition and development of parks and recreation facilities.

The **Facility Infrastructure Fund** is used to account for improvements to City buildings and improvements using developer fees, grant proceeds, and other sources designated by the City Council for this purpose.

The **Capital Improvement Fees Fund** is used to account for miscellaneous capital projects using developer fees.



**CITY OF LEMOORE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Combined Special Revenue Funds	Combined Capital Projects Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments	\$ 6,779,624	\$ 5,970,750	\$ 12,750,374
Receivables:			
Accounts	7,273	69,182	76,455
Notes	651,200	-	651,200
Intergovernmental	<u>701,696</u>	<u>-</u>	<u>701,696</u>
Total assets	<u>\$ 8,139,793</u>	<u>\$ 6,039,932</u>	<u>\$ 14,179,725</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 35,833</u>	<u>\$ 1,439</u>	<u>\$ 37,272</u>
Total liabilities	<u>35,833</u>	<u>1,439</u>	<u>37,272</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>651,200</u>	<u>-</u>	<u>651,200</u>
Total deferred inflows of resources	<u>651,200</u>	<u>-</u>	<u>651,200</u>
<b>FUND BALANCES</b>			
Restricted:			
Public safety	428,717	-	428,717
Public works	6,722,005	-	6,722,005
Community development	292,416	-	292,416
Capital projects and improvements	<u>9,622</u>	<u>6,038,493</u>	<u>6,048,115</u>
Total fund balances	<u>7,452,760</u>	<u>6,038,493</u>	<u>13,491,253</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,139,793</u>	<u>\$ 6,039,932</u>	<u>\$ 14,179,725</u>

**CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Combined Special Revenue Funds	Combined Capital Projects Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Licenses and permits	\$ 9,024	\$ -	\$ 9,024
From other agencies	1,631,520	9,796	1,641,316
Fees and assessments	254,275	248,082	502,357
Use of money and property	<u>18,103</u>	<u>20,613</u>	<u>38,716</u>
 Total revenues	 <u>1,912,922</u>	 <u>278,491</u>	 <u>2,191,413</u>
 <b>EXPENDITURES</b>			
Current:			
General government	8,124	-	8,124
Public works	394,384	2,700	397,084
Parks and recreation	28,566	52,200	80,766
Capital outlay	<u>186,571</u>	<u>771,345</u>	<u>957,916</u>
 Total expenditures	 <u>617,645</u>	 <u>826,245</u>	 <u>1,443,890</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,295,277</u>	 <u>(547,754)</u>	 <u>747,523</u>
 Net changes in fund balances	 1,295,277	 (547,754)	 747,523
 Fund balances - beginning	 <u>6,157,483</u>	 <u>6,586,247</u>	 <u>12,743,730</u>
 Fund balances - end of year	 <u>\$ 7,452,760</u>	 <u>\$ 6,038,493</u>	 <u>\$ 13,491,253</u>

**CITY OF LEMOORE  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

	Traffic Safety	Local Transportation	Grants Fund	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Streets Grants Fund	Totals
<b>ASSETS</b>								
Cash and investments	\$ 428,380	\$ 1,997,977	\$ 251,604	\$ 2,849,448	\$ 982,571	\$ 9,925	\$ 259,719	\$ 6,779,624
Receivables:								
Accounts	337	-	-	6,936	-	-	-	7,273
Notes	-	-	651,200	-	-	-	-	651,200
Intergovernmental	-	453,381	40,812	-	-	-	207,503	701,696
<b>Total assets</b>	<b>\$ 428,717</b>	<b>\$ 2,451,358</b>	<b>\$ 943,616</b>	<b>\$ 2,856,384</b>	<b>\$ 982,571</b>	<b>\$ 9,925</b>	<b>\$ 467,222</b>	<b>\$ 8,139,793</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 27,826	\$ 3,037	\$ 303	\$ 4,667	\$ 35,833
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,826</b>	<b>3,037</b>	<b>303</b>	<b>4,667</b>	<b>35,833</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	-	-	651,200	-	-	-	-	651,200
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>651,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>651,200</b>
<b>FUND BALANCES</b>								
Restricted:								
Public safety	428,717	-	-	-	-	-	-	428,717
Public works	-	2,451,358	-	2,828,558	979,534	-	462,555	6,722,005
Community development	-	-	292,416	-	-	-	-	292,416
Capital projects and improvements	-	-	-	-	-	9,622	-	9,622
<b>Total fund balances</b>	<b>428,717</b>	<b>2,451,358</b>	<b>292,416</b>	<b>2,828,558</b>	<b>979,534</b>	<b>9,622</b>	<b>462,555</b>	<b>7,452,760</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 428,717</b>	<b>\$ 2,451,358</b>	<b>\$ 943,616</b>	<b>\$ 2,856,384</b>	<b>\$ 982,571</b>	<b>\$ 9,925</b>	<b>\$ 467,222</b>	<b>\$ 8,139,793</b>

**CITY OF LEMOORE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Traffic Safety	Local Transportation	Grants Fund	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Streets Grants Fund	Totals
<b>REVENUES</b>								
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,024	\$ -	\$ 9,024
From other agencies	-	453,380	145,574	517,830	160,570	-	354,166	1,631,520
Fees and assessments	4,920	-	-	249,355	-	-	-	254,275
Use of money and property	1,294	6,053	-	8,095	2,666	32	(37)	18,103
<b>Total revenues</b>	<b>6,214</b>	<b>459,433</b>	<b>145,574</b>	<b>775,280</b>	<b>163,236</b>	<b>9,056</b>	<b>354,129</b>	<b>1,912,922</b>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	8,124	-	8,124
Public works	-	-	-	364,776	11,461	-	18,147	394,384
Parks and recreation	-	-	28,566	-	-	-	-	28,566
Capital outlay	-	-	-	-	-	-	186,571	186,571
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>28,566</b>	<b>364,776</b>	<b>11,461</b>	<b>8,124</b>	<b>204,718</b>	<b>617,645</b>
Excess (deficiency) of revenues over (under) expenditures	6,214	459,433	117,008	410,504	151,775	932	149,411	1,295,277
<b>Net change in fund balance</b>	<b>6,214</b>	<b>459,433</b>	<b>117,008</b>	<b>410,504</b>	<b>151,775</b>	<b>932</b>	<b>149,411</b>	<b>1,295,277</b>
Fund balances - beginning	422,503	1,991,925	175,408	2,418,054	827,759	8,690	313,144	6,157,483
<b>Fund balances - ending</b>	<b>\$ 428,717</b>	<b>\$ 2,451,358</b>	<b>292,416</b>	<b>\$ 2,828,558</b>	<b>\$ 979,534</b>	<b>\$ 9,622</b>	<b>\$ 462,555</b>	<b>\$ 7,452,760</b>

**CITY OF LEMOORE  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2017**

	Street Improvement	Recreation Improvement	Facility Infrastructure	Capital Improvement Fees	Totals
<b>ASSETS</b>					
Cash and investments	\$ 121,794	\$ 2,124,904	\$ 443,019	\$ 3,281,033	\$ 5,970,750
Receivables:					
Accounts	<u>-</u>	<u>32,578</u>	<u>-</u>	<u>36,604</u>	<u>69,182</u>
Total assets	<u>\$ 121,794</u>	<u>\$ 2,157,482</u>	<u>\$ 443,019</u>	<u>\$ 3,317,637</u>	<u>\$ 6,039,932</u>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439</u>	<u>\$ 1,439</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439</u>	<u>1,439</u>
<b>FUND BALANCES</b>					
Restricted:					
Capital projects and improvements	<u>121,794</u>	<u>2,157,482</u>	<u>443,019</u>	<u>3,316,198</u>	<u>6,038,493</u>
Total fund balances	<u>121,794</u>	<u>2,157,482</u>	<u>443,019</u>	<u>3,316,198</u>	<u>6,038,493</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 121,794</u>	<u>\$ 2,157,482</u>	<u>\$ 443,019</u>	<u>\$ 3,317,637</u>	<u>\$ 6,039,932</u>

**CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
<b>REVENUES</b>					
From other agencies	\$ -	\$ -	\$ -	\$ 9,796	\$ 9,796
Fees and assessments	-	121,117	-	126,965	248,082
Use of money and property	<u>369</u>	<u>7,094</u>	<u>1,346</u>	<u>11,804</u>	<u>20,613</u>
Total revenues	<u>369</u>	<u>128,211</u>	<u>1,346</u>	<u>148,565</u>	<u>278,491</u>
<b>EXPENDITURES</b>					
Current:					
Public works	-	-	1,300	1,400	2,700
Parks and recreation	-	52,200	-	-	52,200
Capital outlay	-	<u>168,362</u>	-	<u>602,983</u>	<u>771,345</u>
Total expenditures	<u>-</u>	<u>220,562</u>	<u>1,300</u>	<u>604,383</u>	<u>826,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>369</u>	<u>(92,351)</u>	<u>46</u>	<u>(455,818)</u>	<u>(547,754)</u>
Net change in fund balances before extra ordinary item	<u>369</u>	<u>(92,351)</u>	<u>46</u>	<u>(455,818)</u>	<u>(547,754)</u>
Net change in fund balances	369	(92,351)	46	(455,818)	(547,754)
Fund balances - beginning	<u>121,425</u>	<u>2,249,833</u>	<u>442,973</u>	<u>3,772,016</u>	<u>6,586,247</u>
Fund balances - ending	<u>\$ 121,794</u>	<u>\$ 2,157,482</u>	<u>\$ 443,019</u>	<u>\$ 3,316,198</u>	<u>\$ 6,038,493</u>

**CITY OF LEMOORE  
NONMAJOR SPECIAL REVENUE FUNDS - TRAFFIC SAFETY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and assessments	\$ 25,500	\$ 5,000	\$ 4,920	\$ (80)
Use of money and property	<u>1,000</u>	<u>800</u>	<u>1,294</u>	<u>494</u>
Total revenues	<u>26,500</u>	<u>5,800</u>	<u>6,214</u>	<u>414</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,500</u>	<u>5,800</u>	<u>6,214</u>	<u>414</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(440,000)</u>	<u>(440,000)</u>	<u>-</u>	<u>440,000</u>
Total other financing sources (uses)	<u>(440,000)</u>	<u>(440,000)</u>	<u>-</u>	<u>440,000</u>
Net change in fund balances	(413,500)	(434,200)	6,214	440,414
Fund balances - beginning	<u>422,503</u>	<u>422,503</u>	<u>422,503</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ 9,003</u>	<u>\$ (11,697)</u>	<u>\$ 428,717</u>	<u>\$ 440,414</u>

**CITY OF LEMOORE**  
**NONMAJOR SPECIAL REVENUE FUNDS – LOCAL TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ -	\$ 501,500	\$ 453,380	\$ (48,120)
Use of money and property	-	-	6,053	6,053
Total revenues	<u>-</u>	<u>501,500</u>	<u>459,433</u>	<u>(42,067)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>501,500</u>	<u>459,433</u>	<u>(42,067)</u>
Net change in fund balances	-	501,500	459,433	(42,067)
Fund balances - beginning	<u>1,991,925</u>	<u>1,991,925</u>	<u>1,991,925</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,991,925</u>	<u>\$ 2,493,425</u>	<u>\$ 2,451,358</u>	<u>\$ (42,067)</u>



**CITY OF LEMOORE  
NONMAJOR SPECIAL REVENUE FUNDS – GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ 1,419,400	\$ -	\$ 145,574	\$ 145,574
Total revenues	<u>1,419,400</u>	<u>-</u>	<u>145,574</u>	<u>145,574</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	-	-	28,566	(28,566)
Total expenditures	<u>-</u>	<u>-</u>	<u>28,566</u>	<u>(28,566)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,419,400</u>	<u>-</u>	<u>117,008</u>	<u>117,008</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>1,419,400</u>	<u>1,419,400</u>	<u>-</u>	<u>(1,419,400)</u>
Total other financing sources (uses)	<u>1,419,400</u>	<u>1,419,400</u>	<u>-</u>	<u>(1,419,400)</u>
Net change in fund balances	2,838,800	1,419,400	117,008	(1,302,392)
Fund balances - beginning	<u>175,408</u>	<u>175,408</u>	<u>175,408</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,014,208</u>	<u>\$ 1,594,808</u>	<u>\$ 292,416</u>	<u>\$ (1,302,392)</u>

**CITY OF LEMOORE**  
**NONMAJOR SPECIAL REVENUE FUNDS – MAINTENANCE ASSESSMENT DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ 366,300	\$ -	\$ 517,830	\$ 517,830
Fees and assessments	212,600	243,910	249,355	5,445
Use of money and property	<u>11,000</u>	<u>-</u>	<u>8,095</u>	<u>8,095</u>
Total revenues	<u>589,900</u>	<u>243,910</u>	<u>775,280</u>	<u>531,370</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>374,000</u>	<u>407,400</u>	<u>364,776</u>	<u>42,624</u>
Total expenditures	<u>374,000</u>	<u>407,400</u>	<u>364,776</u>	<u>42,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>215,900</u>	<u>(163,490)</u>	<u>410,504</u>	<u>573,994</u>
Net change in fund balances	215,900	(163,490)	410,504	573,994
Fund balances - beginning	<u>2,418,054</u>	<u>2,418,054</u>	<u>2,418,054</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,633,954</u>	<u>\$ 2,254,564</u>	<u>\$ 2,828,558</u>	<u>\$ 573,994</u>

**CITY OF LEMOORE  
NONMAJOR SPECIAL REVENUE FUNDS – TE/STP EXCHANGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ 160,000	\$ 160,000	\$ 160,570	\$ 570
Use of money and property	<u>200</u>	<u>1,600</u>	<u>2,666</u>	<u>1,066</u>
Total revenues	<u>160,200</u>	<u>161,600</u>	<u>163,236</u>	<u>1,636</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>12,900</u>	<u>12,900</u>	<u>11,461</u>	<u>1,439</u>
Total expenditures	<u>12,900</u>	<u>12,900</u>	<u>11,461</u>	<u>1,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,300</u>	<u>148,700</u>	<u>151,775</u>	<u>3,075</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>117,500</u>	<u>117,500</u>	<u>-</u>	<u>(117,500)</u>
Total other financing sources (uses)	<u>117,500</u>	<u>117,500</u>	<u>-</u>	<u>(117,500)</u>
Net change in fund balances	264,800	266,200	151,775	(114,425)
Fund balances - beginning	<u>827,759</u>	<u>827,759</u>	<u>827,759</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,092,559</u>	<u>\$ 1,093,959</u>	<u>\$ 979,534</u>	<u>\$ (114,425)</u>

**CITY OF LEMOORE**  
**NONMAJOR SPECIAL REVENUE FUNDS – DOWNTOWN IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and permits	\$ -	\$ 12,000	9,024	\$ (2,976)
Use of money and property	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Total revenues	<u>-</u>	<u>12,000</u>	<u>9,056</u>	<u>(2,944)</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>21,500</u>	<u>21,500</u>	<u>8,124</u>	<u>13,376</u>
Total expenditures	<u>21,500</u>	<u>21,500</u>	<u>8,124</u>	<u>13,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,500)</u>	<u>(9,500)</u>	<u>932</u>	<u>10,432</u>
Net change in fund balances	(21,500)	(9,500)	932	10,432
Fund balances - beginning	<u>8,690</u>	<u>8,690</u>	<u>8,690</u>	<u>-</u>
Fund balances (deficits) - ending	<u>\$ (12,810)</u>	<u>\$ (810)</u>	<u>\$ 9,622</u>	<u>\$ 10,432</u>

**CITY OF LEMOORE**  
**NONMAJOR SPECIAL REVENUE FUNDS – STREETS GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ 1,199,000	\$ -	\$ 354,166	\$ 354,166
Use of money and property	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Total revenues	<u>1,199,000</u>	<u>-</u>	<u>354,129</u>	<u>354,129</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	18,147	(18,147)
Capital outlay	<u>-</u>	<u>-</u>	<u>186,571</u>	<u>(186,571)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>204,718</u>	<u>(204,718)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,199,000</u>	<u>-</u>	<u>149,411</u>	<u>149,411</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,199,000)</u>	<u>(1,199,000)</u>	<u>-</u>	<u>1,199,000</u>
Total other financing sources (uses)	<u>(1,199,000)</u>	<u>(1,199,000)</u>	<u>-</u>	<u>1,199,000</u>
Net change in fund balances	-	(1,199,000)	149,411	1,348,411
Fund balances - beginning	<u>313,144</u>	<u>313,144</u>	<u>313,144</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ 313,144</u>	<u>\$ (885,856)</u>	<u>\$ 462,555</u>	<u>\$ 1,348,411</u>

**CITY OF LEMOORE**  
**NONMAJOR CAPITAL PROJECTS FUNDS – STREET IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 369	\$ 369
Total revenues	<u>-</u>	<u>-</u>	<u>369</u>	<u>369</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>369</u>	<u>369</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	50,000	50,000	369	(49,631)
Fund balances - beginning	<u>121,425</u>	<u>121,425</u>	<u>121,425</u>	<u>-</u>
Fund balances - ending	<u>\$ 171,425</u>	<u>\$ 171,425</u>	<u>\$ 121,794</u>	<u>\$ (49,631)</u>

**CITY OF LEMOORE**  
**NONMAJOR CAPITAL PROJECTS FUNDS – RECREATION IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and assessments	\$ -	\$ -	\$ 121,117	\$ 121,117
Use of money and property	<u>-</u>	<u>-</u>	<u>7,094</u>	<u>7,094</u>
Total revenues	<u>-</u>	<u>-</u>	<u>128,211</u>	<u>128,211</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	14,700	14,700	52,200	(37,500)
Capital outlay	<u>500</u>	<u>500</u>	<u>168,362</u>	<u>(167,862)</u>
Total expenditures	<u>15,200</u>	<u>15,200</u>	<u>220,562</u>	<u>(205,362)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,200)</u>	<u>(15,200)</u>	<u>(92,351)</u>	<u>(77,151)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(254,500)</u>	<u>(254,500)</u>	<u>-</u>	<u>254,500</u>
Total other financing sources (uses)	<u>(254,500)</u>	<u>(254,500)</u>	<u>-</u>	<u>254,500</u>
Net change in fund balances	(269,700)	(269,700)	(92,351)	177,349
Fund balances - beginning	<u>2,249,833</u>	<u>2,249,833</u>	<u>2,249,833</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,980,133</u>	<u>\$ 1,980,133</u>	<u>\$ 2,157,482</u>	<u>\$ 177,349</u>

**CITY OF LEMOORE**  
**NONMAJOR CAPITAL PROJECTS FUNDS – FACILITY INFRASTRUCTURE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 1,346	\$ 1,346
Total revenues	-	-	1,346	1,346
<b>EXPENDITURES</b>				
Current:				
Public works	29,900	29,900	1,300	28,600
Total expenditures	29,900	29,900	1,300	28,600
Excess (deficiency) of revenues over (under) expenditures	(29,900)	(29,900)	46	29,946
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(120,000)	(120,000)	-	120,000
Total other financing sources (uses)	(120,000)	(120,000)	-	120,000
Net change in fund balances	(149,900)	(149,900)	46	149,946
Fund balances - beginning	442,973	442,973	442,973	-
Fund balances - ending	\$ 293,073	\$ 293,073	\$ 443,019	\$ 149,946



**CITY OF LEMOORE**  
**NONMAJOR CAPITAL PROJECTS FUNDS – CAPITAL IMPROVEMENT FEES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$ -	\$ -	\$ 9,796	\$ 9,796
Fees and assessments	-	-	126,965	126,965
Use of money and property	-	-	11,804	11,804
Total revenues	<u>-</u>	<u>-</u>	<u>148,565</u>	<u>148,565</u>
<b>EXPENDITURES</b>				
Current:				
Public works	10,100	10,100	1,400	8,700
Capital outlay	<u>200</u>	<u>200</u>	<u>602,983</u>	<u>(602,783)</u>
Total expenditures	<u>10,300</u>	<u>10,300</u>	<u>604,383</u>	<u>(594,083)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,300)</u>	<u>(10,300)</u>	<u>(455,818)</u>	<u>(445,518)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,653,000)</u>	<u>(1,653,000)</u>	<u>-</u>	<u>1,653,000</u>
Total other financing sources (uses)	<u>(1,653,000)</u>	<u>(1,653,000)</u>	<u>-</u>	<u>1,653,000</u>
Net change in fund balances	(1,663,300)	(1,663,300)	(455,818)	1,207,482
Fund balances - beginning	<u>3,772,016</u>	<u>3,772,016</u>	<u>3,772,016</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,108,716</u>	<u>\$ 2,108,716</u>	<u>\$ 3,316,198</u>	<u>\$ 1,207,482</u>

**CITY OF LEMOORE  
FIDUCIARY FUNDS  
JUNE 30, 2017**

**Fiduciary Funds**

The **Trust and Agency Funds** are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and /or other funds. These include Successor Agency private purpose trust funds and agency funds.

**Private Purpose Trust Funds**

The **Lemoore Redevelopment Successor Agency Debt Service Fund** is used to retire debt obligations.

The **Lemoore Redevelopment Successor Agency Capital Projects Fund** is used to account for Successor Agency activities approved in the ROPS.

**Agency Funds**

The **Laguna Irrigation Fund** is used to account for an agreement to benefit water recharge or to purchase water.

The **Other Agency Funds** is used to account for development deposit amounts and a trust account for contributions to be used for special activities.

The **Insurance Fund** is used to account for dental benefits for employees.

**CITY OF LEMOORE  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2017**

	Lemoore Redevelopment Successor Agency Debt Service	Lemoore Redevelopment Successor Agency Capital Projects	Total Lemoore Redevelopment Successor Agency Private-Purpose Trust Fund
<b>ASSETS</b>			
Cash and investments	\$ 10,972	\$ 4,208,126	\$ 4,219,098
Restricted cash with fiscal agents	2,325,871	-	2,325,871
Advances to City of Lemoore	-	1,842,143	1,842,143
Notes receivable	-	1,225,798	1,225,798
Assets held for resale	-	524,058	524,058
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,336,843</u>	<u>\$ 7,800,125</u>	<u>\$ 10,136,968</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 1,004,168	\$ 1,004,168
Intergovernmental payable	-	18,050	18,050
Interest payable	270,448	-	270,448
Long-term liabilities:			
Due within one year	806,612	-	806,612
Due in more than one year	14,900,314	1,798,857	16,699,171
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>15,977,374</u>	<u>2,821,075</u>	<u>18,798,449</u>
<b>NET POSITION</b>			
Held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>(13,640,531)</u>	<u>4,979,050</u>	<u>(8,661,481)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position (deficit)	<u>\$ (13,640,531)</u>	<u>\$ 4,979,050</u>	<u>\$ (8,661,481)</u>

**CITY OF LEMOORE  
COMBINING STATEMENT OF  
CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Lemoore Redevelopment Successor Agency Debt Service	Lemoore Redevelopment Successor Agency Capital Projects	Total Lemoore Redevelopment Successor Agency Private-Purpose Trust Fund
<b>ADDITIONS</b>			
Taxes	\$ -	\$ 2,770,924	\$ 2,770,924
Investment earnings	15,137	83,467	98,604
Miscellaneous	-	113	113
Intrafund transfers	<u>2,000,508</u>	<u>-</u>	<u>2,000,508</u>
Total additions	<u>2,015,645</u>	<u>2,854,504</u>	<u>4,870,149</u>
<b>DEDUCTIONS</b>			
Community development	3,000	270,612	273,612
Intrafund transfers	-	2,000,508	2,000,508
Interest expense	<u>1,630,091</u>	<u>-</u>	<u>1,630,091</u>
Total deductions	<u>1,633,091</u>	<u>2,271,120</u>	<u>3,904,211</u>
Changes in net position	382,554	583,384	965,938
Net position (deficit) - beginning	<u>(14,023,085)</u>	<u>4,395,666</u>	<u>(9,627,419)</u>
Net position (deficit) - ending	<u>\$ (13,640,531)</u>	<u>\$ 4,979,050</u>	<u>\$ (8,661,481)</u>

**CITY OF LEMOORE  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 JUNE 30, 2017**

	<u>Laguna Irrigation</u>	<u>Other Agency Funds</u>	<u>Insurance</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 64,404	\$ 257,552	\$ 129,549	\$ 451,505
Accounts receivable	-	305,858	-	305,858
Other assets	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>28,800</u>
Total assets	<u>\$ 93,204</u>	<u>\$ 563,410</u>	<u>\$ 129,549</u>	<u>\$ 786,163</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 323,758	\$ -	\$ 323,758
Due to others	93,204	202,577	129,549	425,330
Deposits	<u>-</u>	<u>37,075</u>	<u>-</u>	<u>37,075</u>
Total liabilities	<u>\$ 93,204</u>	<u>\$ 563,410</u>	<u>\$ 129,549</u>	<u>\$ 786,163</u>

**CITY OF LEMOORE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2017**

**Laguna Irrigation**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and investments	\$ 44,718	\$ 20,057	\$ 371	\$ 64,404
Other assets	28,800	-	-	28,800
Total assets	<u>\$ 73,518</u>	<u>\$ 20,057</u>	<u>\$ 371</u>	<u>\$ 93,204</u>
<b>LIABILITIES</b>				
Due to others	\$ 73,518	20,057	371	\$ 93,204
Total liabilities	<u>\$ 73,518</u>	<u>\$ 20,057</u>	<u>\$ 371</u>	<u>\$ 93,204</u>

**Other Agency Funds**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and investments	\$ 237,785	\$ 544,206	\$ 524,439	\$ 257,552
Accounts receivable	-	305,858	-	305,858
Total assets	<u>\$ 237,785</u>	<u>\$ 850,064</u>	<u>\$ 524,439</u>	<u>\$ 563,410</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 23,944	\$ 801,698	\$ 501,884	\$ 323,758
Due to others	176,910	35,444	9,777	202,577
Deposits	36,931	24,088	23,944	37,075
Total liabilities	<u>\$ 237,785</u>	<u>\$ 861,230</u>	<u>\$ 535,605</u>	<u>\$ 563,410</u>

**CITY OF LEMOORE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2017**  
(Continued)

**Insurance**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>ASSETS</b>				
Cash and investments	\$ 117,931	\$ 819,894	\$ 808,276	\$ 129,549
Total assets	<u>\$ 117,931</u>	<u>\$ 819,894</u>	<u>\$ 808,276</u>	<u>\$ 129,549</u>
<b>LIABILITIES</b>				
Due to others	\$ 117,931	\$ 76,680	\$ 65,062	\$ 129,549
Total liabilities	<u>\$ 117,931</u>	<u>\$ 76,680</u>	<u>\$ 65,062</u>	<u>\$ 129,549</u>

**Total**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>ASSETS</b>				
Cash and investments	\$ 400,434	\$ 1,384,157	\$ 1,333,086	\$ 451,505
Accounts receivable	-	305,858	-	305,858
Other assets	28,800	-	-	28,800
Total assets	<u>\$ 429,234</u>	<u>\$ 1,690,015</u>	<u>\$ 1,333,086</u>	<u>\$ 786,163</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 23,944	\$ 801,698	\$ 501,884	\$ 323,758
Due to others	368,359	132,181	75,210	425,330
Deposits	36,931	24,088	23,944	37,075
Total liabilities	<u>\$ 429,234</u>	<u>\$ 957,967</u>	<u>\$ 601,038</u>	<u>\$ 786,163</u>

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## STATISTICAL SECTION

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## STATISTICAL SECTION

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

### Contents

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

*Revenue Capacity:* These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

*Debt Capacity:* These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government'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 government's financial activities take place.

*Operating Information:* These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF LEMOORE  
NET POSITION BY COMPONENTS  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 42,040,440	\$ 45,841,891	\$ 44,904,303	\$ 36,380,777	\$ 61,864,076	\$ 62,852,134	\$ 64,415,727	\$ 65,532,375	\$ 66,120,166	\$ 65,054,544
Restricted	29,521,460	31,758,572	32,151,791	35,119,950	19,545,949	10,447,890	5,900,358	12,592,988	21,112,973	22,995,134
Unrestricted	9,056,856	9,153,728	9,418,125	9,806,053	9,661,340	19,517,911	25,065,810	12,206,195	4,763,659	1,896,821
<b>Total governmental activities net assets</b>	<b>\$ 80,618,756</b>	<b>\$ 86,754,191</b>	<b>\$ 86,474,219</b>	<b>\$ 81,306,780</b>	<b>\$ 91,071,365</b>	<b>\$ 92,817,935</b>	<b>\$ 95,381,895</b>	<b>\$ 90,331,558</b>	<b>\$ 91,996,798</b>	<b>\$ 89,946,499</b>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 11,418,932	\$ 11,435,322	\$ 16,260,519	\$ 17,266,866	\$ 21,892,596	\$ 23,444,815	\$ 21,533,822	\$ 30,015,455	\$ 28,963,532	\$ 28,618,553
Restricted	1,488,495	1,417,663	-	-	-	-	-	-	-	-
Unrestricted	(420,159)	1,306,625	4,251,948	6,027,206	10,323,565	11,763,520	16,709,167	7,217,352	10,553,707	13,359,877
<b>Total business-type activities net assets</b>	<b>\$ 12,487,268</b>	<b>\$ 14,159,610</b>	<b>\$ 20,512,467</b>	<b>\$ 23,294,072</b>	<b>\$ 32,216,161</b>	<b>\$ 35,208,335</b>	<b>\$ 38,242,989</b>	<b>\$ 37,232,807</b>	<b>\$ 39,517,239</b>	<b>\$ 41,978,430</b>
<b>Primary Government:</b>										
Net investment in capital assets	\$ 53,459,372	\$ 57,277,213	\$ 61,164,822	\$ 53,647,643	\$ 83,756,672	\$ 86,296,949	\$ 85,949,549	\$ 95,547,830	\$ 95,083,698	\$ 93,673,097
Restricted	31,009,955	33,176,235	32,151,791	35,119,950	19,545,949	10,447,890	5,900,358	12,592,988	21,112,973	22,995,134
Unrestricted	8,636,697	10,460,353	13,670,073	15,833,259	19,984,905	31,281,431	41,774,977	19,423,547	15,317,366	15,256,698
<b>Total Primary Governmental activities net assets</b>	<b>\$ 93,106,024</b>	<b>\$ 100,913,801</b>	<b>\$ 106,986,686</b>	<b>\$ 104,600,852</b>	<b>\$ 123,287,526</b>	<b>\$ 128,026,270</b>	<b>\$ 133,624,884</b>	<b>\$ 127,564,365</b>	<b>\$ 131,514,037</b>	<b>\$ 131,924,929</b>

**CITY OF LEMOORE  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 3,337,096	\$ 3,193,542	\$ 3,096,277	\$ 6,725,881	\$ 4,487,075	\$ 2,057,530	\$ 1,632,438	\$ 1,246,579	\$ 1,198,510	\$ 1,261,457
Public safety	4,520,649	4,953,938	4,625,887	4,608,197	4,807,752	4,546,380	5,058,509	5,421,986	5,595,808	6,424,105
Public works	403,106	380,679	300,551	350,549	312,893	3,204,362	1,802,463	5,172,165	4,034,421	4,167,172
City Streets	525,633	562,662	487,812	-	-	-	-	-	-	-
Community development	3,381,788	4,317,676	7,134,297	13,191,774	4,439,747	2,069,524	2,258,286	158,908	14,675	711,114
Parks and Recreation	1,001,477	929,905	899,853	405,919	414,746	467,875	586,826	556,303	357,965	1,382,208
Interest on long-term debt	1,100,696	1,153,844	1,072,656	1,743,738	1,190,083	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-	187,081	301,683	-	-	-
<b>Total Governmental Activities Expenses</b>	<u>14,270,445</u>	<u>15,492,246</u>	<u>17,617,333</u>	<u>27,026,058</u>	<u>15,652,296</u>	<u>12,532,752</u>	<u>11,640,205</u>	<u>12,555,941</u>	<u>11,201,379</u>	<u>13,946,056</u>
<b>Business-Type Activities:</b>										
Water	2,907,098	3,012,344	2,794,055	3,427,536	3,216,132	3,131,361	3,663,339	4,256,397	4,132,417	4,068,306
Sewer	1,794,460	1,755,303	1,729,026	1,792,761	1,895,857	1,654,160	1,744,294	2,286,071	2,535,675	2,189,816
Refuse	2,282,627	2,418,969	2,132,818	2,022,570	1,985,803	2,094,112	2,042,944	2,774,668	3,098,749	2,897,227
Golf Course	1,540,356	1,546,483	1,530,665	1,450,794	1,393,917	1,269,053	1,291,826	1,116,532	1,190,227	1,228,113
<b>Total Business-Type Activities Expenses</b>	<u>8,524,541</u>	<u>8,733,099</u>	<u>8,186,564</u>	<u>8,693,661</u>	<u>8,491,709</u>	<u>8,148,686</u>	<u>8,742,403</u>	<u>10,433,668</u>	<u>10,957,068</u>	<u>10,383,462</u>
<b>Total Primary Government Expenses</b>	<u>\$ 22,794,986</u>	<u>\$ 24,225,345</u>	<u>\$ 25,803,897</u>	<u>\$ 35,719,719</u>	<u>\$ 24,144,005</u>	<u>\$ 20,681,438</u>	<u>\$ 20,382,608</u>	<u>\$ 22,989,609</u>	<u>\$ 22,158,447</u>	<u>\$ 24,329,518</u>

**CITY OF LEMOORE  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(CONTINUED)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
General government	\$ 125,791	\$ 106,515	\$ 131,662	\$ 142,139	\$ 110,700	\$ 112,078	\$ 329,690	\$ 119,061	\$ 171,887	\$ 216,006
Public safety	273,965	247,139	156,944	174,441	186,374	248,714	204,964	349,755	232,671	217,687
Public works	606,846	637,344	696,710	447,935	669,787	282,882	375,243	281,221	342,972	299,850
Community development	15,846	23,925	11,822	9,780	9,903	514,313	542,068	675,228	712,348	776,209
Parks and Recreation	81,751	79,996	126,182	176,923	219,804	325,469	380,335	382,980	405,702	365,348
Operating contributions and grants:										
General government	-	3,831	2,689	111,375	-	-	-	-	-	-
Public safety	261,215	236,716	357,666	432,888	244,082	265,459	307,629	433,986	487,641	412,234
Public works	-	-	-	-	-	-	-	-	1,594,088	1,177,098
City Streets	-	207,953	226,042	-	-	-	-	-	-	-
Community development	-	147,800	755,855	63,214	1,177,690	147,661	30,398	48,561	36,630	254,572
Capital contributions and grants:										
Public safety	-	44,658	50,585	-	-	-	-	-	-	5,373
Public works	-	-	108,364	850,513	1,026,752	1,280,749	1,194,454	337,260	1,568,238	398,842
City Streets	1,066,382	1,225,507	321,957	-	-	-	-	-	-	-
Community development	5,037	-	-	-	-	-	-	-	-	-
Parks and Recreation	109,649	492,340	-	-	-	-	-	-	-	-
<b>Total Governmental Activities program revenues</b>	<b>2,546,482</b>	<b>3,453,724</b>	<b>2,946,478</b>	<b>2,409,208</b>	<b>3,645,092</b>	<b>3,177,325</b>	<b>3,364,781</b>	<b>2,628,052</b>	<b>5,552,177</b>	<b>4,123,219</b>
Business-Type Activities:										
Charges for services:										
Water	3,194,438	4,105,646	3,790,398	5,008,749	4,128,405	4,145,592	4,182,222	3,942,183	3,762,207	4,248,572
Sewer	2,833,901	3,776,539	3,500,520	3,541,929	3,694,785	3,577,349	3,482,196	3,402,947	3,727,389	3,441,368
Refuse	2,567,235	2,685,981	2,825,938	2,865,372	2,889,494	2,948,335	2,906,828	2,950,079	3,010,489	3,020,063
Golf Course	1,443,786	1,373,493	1,384,200	1,372,337	1,406,092	1,319,848	1,299,190	1,102,945	1,291,642	1,114,578
Operating contributions and grants:										
Refuse	126,444	-	-	-	-	-	-	-	-	-
Capital contributions and grants:										
Water	-	-	4,925,785	707,835	24,178	-	38,196	-	-	-
Sewer	1,513,184	85,680	33,600	-	2,195,752	639,590	419,398	-	548,312	120,000
Refuse	-	-	5,000	6,952	306,160	290,256	570,919	149,610	-	13,590
<b>Total Business-Type program revenues</b>	<b>11,678,988</b>	<b>12,027,339</b>	<b>16,465,441</b>	<b>13,503,174</b>	<b>14,644,866</b>	<b>12,920,970</b>	<b>12,898,949</b>	<b>11,547,764</b>	<b>12,340,039</b>	<b>11,958,171</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 14,225,470</b>	<b>\$ 15,481,063</b>	<b>\$ 19,411,919</b>	<b>\$ 15,912,382</b>	<b>\$ 18,289,958</b>	<b>\$ 16,098,295</b>	<b>\$ 16,263,730</b>	<b>\$ 14,175,816</b>	<b>\$ 17,892,216</b>	<b>\$ 16,081,390</b>

**CITY OF LEMOORE  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(CONTINUED)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net Revenues (Expenses)</b>										
Governmental Activities	\$ (11,723,963)	\$ (12,038,522)	\$ (14,670,855)	\$ (24,616,850)	\$ (12,007,204)	\$ (9,355,427)	\$ (8,275,424)	\$ (9,927,889)	\$ (5,649,202)	\$ (9,822,837)
Business-Type Activities	<u>3,154,447</u>	<u>3,294,240</u>	<u>8,278,877</u>	<u>4,809,513</u>	<u>6,153,157</u>	<u>4,772,284</u>	<u>4,156,546</u>	<u>1,114,096</u>	<u>1,382,971</u>	<u>1,574,709</u>
<b>Total Net Revenues (Expenses)</b>	<u>\$ (8,569,516)</u>	<u>\$ (8,744,282)</u>	<u>\$ (6,391,978)</u>	<u>\$ (19,807,337)</u>	<u>\$ (5,854,047)</u>	<u>\$ (4,583,143)</u>	<u>\$ (4,118,878)</u>	<u>\$ (8,813,793)</u>	<u>\$ (4,266,231)</u>	<u>\$ (8,248,128)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Property taxes	\$ 9,413,719	\$ 10,225,746	\$ 10,147,859	\$ 11,312,419	\$ 6,767,250	\$ 3,069,388	\$ 2,156,929	\$ 1,990,281	\$ 1,395,750	\$ 2,379,422
Sales taxes	1,730,663	1,979,203	1,768,904	1,597,534	1,768,113	2,014,040	2,122,348	2,081,582	1,821,904	1,752,910
Other taxes	3,166,748	3,385,656	3,621,897	3,786,700	4,303,681	3,888,353	4,341,569	4,690,086	2,883,110	2,915,384
Unrestricted investment earnings	1,510,852	1,041,178	520,767	388,377	286,623	195,537	207,775	173,184	355,254	334,829
Other revenue	74,541	219,723	233,226	256,065	3,136,138	537,498	465,649	753,415	532,324	235,139
Gain (Loss) on sale of assets	-	-	-	-	-	(997)	(57,342)	8,810	16,067	6,433
Capital contributions	-	-	-	-	-	-	812,613	-	-	-
Transfers	<u>1,663,416</u>	<u>1,895,744</u>	<u>2,005,911</u>	<u>2,108,316</u>	<u>1,347,974</u>	<u>1,398,178</u>	<u>1,348,085</u>	-	-	-
<b>Total general revenues</b>	<u>17,559,939</u>	<u>18,747,250</u>	<u>18,298,564</u>	<u>19,449,411</u>	<u>17,609,779</u>	<u>11,101,997</u>	<u>11,397,626</u>	<u>9,697,358</u>	<u>7,004,409</u>	<u>7,624,117</u>
<b>Business-Type Activities:</b>										
Unrestricted investment earnings	230,422	162,906	79,891	80,428	56,592	31,507	37,239	87,024	159,513	54,462
Gain (Loss) on sale of assets	-	-	-	-	-	-	(14,381)	(39,811)	456,185	-
Capital contributions	-	-	-	-	-	-	357,036	125,879	54,521	-
Other revenue	-	-	-	-	-	-	-	-	-	832,020
Transfers	<u>(1,663,416)</u>	<u>(1,895,744)</u>	<u>(2,005,911)</u>	<u>(2,108,316)</u>	<u>(1,347,974)</u>	<u>(1,398,178)</u>	<u>(1,348,085)</u>	-	-	-
<b>Total general revenues</b>	<u>\$ (1,432,994)</u>	<u>\$ (1,732,838)</u>	<u>\$ (1,926,020)</u>	<u>\$ (2,027,888)</u>	<u>\$ (1,291,382)</u>	<u>\$ (1,366,671)</u>	<u>\$ (968,191)</u>	<u>\$ 173,092</u>	<u>\$ 670,219</u>	<u>\$ 886,482</u>
<b>Extraordinary Item:</b>										
Gain on dissolution of Redevelopment Agency	-	-	-	-	7,268,746	-	-	-	-	-
<b>Change in Net Position</b>	<u>\$ 7,557,429</u>	<u>\$ 8,270,130</u>	<u>\$ 9,980,566</u>	<u>\$ (2,385,814)</u>	<u>\$ 17,733,096</u>	<u>\$ 5,152,183</u>	<u>\$ 6,310,557</u>	<u>\$ 1,056,657</u>	<u>\$ 3,408,397</u>	<u>\$ 262,471</u>

**CITY OF LEMOORE**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 1,769,055	\$ 1,755,299	\$ 1,733,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,729,139	8,051,020	8,485,175	-	-	-	-	-	-	-
Nonspendable	-	-	-	1,704,244	660,171	97,286	1,360,705	1,166,650	971,046	797,664
Restricted	-	-	-	-	-	-	-	80,257	16,873	51,352
Committed	-	-	-	2,374,959	2,593,761	1,321,595	-	-	-	232,275
Assigned	-	-	-	-	-	-	-	96,038	216,600	4,745,894
Unassigned	-	-	-	6,369,941	6,661,552	10,710,575	11,090,967	11,149,833	9,454,189	3,356,576
<b>Total General Fund</b>	<u>\$ 10,498,194</u>	<u>\$ 9,806,319</u>	<u>\$ 10,219,053</u>	<u>\$ 10,449,144</u>	<u>\$ 9,915,484</u>	<u>\$ 12,129,456</u>	<u>\$ 12,451,672</u>	<u>\$ 12,492,778</u>	<u>\$ 10,658,708</u>	<u>\$ 9,183,761</u>
<b>All other governmental funds</b>										
Reserved	\$ 9,309,943	\$ 10,262,432	\$ 11,611,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,452,044	5,382,553	5,652,401	-	-	-	-	-	-	-
Capital projects funds	15,499,703	15,868,676	14,177,260	-	-	-	-	-	-	-
Debt service	756,605	1,497,969	2,087,046	-	-	-	-	-	-	-
Nonspendable	-	-	-	6,535,121	-	-	4,405,474	8,816	651,200	4,482,211
Restricted	-	-	-	41,546,633	12,421,997	10,447,890	5,900,358	12,512,731	21,096,100	17,610,371
Committed	-	-	-	7,158,186	7,075,622	7,392,997	7,585,676	-	-	-
Assigned	-	-	-	-	-	369,110	398,946	-	-	-
Unassigned	-	-	-	(219,143)	535,184	-	(244,902)	5,918,314	(651,200)	-
<b>Total all other governmental funds</b>	<u>\$ 30,018,295</u>	<u>\$ 33,011,630</u>	<u>\$ 33,528,360</u>	<u>\$ 55,020,797</u>	<u>\$ 20,032,803</u>	<u>\$ 18,209,997</u>	<u>\$ 18,045,552</u>	<u>\$ 18,439,861</u>	<u>\$ 21,096,100</u>	<u>\$ 22,092,582</u>



**CITY OF LEMOORE**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property taxes	\$ 9,403,666	\$ 10,210,173	\$ 10,144,716	\$ 11,309,161	\$ 6,745,624	\$ 3,053,995	\$ 2,128,660	\$ 1,978,931	\$ 1,308,832	\$ 2,290,741
Other taxes	2,464,134	2,719,047	2,409,957	2,293,676	2,484,776	2,706,573	2,877,392	2,881,451	2,610,203	2,573,569
Licenses and permits	763,657	749,987	586,583	380,851	601,682	665,896	689,558	725,821	788,015	700,510
Charges for services	193,023	154,741	166,355	236,895	308,408	399,471	458,129	500,426	576,245	576,716
Intergovernmental	3,342,780	3,948,971	4,977,496	4,402,488	5,644,429	4,729,214	5,149,163	4,654,689	5,776,858	4,376,654
Fees and assessments	670,077	1,424,248	146,596	298,824	653,299	304,094	462,662	564,602	1,068,265	525,879
Use of money and property	1,513,388	1,021,490	497,277	393,764	294,163	211,195	216,489	173,184	355,255	338,464
Other revenue	961,704	936,751	1,091,559	1,294,820	511,698	555,868	618,937	878,158	536,987	352,996
Total revenues	<u>19,312,429</u>	<u>21,165,408</u>	<u>20,020,539</u>	<u>20,610,479</u>	<u>17,244,079</u>	<u>12,626,306</u>	<u>12,600,990</u>	<u>12,357,262</u>	<u>13,020,660</u>	<u>11,735,529</u>
<b>Expenditures</b>										
<b>Current:</b>										
General government	3,015,382	2,854,211	2,725,266	3,798,765	4,482,387	2,067,528	1,628,021	1,251,489	1,519,628	1,238,040
Public safety	4,356,897	4,906,949	4,602,554	4,503,385	4,755,182	4,639,315	4,979,815	5,189,952	6,146,235	5,925,328
Public works	389,709	381,075	300,608	345,426	339,296	354,785	401,503	1,651,697	1,674,726	1,870,748
City streets	451,519	517,262	456,177	-	-	-	-	-	-	-
Community development	4,190,892	5,264,786	8,041,554	5,533,770	3,128,090	1,609,414	1,775,792	158,909	14,675	407,140
Parks and recreation	828,596	811,872	793,389	408,167	414,165	462,244	578,425	524,344	630,886	1,180,409
Capital outlay	3,891,366	4,084,111	2,366,274	1,884,348	1,339,845	4,536,290	4,669,389	3,154,886	2,479,736	1,747,183
Debt service										
Bond issuance cost	-	-	-	1,009,397	-	-	-	-	-	-
Principal	854,439	890,980	922,521	1,401,199	455,000	-	-	-	-	-
Interest	1,096,855	1,151,191	1,070,658	1,364,557	960,869	-	-	-	-	-
Total expenditures	<u>19,075,655</u>	<u>20,862,437</u>	<u>21,279,001</u>	<u>20,249,014</u>	<u>15,874,834</u>	<u>13,669,576</u>	<u>14,032,945</u>	<u>11,931,277</u>	<u>12,465,886</u>	<u>12,368,848</u>
Excess (deficiency) of revenues over expenditures	<u>236,774</u>	<u>302,971</u>	<u>(1,258,462)</u>	<u>361,465</u>	<u>1,369,245</u>	<u>(1,043,270)</u>	<u>(1,431,955)</u>	<u>425,985</u>	<u>554,774</u>	<u>(633,319)</u>
<b>Other financing sources (uses)</b>										
Bond proceeds	-	-	-	19,150,000	-	-	-	-	-	-
Sale of capital assets	-	-	79,268	-	-	-	9,201	8,810	16,067	6,433
Operating transfers in	4,325,823	6,606,909	9,647,742	8,888,692	9,278,355	1,931,121	1,733,248	2,049,390	107,236	-
Operating transfers out	(2,575,974)	(4,608,418)	(7,539,084)	(6,677,629)	(7,827,634)	(496,685)	(282,416)	(503,186)	(107,236)	-
Total other financing sources (uses)	<u>1,749,849</u>	<u>1,998,491</u>	<u>2,187,926</u>	<u>21,361,063</u>	<u>1,450,721</u>	<u>1,434,436</u>	<u>1,460,033</u>	<u>1,555,014</u>	<u>16,067</u>	<u>6,433</u>
<b>Extraordinary Item</b>										
Gain/loss on dissolution of Redevelopment Agency	-	-	-	-	(35,550,894)	-	-	-	-	-
Net change in fund balances	<u>\$ 1,986,623</u>	<u>\$ 2,301,462</u>	<u>\$ 929,464</u>	<u>\$ 21,722,528</u>	<u>\$ 2,819,966</u>	<u>\$ 391,166</u>	<u>\$ 28,078</u>	<u>\$ 1,980,999</u>	<u>\$ 570,841</u>	<u>\$ (626,886)</u>
Debt service as a percentage of noncapital expenditures	12.85%	12.17%	10.54%	15.06%	9.74%	0.00%	0.00%	0.00%	0.00%	0.00%

**CITY OF LEMOORE  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>
<b>2008</b>	1,476,908,563	857,527	42,301,715	1,520,067,805
<b>2009</b>	1,618,788,968	828,108	42,411,801	1,662,028,877
<b>2010</b>	1,626,916,526	825,630	39,269,425	1,667,011,581
<b>2011</b>	1,709,130,426	554,384	28,706,275	1,738,391,085
<b>2012</b>	1,758,796,967	574,763	26,393,761	1,785,765,491
<b>2013</b>	1,737,953,522	575,662	28,254,947	1,766,784,131
<b>2014</b>	1,751,569,065	574,057	27,317,455	1,779,460,577
<b>2015</b>	1,665,821,072	684,859	25,689,595	1,692,195,526
<b>2016</b>	1,797,274,999	680,243	23,520,387	1,821,475,629
<b>2017</b>	1,864,123,891	665,582	24,922,222	1,889,711,695

Source: MuniServices, LLC

**NOTE:**

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 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 Debt Service payment of Lemoore High School District, West Hills Community College District and Hills Community College District sfid No. 3.

**CITY OF LEMOORE  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$100 OF ASSESSED VALUE  
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Direct Rates:										
City of Lemoore Basic Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:										
Lemoore Union High School District				0.045187	0.044631	0.045886	0.046730	0.047924	0.043767	0.041812
West Hills Community College District				0.000004	0.002160	0.013878	0.011106	0.011206	0.017244	0.016254
West Hills College District SFID No. 3				0.001024	0.025856	0.018342	0.019058	0.016280	0.024884	0.016002
Total Direct Rate #	<u>1.000000</u>	<u>1.000000</u>	<u>1.000000</u>	<u>1.046215</u>	<u>1.072647</u>	<u>1.078106</u>	<u>1.076894</u>	<u>1.075410</u>	<u>1.085895</u>	<u>1.074068</u>

Source: MuniServices, LLC

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 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 Debt Service payment of Lemoore High School District, West Hills Community College District and Hills Community College District sfid No. 3

The City of Lemoore only has 7 years available for this table and has decided to present this statistical table as such.

**CITY OF LEMOORE  
PRINCIPAL LOCAL SECURED TAXPAYERS  
CURRENT YEAR AND 11 YEARS AGO**

Property Owner	Primary Land Use	2006-07		2016-17	
		Assessed Value	% of Total (1)	Assessed Value	% of Total (1)
Leprino Foods Company	Food Processing	\$291,472,873	22.07%	\$ 395,641,373	21.22%
Olam West Coast Inc.	Food Processing			80,282,651	4.31%
Agusa	Food Processing	11,766,949	0.89%	13,021,317	0.70%
GHQ Investments	Apartments			11,900,635	0.64%
Lemoore Properties II LP	Apartments			11,404,997	0.61%
Lemoore Apartments LLC	Apartments			11,031,501	0.59%
Paul and Vickie Daley LP	Residential Properties	4,744,507	0.36%	10,391,148	0.56%
Valley Oak Apartments LLC	Apartments			7,415,238	0.40%
Tanglewood Lemoore Ltd.	Apartments	4,527,849	0.34%	7,414,443	0.40%
Lemoore Cinemas	Movie Theater	3,868,024	0.29%	7,187,807	0.39%
Heritage Lemoore Ltd.	Apartments	5,464,492	0.41%	6,306,336	0.34%
South Coast Property Company	Apartments			6,032,180	0.32%
Winn California Properties LLC	Apartments	5,213,974	0.39%	6,021,525	0.32%
Lemoore Capital LP	Shopping Center			5,940,998	0.32%
Benderson-Lemoore Associates LP	Commercial	5,016,077	0.38%	5,790,611	0.31%
Carole D, Delap	Shopping Center			5,619,841	0.30%
Save Mart Supermarkets	Supermarket	4,650,081	0.35%	4,750,266	0.25%
Anand Investments LLC	Hotel/Motel	4,014,320	0.30%	4,278,718	0.23%
Michael A. Trebbow	Apartments			4,091,049	0.22%
JADJ Land Holdings LLC	RV/Boat Storage			3,992,500	0.21%
HR LLC	Commercial	3,428,876	0.26%		
Lemoore Center LLC	Shopping Center	4,531,155	0.34%		
Lemoore Rural LLC	Residential Properties	4,052,174	0.31%		
JB Moses Management Corp.	Hotel/Motel	3,972,205	0.30%		
Lemoore Hospitality LLC	Hotel/Motel	3,774,598	0.29%		
Lennar Fresno Inc.	Residential Properties	3,565,823	0.27%		
Devante Liberty LP	Residential land	3,488,400	0.26%		
Golden Gate Holdings LLC	Commercial	3,194,855	0.24%		
Principal Taxpayer Totals		<u>\$370,747,232</u>	<u>28.05%</u>	<u>\$ 608,515,134</u>	<u>32.64%</u>

Source: MuniServices, LLC

Note: (1) 2016-17 Local Secured Assessed Valuation : \$1,864,123,891

**CITY OF LEMOORE  
TAX APPORTIONMENT  
LAST EIGHT FISCAL YEARS**

	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
Secured	\$ 688,035	\$ 775,359	\$ 795,210	\$ 854,481	\$ 943,748	\$ 930,083	\$ 714,846	\$ 848,432
Unsecured	37,138	35,556	36,832	37,360	38,081	38,750	40,909	30,137
Prior Secured	31,261	34,940	18,051	24,844	(6,229)	9,534	14,583	13,775
Prior Unsecured	104	623	-	442	106	(1,456)	1,023	-
SB813	17,266	36,616	16,808	9,335	15,582	34,903	44,938	46,769
Prior SB 813	18,340	15,343	-	8,926	6,252	4,689	893	-
Airplane	761	464	548	552	569	266	265	-
Transfer Tax	50,104	33,095	39,014	48,190	48,948	51,486	57,355	63,751
RDA RPTTF Residual (ABX1 26)	-	-	160,893	219,158	873,292	928,574	491,374	1,351,628
Lemoore RDA 25% Pass-through *	-	-	-	168,891	-	-	-	-
<b>Total</b>	<b><u>\$ 843,009</u></b>	<b><u>\$ 931,996</u></b>	<b><u>\$ 1,067,356</u></b>	<b><u>\$1,372,179</u></b>	<b><u>\$ 1,920,349</u></b>	<b><u>\$ 1,996,829</u></b>	<b><u>\$ 1,366,186</u></b>	<b><u>\$ 2,354,492</u></b>

Source: Kings County

\* For FY2013-2014 and forward, this was included in Secured Tax.

The City of Lemoore only has 8 years available for this table and has decided to present this statistical table as such.

**CITY OF LEMOORE  
RATIOS OF OUTSTANDING DEBT  
BY TYPE  
LAST FISCAL TEN YEARS**

Fiscal Year	Governmental Activities			Loans Payable	Total Business-Type	Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Certificates of Participation	Capital Leases	Total Government					
2008	-	-	-	-	-	-	0.00%	-
2009	-	-	-	-	-	-	0.00%	-
2010	-	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	-	0.00%	-
2012	2,275,000	12,855	2,287,855	-	-	2,287,855	0.31%	93
2013	2,070,000	8,353	2,078,353	7,068,000	7,068,000	9,146,353	1.23%	366
2014	-	4,183	4,183	7,068,000	7,068,000	7,072,183	0.93%	280
2015	-	-	-	6,665,937	6,665,937	6,665,937	0.81%	263
2016	-	-	-	6,375,578	6,375,578	6,375,578	0.73%	243
2017	-	-	-	5,831,369	5,831,369	5,831,369	0.64%	221

Source: City of Lemoore, Finance Department

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Also, Redevelopment Bonds prior to 2011 are removed for consistency in reporting after dissolution.

**CITY OF LEMOORE  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2017**

2016-2017 Assessed Valuations:

2016-2017 Assessed Valuation	\$	1,889,711,695
Redevelopment Incremental Valuation		-
Adjusted Assessed Valuation	\$	1,889,711,695

<u>Overlapping Debt Tax and Assessment Debt:</u>	<u>Total Debt</u> <u>6/30/2017</u>	<u>% Applicable</u> (1)	<u>District's Share of</u> <u>Debt 6/30/16</u>
West Hills Community College District	\$ 15,565,000	18.15%	\$ 2,824,425
West Hills Community College District School Facilities Improvements District No. 3	36,650,626	40.03%	14,671,979
Lemoore Union High School District	12,644,317	69.30%	8,762,006
Total Overlapping Tax and Assessment Debt			<u>26,258,410</u>
 <u>Direct and Overlapping General Fund Debt:</u>			
Kings County General Fund Obligation	\$ 15,710,000	18.76%	2,946,568
Kings County Pension Obligation Bonds	5,652,710	18.76%	1,060,222
West Hills Community College District General Fund Obligation	-	0.00%	-
Lemoore Union High School District Certificates of Participation City of Lemoore	842,000 -	69.30% 100.00%	583,472 -
Total Direct and Overlapping General Fund Debt			<u>4,590,262</u>
 Overlapping Tax Increment Debt (Successor Agency):	 15,891,064	 100.00%	 <u>15,891,064</u>
 Total Direct Debt			 -
Total Overlapping Debt			<u>46,739,736</u>
Combined Total Debt			<u>\$ 46,739,736</u> (2)

Ratios to 2015-16 Assessed Valuations:

Total Overlapping Tax and Assessment Debt	1.39%
Total Direct Debt	0.00%
Combined Total Debt	2.47%

Ratios to Redevelopment Successor Agency Incremental Valuation (1,009,194,715):

Total Overlapping Tax Increment Debt	1.57%
--------------------------------------	-------

AB:(\$500)

Notes:

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: MuniServices, LLC

**CITY OF LEMOORE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross Assessed Valuation	\$ -	\$ -	\$ -	\$ 1,738,391,085	\$ 1,785,765,491	\$ 1,766,784,131	\$ 1,779,460,577	\$ 1,692,195,526	\$ 1,821,475,629	\$ 1,889,711,695
Debt Margin Ratio (1)				3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Debt Margin	\$ -	\$ -	\$ -	\$ 65,189,666	\$ 66,966,206	\$ 66,254,405	\$ 66,729,772	\$ 63,457,332	\$ 68,305,336	\$ 70,864,189
Less Outstanding General Obligation Bonds				0%	0%	0%	0%	0%	0%	0%
Net Debt Margin	\$ -	\$ -	\$ -	\$ 65,189,666	\$ 66,966,206	\$ 66,254,405	\$ 66,729,772	\$ 63,457,332	\$ 68,305,336	\$ 70,864,189

(1) California Government Code, Section 43605 sets debt limit as 15% The code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%).

The City of Lemoore only has 7 years available for this table and has decided to present this statistical table as such.



**CITY OF LEMOORE  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Calendar Year	Population (1) City of Lemoore	Kings County			Unemployment Rate (3)	
		Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)		
2008	24,502	154,434	3,968,492	26,383	10.60%	
2009	23,859	151,816	3,978,531	26,170	14.20%	-3%
2010	24,531	152,982	3,792,920	24,908	16.10%	3%
2011	24,700	152,533	4,051,300	26,580	16.20%	1%
2012	24,559	151,060	4,516,364	29,701	15.30%	-1%
2013	24,979	150,537	4,491,688	29,679	13.50%	2%
2014	25,225	149,942	4,533,297	30,049	12.10%	1%
2015	25,325	149,721	4,864,335	32,371	10.50%	0%
2016	26,199	150,373	5,000,842 (4)	33,126	10.20%	3%
2017	26,369	149,537	5,135,686 (4)	34,287	8.40%	1%

- Sources: (1) California Department of Finance.  
(2) U.S. Department of Commerce, Bureau of Economic Analysis (Kings County)  
(3) California Employment Development Department.  
(4) Per Capita Personal Income was computed using Census Bureau midyear population estimates. Estimates reflect county population estimates as of March 2016

**CITY OF LEMOORE  
PRINCIPAL EMPLOYERS  
CURRENT FISCAL YEAR**

Business Name	2016-17	
	Number of Employees	Percent of Total Employment (%)
US Naval Air Station	5,758	48.80%
Leprino Foods CO (East & West locations)	1,308	11.08%
Lemoore Union Elementary School District *	323	2.74%
Lemoore Union High School District	230	1.95%
West Hills College-Lemoore	154	1.31%
Superior Truck Lines	120	1.02%
City of Lemoore **	119	1.01%
Kmart **	85	0.72%
Save Mart **	74	0.63%
Mc Donald's **	64	0.54%
Total Top Employers	8,235	69.79%
Total City Employment (1)	11,800	

Source: MuniServices, LLC

\*Includes classified, certificated, and admin employees

\*\* Includes full and part time

(1) Total City Labor Force provided by EDD Labor Force Data.

Note: Lemoore Naval Air Station (5,758) is a significant employer in the Lemoore area, however, they are not located within the City limits.

**CITY OF LEMOORE  
FULL-TIME AND PART-TIME CITY EMPLOYEES  
BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	FY 2007-08 Authorized Positions	FY 2008-09 Authorized Positions	FY 2009-10 Authorized Positions	FY 2010-11 Authorized Positions	FY 2011-12 Authorized Positions	FY 2012-13 Authorized Positions	FY 2013-14 Authorized Positions	FY 2014-15 Authorized Positions	FY 2015-16 Authorized Positions	FY 2016-17 Authorized Full Time Positions
City Manager	4.13	4.50	7.03	7.64	6.67	5.70	5.95	5.94	2.50	5.00
Finance Department	3.07	3.11	3.00	3.34	3.00	3.74	3.00	3.44	4.94	6.00
Public Works	2.70	2.70	2.70	2.70	2.70	2.70	3.75	3.75	3.00	7.00
Utility Department	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.75	6.01	3.00
Maintenance Division	10.65	9.10	6.90	10.68	7.15	11.76	8.15	12.95	5.82	3.00
Streets	5.25	5.37	4.89	0.22	0.00	0.00	0.00	0.00	3.00	3.00
Building Inspection	3.40	4.63	4.21	2.30	7.08	2.30	6.99	2.37	4.13	4.00
Police Department	39.68	39.67	40.59	37.17	37.34	37.09	38.73	40.73	48.35	39.00
Fire Department	1.68	1.64	1.46	1.40	1.36	1.25	1.25	1.25	0.50	0.00
Parks and Recreation Department	12.05	12.28	9.44	6.94	8.78	6.82	6.04	5.89	11.41	7.00
Planning Department	5.93	4.87	3.81	0.80	1.62	0.55	0.00	0.00	2.00	2.00
Water Department	10.40	13.47	13.30	12.94	16.33	12.79	15.46	11.92	19.22	12.50
Refuse Department	12.90	12.46	10.64	7.53	9.69	10.00	10.27	12.52	12.83	11.00
Sewer Department	10.33	10.60	11.54	9.75	10.65	10.65	11.85	12.68	13.20	11.50
Fleet Maintenance Department	4.66	5.48	4.24	3.33	3.20	3.30	3.53	3.66	3.57	3.00
Golf Course	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.48	0.00	0.00
LLMD Department	5.49	3.96	0.50	0.12	0.00	0.00	0.00	0.00	0.00	0.00
Redevelopment Department	4.42	4.09	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>140.74</b>	<b>141.92</b>	<b>131.25</b>	<b>109.85</b>	<b>118.57</b>	<b>111.65</b>	<b>117.97</b>	<b>130.33</b>	<b>140.49</b>	<b>117.00</b>

Source: City of Lemoore, Finance Department

**CITY OF LEMOORE  
OPERATING INDICATORS  
BY FUNCTION  
LAST TEN FISCAL YEARS**

Function:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety:</b>										
<b>Police (1)</b>										
Calls for Service	29,621	29,872	28,266	30,984	29,882	32,100	46,897	45,828	39,973	40,738
Citations	1,791	1,206	1,204	1,382	1,393	1,630	1,325	1,592	1,432	1,844
Cases assigned to detectives	299	292	307	420	305	544	2,622	2,844	1,013	206
Arrests	1,066	1,218	1,296	1,268	1,453	1,560	1,285	1,793	1,551	1,599
<b>Fire (2)</b>										
Calls for Service	1,403	1,359	1,465	N/A	907	1,854	1,736	1,694	1,655	1,863
<b>Public Works (3)</b>										
Miles of street resurfacing	0.00	1.01	7.55	2.34	18.72	12.41	12.86	1.47	0.00	0.00

(1) Source: City of Lemoore's Police Department.

(2) Source: City of Lemoore's Fire Department.

(3) Source: City of Lemoore's Public Works Department.

**CITY OF LEMOORE  
CAPITAL ASSET STATISTICS  
BY FUNCTION  
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety:</b>										
Police Stations*	1	1	1	1	1	1	1	1	1	1
Fire Stations*	2	2	2	2	2	2	2	2	2	2
<b>Community Development &amp; Community Services:</b>										
Parks and Open Space- Acreage	117	117	117	117	117	117	117	117	117	117
Community Center	1	1	1	1	1	1	1	1	1	1
Library (County)	1	1	1	1	1	1	1	1	1	1
Historic Stowe House	37	37	37	37	37	37	37	37	37	37
Elementary Schools (K-8)	8	8	8	8	8	8	8	8	8	8
Middle Schools (6-8)	1	1	1	1	1	1	1	1	1	1
High Schools (9-12)	3	3	3	3	3	3	3	3	3	3
College	1	1	1	1	1	1	1	1	1	1
Private Schools	2	2	2	2	2	2	2	2	2	2
<b>Public Works:</b>										
Area of City (square miles)	8.84	8.84	8.84	8.84	8.84	8.84	8.84	8.84	8.84	8.84
Miles of streets										
Number of Street lights (1)	1,433	1,433	1,433	1,433	1,433	1,433	1,433	1,433	1,433	1,433
Number of vehicles (city wide)	85	110	113	107	111	118	132	108	111	126

Source: Various City of Lemoore Departments

**CITY OF LEMOORE  
TAXABLE SALES BY CATEGORY  
LAST TEN CALENDAR YEARS  
(IN THOUSANDS OF DOLLARS)**

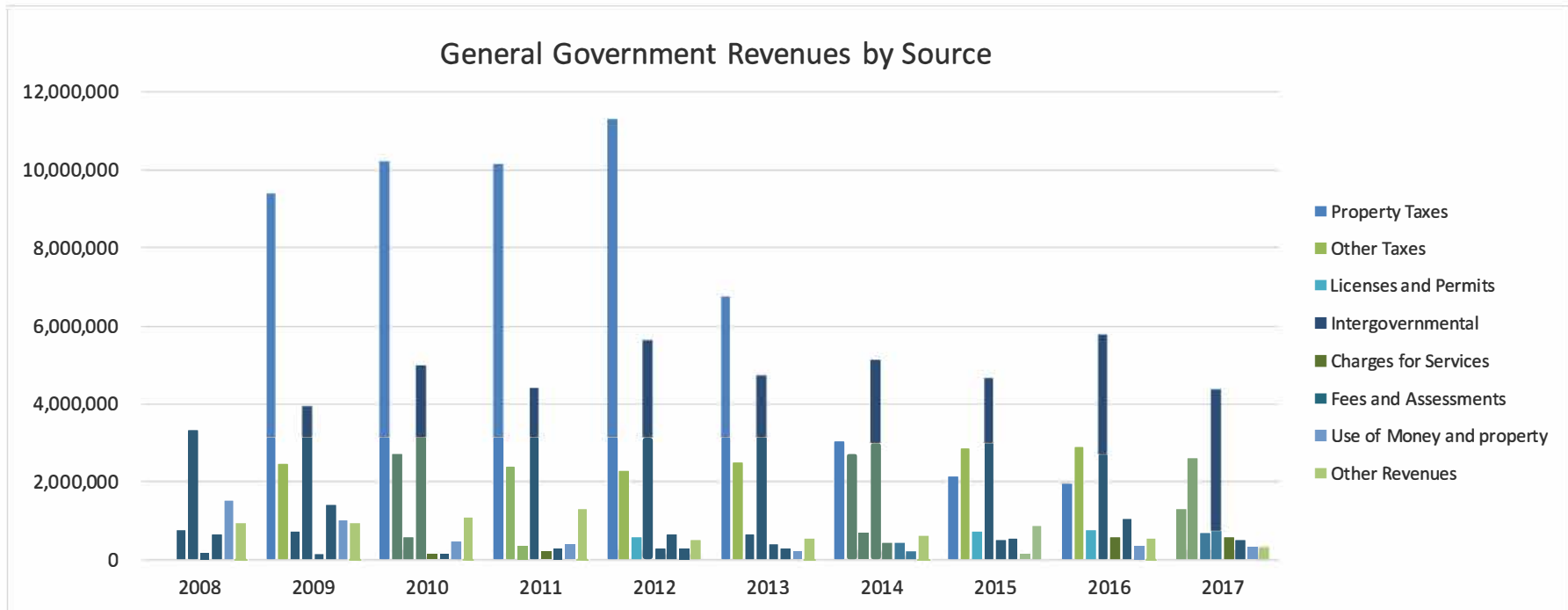
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Apparel Stores	\$ 382	\$ 348	\$ 390	\$ 281	\$ 599	\$ 639	\$ 681	\$ 559	\$ 346	\$ 337
Food Stores	9,121	9,272	9,482	9,671	9,696	10,782	11,553	11,767	12,433	7,874
Eating and Drinking Places	19,163	19,028	18,679	18,758	21,186	21,750	24,710	26,086	27,766	28,608
Building Materials	5,017	4,702	4,862	5,661	5,238	4,778	5,176	6,699	4,683	5,762
Auto Dealers and Supplies	18,150	12,721	7,860	8,164	9,390	9,916	10,702	10,508	10,804	13,509
Service Stations	28,163	30,450	25,344	29,167	35,073	35,102	37,653	39,520	32,458	31,684
Other Retail Stores	35,752	31,917	30,256	28,044	27,473	28,432	29,108	29,359	29,251	31,178
All other Outlets	<u>66,628</u>	<u>86,852</u>	<u>68,976</u>	<u>62,196</u>	<u>78,171</u>	<u>92,014</u>	<u>92,897</u>	<u>86,970</u>	<u>72,282</u>	<u>63,215</u>
Total Direct Rate	<u>\$ 182,376</u>	<u>\$ 195,290</u>	<u>\$ 165,849</u>	<u>\$ 161,942</u>	<u>\$ 186,826</u>	<u>\$ 203,413</u>	<u>\$ 212,480</u>	<u>\$ 211,468</u>	<u>\$ 190,022</u>	<u>\$ 182,167</u>

Source: State of California Board of Equalization and The HdI Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payer are not available, The categories presented are intended to provide alternative information regarding the sources of the City's revenue

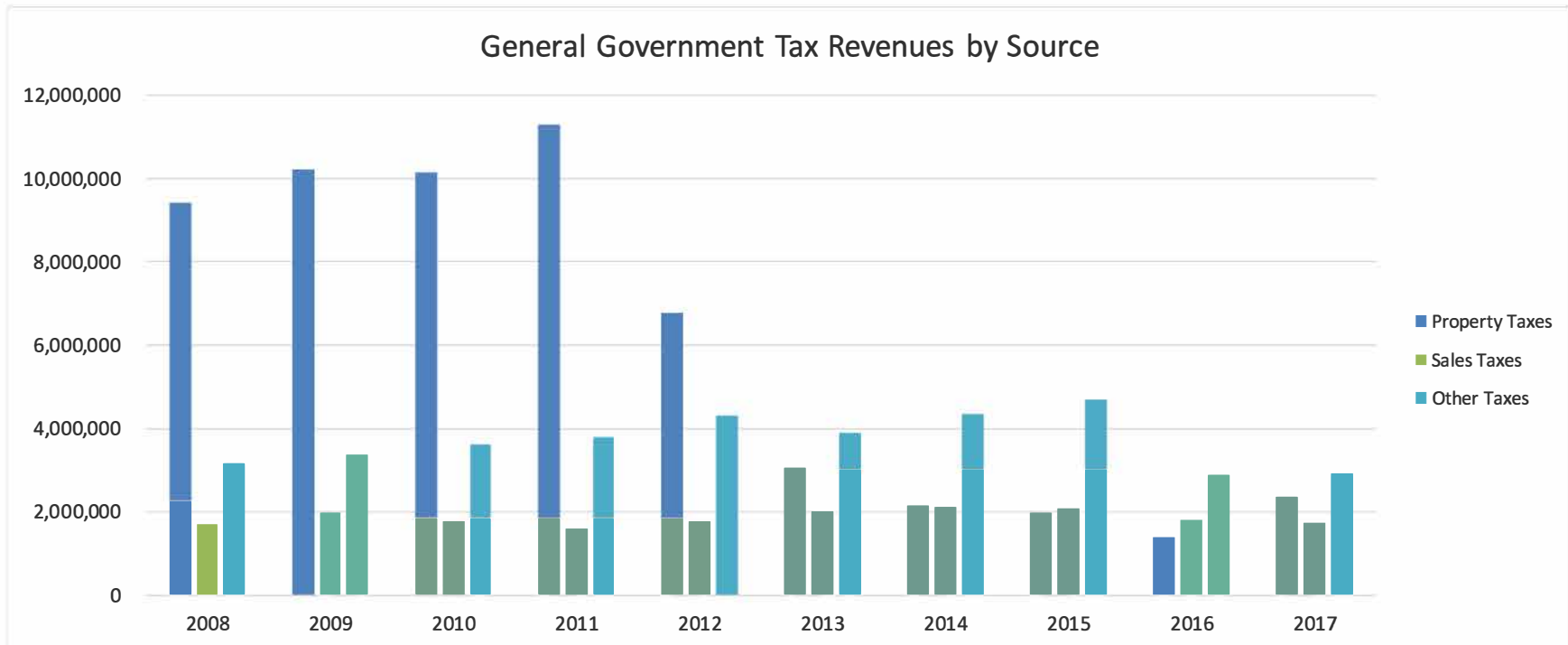
**CITY OF LEMOORE  
GENERAL GOVERNMENT REVENUES  
BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Property Taxes	Other Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fees and Assessments	Use of Money and property	Other Revenues	Total
2008	9,403,666	2,464,134	763,657	3,342,780	193,023	670,077	1,513,388	961,704	19,312,429
2009	10,210,173	2,719,047	749,987	3,948,971	154,741	1,424,248	1,021,490	936,751	21,165,408
2010	10,144,716	2,409,957	586,583	4,977,496	166,355	146,596	497,277	1,091,559	20,020,539
2011	11,309,161	2,293,676	380,851	4,402,488	236,895	298,824	393,764	1,294,820	20,610,479
2012	6,745,624	2,484,776	601,682	5,644,429	308,408	653,299	294,163	511,698	17,244,079
2013	3,053,995	2,706,573	665,896	4,729,214	399,471	304,094	211,195	555,868	12,626,306
2014	2,128,660	2,877,392	689,558	5,149,163	458,129	462,662	216,489	618,937	12,600,990
2015	1,978,931	2,881,451	725,821	4,654,689	500,426	564,602	173,184	878,158	12,357,262
2016	1,308,832	2,610,203	788,015	5,776,858	576,245	1,068,265	355,255	536,987	13,020,660
2017	2,290,741	2,573,569	700,510	4,376,654	576,716	525,879	338,464	352,996	11,735,529



**CITY OF LEMOORE  
GENERAL GOVERNMENT TAX REVENUE  
BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Property Taxes	Sales Taxes	Other Taxes	Total
2008	9,413,719	1,730,663	3,166,748	14,311,130
2009	10,225,746	1,979,203	3,385,656	15,590,605
2010	10,147,859	1,768,904	3,621,897	15,538,660
2011	11,312,419	1,597,534	3,786,700	16,696,653
2012	6,767,250	1,768,113	4,303,681	12,839,044
2013	3,069,388	2,014,040	3,888,353	8,971,781
2014	2,156,929	2,122,348	4,341,569	8,620,846
2015	1,990,281	2,081,582	4,690,086	8,761,949
2016	1,395,750	1,821,904	2,883,110	6,100,764
2017	2,379,421	1,752,910	2,915,384	7,047,715

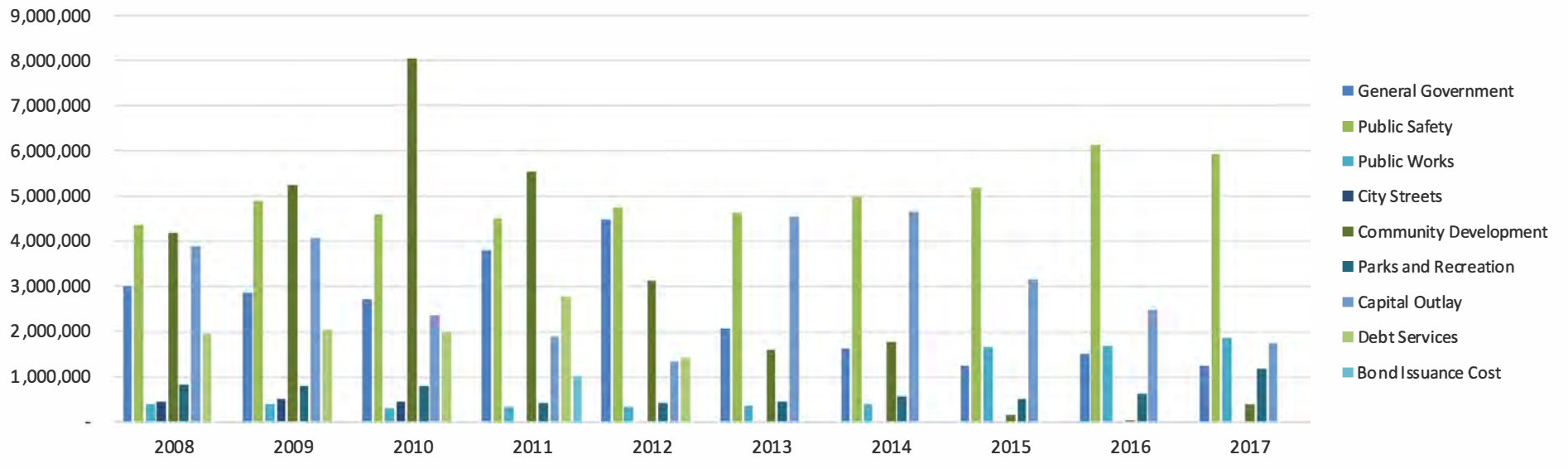




**CITY OF LEMOORE  
GENERAL GOVERNMENT EXPENDITURES  
BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Public Safety	Public Works	City Streets	Community Development	Parks and Recreation	Capital Outlay	Debt Services	Bond Issuance Cost	Total
2008	3,015,382	4,356,897	389,709	451,519	4,190,892	828,596	3,891,366	1,951,294	-	19,075,655
2009	2,854,211	4,906,949	381,075	517,262	5,264,786	811,872	4,084,111	2,042,171	-	20,862,437
2010	2,725,266	4,602,554	300,608	456,177	8,041,554	793,389	2,366,274	1,993,179	-	21,279,001
2011	3,798,765	4,503,385	345,426	-	5,533,770	408,167	1,884,348	2,765,756	1,009,397	20,249,014
2012	4,482,387	4,755,182	339,296	-	3,128,090	414,165	1,339,845	1,415,869	-	15,874,834
2013	2,067,528	4,639,315	354,785	-	1,609,414	462,244	4,536,290	-	-	13,669,576
2014	1,628,021	4,979,815	401,503	-	1,775,792	578,425	4,669,389	-	-	14,032,945
2015	1,251,489	5,189,952	1,651,697	-	158,909	524,344	3,154,886	-	-	11,931,277
2016	1,519,628	6,146,235	1,674,726	-	14,675	630,886	2,479,736	-	-	12,465,886
2017	1,238,040	5,925,328	1,870,748	-	407,140	1,180,409	1,747,183	-	-	12,368,848

General Government Expenditures by Source



**CITY OF LEMOORE  
NAVY ACTIVE DUTY, RESERVISTS,  
GUARDS, AND CIVILIANS AT  
NAVAL AIR STATION  
LEMOORE, CA**

Source: DMDC UICSS

Source: DMDC Self-Service

As of 31 October 2017

<b>BASE NAME</b>	<b>SERVICE / COMPONENT</b>	<b>SERVICE MEMBER COUNT</b>
LEMOORE NAS	NAVY ACTIVE DUTY ENLISTED	<b>3,833</b>
LEMOORE NAS	NAVY ACTIVE DUTY OFFICER	<b>808</b>
LEMOORE NAS	NAVY SELECTED RESERVE ENLISTED	<b>497</b>
LEMOORE NAS	NAVY SELECTED RESERVE OFFICER	<b>55</b>
LEMOORE NAS	NAVY APF CIVILIAN	<b>340</b>
LEMOORE NAS	NAVY NAF CIVILIAN	<b>225</b>
	<b>TOTAL</b>	<b>5,758</b>

Disclaimer: Defense Manpower Data Center (DMDC) owns the data provided in this report. This office claims no ownership of any kind, expressed or implied of the information therein.

Source : NAS Lemoore Offices.

The City decided to only provide one year of dates for this statistic

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a brief summary of certain provisions of the Indenture. Such summary is not intended to be definitive, and reference is made to the Indenture in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Indenture.*

#### Definitions

“2013 Loan” means the outstanding loan of the City incurred pursuant to the 2013 Loan Agreement.

“2013 Loan Agreement” means the Water Loan Agreement, dated as of May 1, 2013, by and between the Pinnacle Public Finance Inc., as lender, and the City, as the borrower, and as the same may be amended or supplemented from time to time.

“2019 Projects” means the capital improvements of the Water System to be funded with the proceeds of the Bonds.

“2019 Project Costs” means the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City, all calculated in accordance with generally accepted accounting principles, in connection with the acquiring, financing, planning, engineering, designing, constructing and installing of the 2019 Projects or any portion thereof, and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including but not limited to: (a) the costs of acquisition or construction by or for the City of real and personal property or any interest therein, (b) any good faith or other similar payment or deposits, (c) the costs of any demolitions or relocation necessary in connection therewith, (d) costs of physical construction and costs incidental to such construction or acquisition, (e) all costs relating to injury and damage claims, (f) the costs of any indemnity or surety bonds and premiums on insurance, including obligations to a stock, mutual or reciprocal insurance company or exchange, (g) preliminary investigation and development costs, (h) engineering fees, contractors’ fees, legal fees and expenses, and any other fees and expenses of professional consultants and (i) the costs of labor, materials, equipment and utility services and supplies, (j) administrative and general overhead expenses and costs of keeping accounts and making reports required by the Trust Agreement prior to or in connection with the completion of the 2019 Projects, (k) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the 2019 Projects prior to or in connection with the completion of the 2019 Projects. It is intended that this definition of 2019 Project Costs be broadly construed to encompass all costs, expenses and liabilities of the City which are chargeable to the capital accounts of the 2019 Projects in accordance with Generally Accepted Accounting Principles.

“Accreted Value” means, with respect to any Parity Obligations that are capital appreciation Obligations, as of any date of calculation, the sum of the initial amount thereof and the interest accrued and compounded thereon, as determined in accordance with the provisions of the related Parity Obligation Agreements, to such date of calculation.

“Additional Allowance” has the meaning ascribed to such term below under “Incurrence of Additional Obligations – *Incurrence of Parity Obligations.*”

“Additional Parity Obligations” means Parity Obligations issued or incurred by the City, subject to the conditions set forth in the provisions of the Indenture described below under “Incurrence of Additional Obligations – *Incurrence of Parity Obligations.*”

“Annual Debt Service” means, with respect to the portion of the Outstanding Parity Obligations for which the calculation is being made, for the 12-month period for which the calculation is being made (which may be Fiscal Year or Bond Year, as the context requires), the sum of (i) the interest payable with respect to such Outstanding Obligations in that 12-month period, assuming that all the Outstanding Serial Obligations are retired as scheduled and that all Outstanding Term Obligations, if any, are redeemed from the sinking fund payments, as may be scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Obligations), (ii) the principal amount of such Outstanding Serial Obligations, if any, maturing by their terms in such 12-month period, and (iii) the minimum principal amount of such Outstanding Term Obligations required to be paid or called and redeemed in such 12-month period.

With respect to capital appreciation Obligations, the Accreted Value payment shall be deemed due on the scheduled redemption or payment date of such Obligations.

If any Obligations bear interest payable pursuant to a variable interest rate formula, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the greater of (a) (i) for Tax-Exempt Obligations, the average of the Securities Industry and Financial Markets Association Municipal Swap Index for the 12 months preceding the date of calculation (or if such index no longer exists, another similar index selected by the City) or (ii) for Obligations that are not Tax-Exempt, the average One Month USD LIBOR Rate during the 12 months preceding the date of calculation, or (b) the average variable rate of interest borne by such Obligations during the preceding 36 months or, if such Obligations were not Outstanding during all of the preceding 36 months, the highest interest rate borne by variable interest rate debt for which the interest rate is computed by reference to a variable interest rate formula comparable to that utilized for such Obligations.

If an interest rate swap agreement is in effect with respect to, and is payable, on a parity with the Parity Obligation to which it relates, no amounts payable under such swap agreement will be included in the calculation of Annual Debt Service unless the result of: (i) interest payable on such Parity Obligation, plus (ii) amounts payable by the City under the swap agreement, less (iii) amounts receivable by the City under such swap agreement are greater than the interest payable on such Parity Obligation, then in such instance, the amount of such payments to be made that exceed the interest to be paid on such Parity Obligation (based on the assumption set forth above for variable rate Obligations) shall be included.

“Annual Debt Service” shall not include (a) interest on Obligations which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Obligations required to remain unexpended and to be held in escrow pursuant to the terms of the instrument under which such Obligations are issued, provided that (i) such exclusion of interest shall be applicable only to the extent that a portion of the amounts deposited in an escrow account, or the projected interest earnings thereon, shall be used to pay interest due on such portion of the Obligations so long as it is required to be held in escrow, and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Net Revenues coverage, are substantially the same as those for the issuance of Additional Parity Obligations under the Indenture.

“Annual Debt Service” shall not include the portion of any parity Credit Provider Reimbursement Obligations that represent Annual Debt Service which would have otherwise been paid directly by the City to the owners of any Parity Obligations (e.g., reimbursement to a Credit Provider for draws made under a letter of credit to pay principal of and interest on the Parity Obligations.)

“Annual Debt Service” shall not include principal or interest of Obligations to be paid from a state or federal grant or other moneys that have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used on such principal or interest, unless such

state or federal grant or other moneys have already been included in the corresponding calculation of Gross Revenues or Net Revenues, as applicable.

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

“Average Annual Debt Service” means, with respect to any portion of the Outstanding Parity Obligations for which the calculation is being made, the average Annual Debt Service during the period from the date of calculation through the final maturity date of all of such Outstanding Parity Obligations.

“Bond” or “Bonds” means the City of Lemoore Water Revenue Bonds, Series 2019, authorized by, and at any time Outstanding pursuant to, the Indenture.

“Bond Counsel” means Richards, Watson & Gershon, A Professional Corporation, or another attorney or firm of attorneys of favorable reputation in the field of municipal bond law selected by the City.

“Bond Insurance Policy” means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Bonds when due.

“Bond Insurer” or “BAM” means Build America Mutual Assurance Company, or any successor thereto.

“Bond Law” means the City’s Enterprise Revenue Bond Law, set forth in Title 10 of the City’s Municipal Code, adopted pursuant to the City’s Charter.

“Bond Year” means each twelve-month period extending from June 2 in one calendar year to July 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall extend from the Closing Date to June 1, 2019.

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

“Certificate,” “Statement,” “Request,” “Requisition” or “Order” of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by its Mayor (or in the Mayor’s absence, the Mayor Pro Tem), City Manager, Assistant City Manager, Finance Director or any other person designated by any of them in writing to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, certificates and opinions will include the statements provided for in the Indenture.

“City” means the City of Lemoore, California.

“City Charter” means the Charter of the City, as amended from time to time.

“Closing Date” means the issuance date of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

“Continuing Disclosure Certificate” means the continuing disclosure undertaking of the City relating to the Bonds in connection with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as originally executed and as the same may be amended and supplemented from time to time in accordance with the terms thereof.

“Costs of Issuance” means any costs or expenses paid or incurred in connection with the preparation, execution and delivery of the Bonds and documents relating to the issuance of the Bonds, including but not limited to fees and expenses of the Trustee and its counsel, printing costs, word processing costs, filing and recording costs, special counsel and other legal fees and expenses, rating agency fees, accounting fees, legal fees and other expenses incurred by the City in connection with qualification or registration, or determining the exemption from registration or qualification, of the Bonds under the “Blue Sky” laws of any jurisdiction, costs of preparation and reproduction of documents, fees payable to any other consultants or experts retained in connection with such preparation, execution and delivery, costs for the purchase of reserve surety, bond insurance or any other credit enhancement, and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of the Code.

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

“Credit Facility” means a bond insurance policy, an irrevocable direct-pay or standby letter of credit, a standby purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal, redemption price or purchase price of any Parity Obligations, but shall not include any Qualified Reserve Credit Instrument for the Bonds or similar instrument credited to a debt service reserve fund for any other Parity Obligations. The Bond Insurance Policy is a Credit Facility.

“Credit Provider” means the issuer of a Credit Facility with respect to any Parity Obligations. The Bond Insurer is a Credit Provider.

“Credit Provider Reimbursement Obligations” means obligations of the City to pay from Net Revenues amounts due under a Credit Support Agreement, including without limitation, amounts advanced by a Credit Provider pursuant to a Credit Facility as credit support or liquidity for Parity Obligations and interest with respect thereto.

“Credit Support Agreement” means, with respect to any Credit Facility, the agreement or agreements (which may be the Credit Facility itself) between the City and the applicable Credit Provider, as originally executed and as the same may be amended or supplemented from time to time, that provide for the reimbursement to the Credit Provider for payments under such Credit Facility or the extension of credits made to the City by the Credit Provider, together with any related pledge agreement or other security document.

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

“Defeasance Securities” means any direct obligations of the United States of America (including any obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); provided, that such securities must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or redemption. “Defeasance Securities” do not include securities that do not have a fixed par value or the terms of which do not promise a fixed dollar amount at maturity or call date.

“DTC” means the Depository Trust Company, New York, New York, or its successors and assigns as depository for the Bonds.

“Event of Default” means any of the events described in provisions of the Indenture summarized below under “Events of Default and Remedies of Bond Owners – *Events of Default*.”

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

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

“Generally Accepted Accounting Principles” means generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board or its successor.

“Gross Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the furnishing and supplying of services and facilities through the Water System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys to the extent that such earnings and income are available for use for the Water System pursuant to law, (iii) the proceeds derived by the City directly or indirectly from the sale, lease, or other disposition of a part of the Water System, and (iv) amounts released from the Rate Stabilization Fund pursuant to the Indenture; provided the term “Gross Revenues” shall not include any of the following: (A) customers’ deposits or any other deposits or advances subject to refund until those deposits or advances become the property of the City, (B) moneys that are derived from charges (including without limitation impact fees or special assessments) imposed for specified and restricted purposes (except to the extent that such charges are permitted to be used for the financing or payment of the capital improvements financed with the proceeds of the Bonds), as provided in a duly adopted resolution or ordinance, and that are accounted for by the City separate and apart from the Water Fund, and (C) grants or other moneys collected by the City from sources, which by the terms under which the City receives such money, restricts the use for specified and restricted purposes (except to the extent that the terms thereof permit the use of such money for the financing or payment of the capital improvements financed with the proceeds of the Bonds).

“Indenture” means the Indenture, dated as of March 1, 2019, by and between the City and the Trustee, as originally executed or as it may from time to time be amended or supplemented.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the City, and who, or each of whom: (i) is in fact independent and not under domination of the City; (ii) does not have any substantial interest, direct or indirect, in the City; and (iii) 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.

“Independent Fiscal 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 water system enterprises; (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. An independent firm serving as a municipal advisor (or financial advisor) or as the underwriter for the Bonds or Parity Debt may be an Independent Fiscal Consultant for the purposes of the Indenture.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://www.emma.msrb.org); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall also mean such other addresses and/or such other services providing information with respect to called bonds as the City may designate in writing to the Trustee.

“Interest Account” means the account by that name in the Debt Service Fund established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means June 1 and December 1 of each year, beginning on December 1, 2019.

“Maximum Annual Debt Service” means with respect to any portion of the Outstanding Parity Obligations for which the calculation is being made, the largest Annual Debt Service during the period from the date of calculation through the final maturity date of all of such Outstanding Parity Obligations.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, except that if at any time that such corporation no longer exists or no longer performs the function of a rating agency for municipal securities, then the term “Moody’s” will be deemed to refer to any other nationally recognized rating agency selected by the City.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus: (i) the amount required to be paid by the City for the 2013 Loan pursuant to the 2013 Loan Agreement, and (ii) the amount required to pay all Operation and Maintenance Costs during such period.

“Obligations” means obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from Net Revenues, whether on a senior, parity or subordinate basis to the Bonds.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City, payable from Gross Revenues, for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including but not limited to: (i) all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, (ii) 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), the cost of permits and licenses to operate the Water System and insurance premiums, and (iii) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Indenture; but excluding in all cases, the following: (A) debt service payable on obligations (including bonds, notes or other evidences of indebtedness, installment purchase payments under contract, and lease payments under any financing or capital lease, as determined to be such in accordance with Generally Accepted Accounting Principles) incurred by the City with respect to the Water System, (B) depreciation, replacement and obsolescence charges or reserves therefor, (C) amortization of intangibles or other bookkeeping entries of a similar nature, and (D) costs of capital projects which under Generally Accepted Accounting Principles are chargeable to a separate capital account or to a reserve for depreciation.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated.

“Outstanding,” when used as of any particular time with reference to any Obligations, means (subject to the provisions described below under “Miscellaneous -- *Disqualified Bonds*” with respect to the Bonds or similar provisions in the applicable Parity Obligation Agreements), all of such Obligations theretofore issued or thereupon issued by the City except:

- (a) Obligations theretofore canceled or surrendered for cancellation;
- (b) Obligations paid or deemed to have been paid within the meaning of the defeasance provisions of the instrument pursuant to which such Obligations are issued; and
- (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued.

“Owner” or “Bond 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 Agreement” means the agreement or agreements, originally executed and as the same may be amended or supplemented from time to time, that sets forth the terms of repayment with respect to any Parity Obligations.

“Parity Obligations” means the Bonds and any Obligations which are payable from Net Revenues on a parity with the payment of the Bonds and the issuance of which satisfies the applicable conditions set forth in the Indenture, including without limitation Credit Provider Reimbursement Obligations that are specified as payable on a parity with the Bonds under the Indenture or any Credit Support Agreement.

“Permitted Investments” means any of the following (provided, that the Trustee shall be entitled to rely upon the City’s written directions as conclusive certification to the Trustee that the investments described therein are Permissible Investments; and provided further, to the extent that the criteria below an investment require a certain minimum rating, such rating shall be determined by the time of purchase of such investment):

- (a) Obligations of, or obligations (including obligations issued or held in book-entry form on the books of the Department of the Treasury) guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

1. U.S. Treasury obligations;

2. All direct or fully guaranteed obligations;
3. Farmers Home Administration;
4. General Services Administration;
5. Guaranteed Title XI financing;
6. Government National Mortgage Association (GNMA); and
7. U.S. Treasury - State and Local Government Series.

(b) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

1. Export-Import Bank;
2. Rural Economic Community Development Administration;
3. U.S. Maritime Administration;
4. Small Business Administration;
5. U.S. Department of Housing & Urban Development (PHAs);
6. Federal Housing Administration; and
7. Federal Financing Bank.

(c) Direct obligations of the following non-full faith and credit United States government agencies:

1. Federal Home Loan Bank System  
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (“FHLMC”)  
Senior debt obligations
3. Federal National Mortgage Association (“FNMA”)  
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (“SLMA”)  
Senior debt obligations
5. Resolution Funding Corporation obligations
6. Farm Credit System  
Consolidated system-wide bonds and notes.

(d) Unsecured certificates of deposit (including those placed by a third party pursuant to a separate agreement between the City and the Trustee), savings accounts, deposit accounts or money

market deposits (including those of the Trustee and its affiliates), bank deposit products, trust accounts, interest bearing deposits, overnight banking deposits and interest bearing money market accounts, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

(e) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the City and the Trustee), savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation (including Bank Insurance Fund and Savings Association Insurance Fund), or collateralized by Permitted Investments described in clause (a) for amounts in excess of FDIC insurance.

(f) Investments in money market mutual funds rated in the highest short-term Rating Category for money market funds (without regard to qualifier) of at least one nationally recognized rating agency including funds for which the Trustee and its affiliates provide investment advisory or other services but excluding funds with a floating net asset value.

(g) U.S. Dollar-denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (provided that ratings on holding companies shall not be considered the rating of the bank).

(h) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a financial guaranty insurance company, claims paying ability, of the guarantor, is rated at least "AA" by S&P or "Aa" by Moody's; provided that, by the terms of the investment agreement:

A. Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

B. The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

C. The investment agreement shall state that the provider's payment obligation thereunder is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel, shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. The City and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City;

E. The investment agreement shall provide that if during its term:

(I) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the City,

the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P or Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest on the investment, and

(II) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

F. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(I) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and

(II) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider’s obligations shall be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(i) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase.

(j) Any bonds or other obligations of any agency, instrumentality or local governmental unit of any state of the United States of America which are rated “A2” or higher by Moody’s or “A” or higher by S&P.

(k) Repurchase agreements with financial institutions fully insured by the Federal Deposit Insurance Corporation or any broker-dealer with “retail customers” which falls under Securities Investors Protection Corporation jurisdiction, and at the time of execution of such repurchase agreement, having unsecured debt obligations rated in one of the two highest Rating Categories by S&P and Moody’s, which repurchase agreements are secured by cash any of the obligations referred to in (a), (b) or (c) above, provided that the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral securing such repurchase agreement and the Trustee has a perfected first security interest in the collateral securing such repurchase agreement.

(l) “Pre-refunded Municipal Obligations,” defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest

Rating Category of Moody's or S&P or any successors thereto; or (2) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient (if the escrow is not solely in cash, as verified by a nationally recognized independent certified public accountant), to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(m) Any state administered pool investment fund in which the City is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

(n) Any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

"Principal Account" means the account by that name in the Debt Service Fund established and held by the Trustee pursuant to the Indenture.

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

"Qualified Reserve Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) at the time of issuance of the instrument, the long-term credit rating of such bank is within one of the two highest Rating Categories of Moody's or S&P, or the financial strength of such insurance company is rated within one of the two highest Rating Categories of A.M. Best & Company, or if any of the Bonds are insured, the long-term credit rating of such bank or claims paying ability of such insurance company is at least as high as the insured rating of the Bonds; (ii) such letter of credit or surety bond has a term of at least 12 months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the deposits into the Interest Account, the Principal Account or the Sinking Account. The Reserve Policy is a Qualified Reserve Credit Instrument.

"Rating Category" means: (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regarding to any numerical modifier, plus or minus sign or other modifier; and (b) with respect to any short-term rating category, all ratings designated by a particular letter or combination of letters taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Amount" has the meaning ascribed to it in the Tax Certificate.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

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

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

“Reserve Policy” means Municipal Debt Service Reserve Policy issued by the Bond Insurer upon issuance of the Bonds, which is a Qualified Reserve Credit Instrument.

“Reserve Requirement” means, as of any calculation date, an amount equal to the least of (i) ten percent of the principal amount of the Bonds upon issuance; (ii) 125 percent of Average Annual Debt Service (based on Bond Year) of the Outstanding Bonds; or (iii) Maximum Annual Debt Service (based on Bond Year) of the Outstanding Bonds. The amount of the Reserve Requirement on any date is subject to confirmation by the City to the Trustee upon the Trustee’s request.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors and assigns, except that if at any time that such corporation no longer exists or no longer performs the function of a rating agency for municipal securities, then the term “S&P” will be deemed to refer to any other nationally recognized rating agency selected by the City.

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

“Serial Bonds” means the Bonds that are not Term Bonds.

“Serial Obligations” means Obligations for which no mandatory sinking fund payments are provided.

“Sinking Account” means the account by that name in the Debt Service Fund held by the Trustee pursuant to the Indenture.

“Sinking Account Installment” means the amount of money required by the Indenture to be paid by the City on any single date toward the retirement of any particular Term Bonds on or prior to their respective stated maturity dates.

“State” means the State of California.

“Supplemental Indenture” means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

“Tax Certificate,” means the Certificate Regarding Compliance with Certain Tax Matters (or similar instrument) dated the Closing Date relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, that such interest is excluded from gross income for federal income tax purposes whether or not such interest is an item of tax preference for purposes of the alternative minimum tax under the Code or otherwise taken into account in calculating tax liabilities under the Code.

“Term Bonds” means the Bonds maturing on: (i) June 1, 2043, (ii) June 1, 2049 (with an annual interest rate of 5.000 percent), and (iii) June 1, 2049 (with an annual interest rate of 3.625 percent).

“Term Obligations” means Obligations which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

“Trust Office” means the corporate trust office of the Trustee at the address set forth in the Indenture; provided, however, for transfer, registration, exchange, payment and surrender of Bonds, “Trust Office” means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office designated in writing by the Trustee from time to time.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in the Indenture.

“Water Fund” means the City of Lemoore Water Revenue Fund established and maintained by the City in which all Gross Revenues are deposited.

“Water System” means all properties and assets, real and personal, tangible or intangible, of the City now or hereafter existing, used or pertaining to the acquisition, treatment, reclamation, transmission, distribution and sale of water, including the portion thereof existing on the date of the Indenture and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed; provided, that to the extent the City is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above-described water system purposes, only the City’s ownership interest in such asset or property or only the part of the asset or property so used for Water System purposes shall be considered to be part of the Water System.

## **Equal Security**

The Bonds shall be issued under and subject to the terms of the Indenture. In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the City and the Trustee for the benefit of Owners from time to time of all Bonds issued under the Indenture and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premium, if any, on all Bonds authorized, executed, issued and delivered under the Indenture; and the agreements and covenants set forth in the Indenture to be performed on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any Bonds over any other Bonds, subject to the agreements, conditions, covenants and provisions contained in the Indenture.

## **Pledge of Net Revenues, Establishment and Administration of Funds and Accounts**

### *Pledge of Net Revenue.*

(a) Subject to the application thereof on the terms and conditions provided in the Indenture, all of the Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of all Outstanding Bonds which pledge shall be on a parity with any pledge of Net Revenues securing other Parity Obligations as to which the conditions set forth in the Indenture have been satisfied. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues for the payment of amounts due with respect to the Outstanding Bonds and other Parity Obligations (including the replenishment of debt service reserve funds as required) in accordance with the terms thereof.

The obligations of the City to pay principal (including Sinking Account Installments) and interest, when due, on the Outstanding Bonds from the Net Revenues and to perform and observe the other agreements contained in the Indenture shall be absolute and unconditional and shall not be subject to any

defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether under the Indenture or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. So long as any Bond remains Outstanding, the City (a) will not suspend or discontinue payment of principal (including Sinking Account Installments) or interest coming due pursuant to the Indenture, (b) will perform and observe all other agreements contained in the Indenture, and (c) will not terminate the Indenture for any cause (including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, sale of any portion of the Water System, the taking by eminent domain of title to or temporary use of any component thereof, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture).

(b) Subject to the provisions of the Indenture regarding payment to the Trustee for fees and expenses when applying funds upon an Event of Default, the Bonds shall also be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Sinking Account therein) and the Reserve Fund, including all amounts derived from the investments of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon such moneys. So long as any of the Bonds are Outstanding, moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Sinking Account therein) and the Reserve Fund, may only be used for the purposes and in the manner permitted by the Indenture.

The City's obligation to pay principal (including Sinking Account Installments) and interest with respect to the Outstanding Bonds and any other amount due under the Indenture shall be a special obligation of the City limited solely to the Net Revenues and the funds and accounts specifically identified in the Indenture for such payments. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Revenues and the funds and accounts specifically identified in the Indenture for such payments, nor shall any other funds or property of the City be liable for such payments coming due and payable under the Indenture. Neither the Trustee nor any Owner shall have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City or the forfeiture of any property of the City, including any portion of the Water System, for the making of any payments pursuant to the Bonds or the Indenture.

(c) During any Bond Year, upon the City's transfer of all the moneys required to be transferred to the Trustee for deposit in the Debt Service Fund and the Reserve Fund described below for such Bond Year (the "Bond Year Requirement"), the Net Revenues in excess of the Bond Year Requirement shall be released from the pledge and lien under the Indenture and such excess Net Revenues may be applied for other lawful purposes.

#### Water Revenue Fund.

The City has previously established the Water Fund and shall continue to maintain and hold such fund segregated from all other funds of the City. All Gross Revenues shall be deposited by the City upon receipt in the Water Fund. The City may at any time establish such sub-level funds and accounts as it deems necessary or desirable within the Water Fund. Moneys in the Water Fund shall be applied in the following order of priority:



(a) The City shall pay Operation and Maintenance Costs as they become due and payable (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required).

(b) The City shall also make payments, as the same becomes due and payable pursuant to the 2013 Loan Agreement.

(c) The City shall withdraw from the Water Fund such amounts at such times as shall be required to pay: (1) the principal (including mandatory sinking fund payments) of and interest on the Bonds and other Parity Obligations; (2) all amounts necessary for deposit in the debt service reserve funds as required by this Indenture and other Parity Obligation Agreements; (3) all other amounts when and as due and payable under this Indenture and the other Parity Obligation Agreements. For that purpose, with respect to the Bonds:

(i) No later than five Business Days before each Interest Payment Date, the City shall withdraw from the Water Fund and transfer to the Trustee, for deposit in the Debt Service Fund, an amount which, together with the balance then on deposit in the Debt Service Fund, shall be sufficient to pay, in the following priority: (i) the amount required to pay interest on the Outstanding Bonds then coming due on such Interest Payment Date, (ii) the amount required to pay principal (including Sinking Installments) then coming due on such Interest Payment Date.

(ii) If the City receives a notice from the Trustee that the balance of the Reserve Fund is below the Reserve Requirement, no later than five Business Days before the Interest Payment Date immediately following the receipt of such notice, the City shall also shall withdraw from the Water Fund and deposit with the Trustee the amount of money necessary to restore the balance of the Reserve Fund to the Reserve Requirement.

(d) The City shall manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made pursuant to the preceding subsections (a), (b) and (c) will be made at the times and in the amounts so required. Subject to the foregoing sentence and the priority set forth above, so long as no Event of Default shall have occurred and be continuing under the Indenture, the City may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the costs for additional improvements, extensions, replacements and betterments to the Water System, (iii) the optional redemption of the Bonds or other optional prepayment of any Obligations of the City relating to the Water System, (iv) make deposits in the Rate Stabilization Fund, or (v) any other lawful purposes.

(f) At any time there are insufficient Net Revenues to make the required debt service payments due on the Bonds and other Outstanding Parity Obligations, the City shall apply Net Revenues to such debt service payments due on the Outstanding Bonds and other Parity Obligations, on a pro rata basis (based on the respective amounts to be paid), without any discrimination on preferences and without regard to debt service reserves (whether funded in cash or supported by surety bonds or other similar funding instruments).

(g) Any moneys held in the Water Fund shall be invested in Permitted Investments and investments authorized by State law which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Indenture. All investment earnings from moneys or deposits in the Water Fund shall be credited in such fund and applied only to the purposes permitted for such fund. The City may commingle any of the moneys in the Water Fund with the moneys held in other funds and accounts for investment purposes; provided, however, all moneys in the Water Fund shall be accounted for separately notwithstanding such commingling.

Debt Service Fund.

The Trustee shall establish, maintain and hold in trust pursuant to the Indenture, a fund known as the "Debt Service Fund." All moneys received by the Trustee from the City pursuant paragraph (b) of the section above under "*Water Fund*" shall be deposited in the following respective special accounts within the Debt Service Fund (each of which is created under the Indenture and each of which the Trustee agrees to cause to be maintained), in the following order of priority:

- (i) Interest Account;
- (ii) Principal Account; and
- (iii) Sinking Account.

All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized pursuant to the Indenture.

(a) *Interest Account.* On or before each Interest Payment Date, the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest transferred to the Redemption Fund per the Written Request of the City for making payments on Bonds called for optional redemption).

(b) *Principal Account.* On or before each Interest Payment Date on which principal of Bonds is coming due, the Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on the Outstanding Serial Bonds on such Interest Payment Date. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming due and payable on such upcoming Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds.

Notwithstanding the foregoing, in the event that, with respect to any Interest Payment Date, there shall be insufficient money in the Debt Service Fund to make a full deposit in the Principal Account for all such principal payments required by the preceding paragraph and deposits in the Sinking Account for all Sinking Account Installments required by the Indenture, then the money available in the Debt Service Fund shall be applied pro rata as relating to such principal payments and such Sinking Account Installments in the proportion which all such principal payments and all such Sinking Account Installments bear to each other.

(c) *Sinking Account.* Subject to the immediately preceding paragraph, on or before each Interest Payment Date on which a Sinking Account Installment is coming due, the Trustee shall set aside from the Debt Service Fund and deposit in the Sinking Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the Sinking Account Installments coming due and payable on the Outstanding Term Bonds on such Interest Payment Date. No deposit need be made into the Sinking Account if the amount contained therein is at least equal to the aggregate amount of the Sinking Account Installment becoming due and payable on such upcoming Interest Payment Date. All

moneys in the Sinking Account shall be used and withdrawn by the Trustee solely for the purpose of paying the Sinking Account Installments or payment of any purchase in lieu of redemption pursuant to the Indenture.

(d) *Transfer and Release of Surplus.* On each June 2, but only after making the deposits into the Debt Service Fund, the Reserve Fund and the Redemption Fund as required above on the immediately preceding Interest Payment Date, the Trustee shall determine the amount, if any, remaining in the Debt Service Fund and apply such remaining amount in the following order and priority: (i) transfer such money to the Reserve Fund, but solely to the extent necessary to restore the balance in the Reserve Fund to the Reserve Requirement; (ii) pay, or set an amount aside for the payment of, any rebate requirement in accordance with a computation made by the City pursuant to the Code, if the Trustee has received a Request by the City to do so before such June 2; and (iii) release to the City for use for any lawful purpose.

#### Reserve Fund.

(a) The Trustee shall establish, maintain and hold in trust pursuant to the Indenture, a fund known as the "Reserve Fund." Except for release of excess as provided in the Indenture, all money in (or available to) the Reserve Fund shall be used and withdrawn by the Trustee for the following purposes, in such order and priority: (i) make deposits in the Interest Account at any time there is a deficiency in such account for paying the interest on the Bonds then coming due and payable, (ii) make deposits in the Principal Account and Sinking Account (pro rata as relating to such principal payments and such Sinking Account Installments in the proportion which all such principal payments and all such Sinking Account Installments bear to each other), at any time there is a deficiency in such accounts for paying the principal and Sinking Installment of the Bonds then coming due and payable, and (iii) make the final payments of principal of and interest on the Bonds.

(b) The Trustee shall value the balance of the Reserve Fund (inclusive of the coverage then available under any Qualified Reserve Credit Instrument deposited in or credited to the Reserve Fund) at least semi-annually by each May 1 and November 1. If at any time the balance in the Reserve Fund falls below the Reserve Requirement, the Trustee shall promptly notify the City in writing. The City, upon receipt of such notice from the Trustee, shall include the amount necessary to restore the balance of the Reserve Fund to the Reserve Requirement in the immediately next transfer of moneys from the Water Fund pursuant to the Indenture. Absent any other written instructions from the City, any amount the Reserve Fund in excess of the Reserve Requirement shall be transferred to the Debt Service Fund.

(c) The Reserve Requirement may be satisfied by depositing into the Reserve Fund moneys or one or more Qualified Reserve Credit Instruments or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such Qualified Reserve Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Fund to the City, to be used for any lawful purpose, in an amount equal to the face amount of the Qualified Reserve Credit Instrument.

All cash and investments in the Reserve Fund shall be transferred to the applicable accounts in the Debt Service Fund for payment of debt service on Bonds before any drawing may be made on the Qualified Reserve Credit Instruments credited to the Reserve Fund in lieu of cash. Reimbursement for draws on a Qualified Reserve Credit Instrument owing to the provider thereof (including payments pursuant to the Indenture relating to the Reserve Policy), including accrued interest, shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Reserve Credit Instruments 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. Reimbursement of amounts with respect to Qualified Reserve Credit Instruments 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 Qualified Reserve Credit Instruments 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.

#### Redemption Fund.

The Trustee shall establish, maintain and hold in trust pursuant to the Indenture, a fund known as the “Redemption Fund.” On or before each optional redemption date, the City shall deposit with the Trustee an amount sufficient to pay the redemption price (including principal and redemption premium, if any), plus accrued interest, of the Bonds being called; provided, that such amount to be deposited with the Trustee may be reduced by the following (as set forth in a Written Request of the City): (a) the amount, if any, to be transferred from the Reserve Fund on such optional redemption date because of the reduced Reserve Requirement as the result of the optional redemption, and (b) the amount, if any, to be transferred from the Interest Account to the Redemption Fund to pay for accrued interest on the Bonds to be redeemed. Notwithstanding the foregoing, in connection with a defeasance of some or all of the Bonds, if the City causes the establishment of one or more escrow funds for such defeasance and sufficient moneys is deposited into the defeasance escrow to effect the related redemption in accordance with the Indenture, then there shall be no need for a separate deposit of moneys into the Redemption Fund pursuant to this Section.

#### Investments of Funds Held by Trustee.

All moneys in any of the funds or accounts (except for the Project Fund) established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments; provided, that moneys in Project Fund may be in any other investment that the City may legally invest its moneys pursuant to law in addition to Permitted Investments. All investment by the Trustee shall be pursuant to the written direction of the City given to the Trustee in advance of the making of such investments (and promptly confirmed in writing, as to any such direction given orally). Such Permitted Investments shall, as nearly as practicable, mature (or be subject to redemption or disposition by the Trustee) on or before the dates on which such money is anticipated to be needed for disbursement under the Indenture. In the absence of any such direction from the City, the Trustee shall hold money in the applicable fund or account uninvested. Any investment earnings on amounts in the Project Fund shall be retained in the Project Fund. Any investment earnings on amounts in the Reserve Fund shall be retained in the Reserve Fund. Any investment earnings on amounts all other funds and accounts maintained by the Trustee under the Indenture shall be deposited in the Debt Service Fund.

Subject to the provisions of the Indenture, the Trustee shall value the balances in the funds and accounts maintained by the Trustee under the Indenture no less frequently than every six months, at the Fair Market Value. Each such valuation may be made utilizing the Trustee’s automated pricing service through the Trustee’s trust accounting system. Absent negligence or willful misconduct by the Trustee, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture and shall account for them separately.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate as principal or agent. The Trustee or any of its affiliates may act as a sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Amounts deposited in any fund established by the Indenture and held by the City may be invested in Permitted Investments or any other investments in which the City may lawfully invest its funds.

Rate Stabilization Fund.

At the City's discretion, the City may establish a special fund to be known as the "Rate Stabilization Fund," which shall be held by the City, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. 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 which are released from the pledge and lien which secures the Bonds and other Parity Obligations, as the City may determine. The Rate Stabilization Fund shall be accounted for as a separate fund, although amounts credited to it may be commingled with other funds of the City. The City may, but is not be required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying the principal of and interest on the Outstanding Bonds and other Parity Obligations coming due and payable during such Fiscal Year. Except as provided in the Indenture (pursuant to the provisions relating to the calculation coverage for the issuance of Parity Debt and the rate covenant), amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year for the purposes of the Indenture. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not otherwise secure the Bonds or any other Parity Obligations. All interest or other earnings on deposits in the Rate Stabilization Fund shall be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the City. Any moneys held in the Rate Stabilization Fund shall be invested in Permitted Investments or any other investments in which the City may lawfully invest such funds under State law.

**Incurrence of Additional Obligations**

Incurrence of Additional Parity Obligations.

The City from time to time may issue or incur Additional Parity Obligations, subject to the satisfaction of the following conditions prior to the incurrence of an Additional Parity Obligation (provided, that such conditions shall not apply to (i) any Additional Parity Obligation incurred to refund all or a portion of the then Outstanding 2013 Loan, the Bonds or any other Parity Debt, so long as the amount of annual debt service payment coming due in each Bond Year is reduced as a result of such refunding, (ii) any Additional Parity Obligation incurred solely as the result of the delivery of a Credit Facility):

(a) No Event of Default under the Indenture shall have occurred and be continuing;  
and

(b) The Net Revenues received by the City in the most recent Fiscal Year for which audited financial statements are available (or any more recent consecutive 12-month period selected by the City, as shown by the books of the City) (excluding any money derived from the Rate Stabilization Fund), plus, at the option of the City, any Additional Allowance described in clauses (i) or (ii) below, shall be at least equal to 125 percent of the Maximum Annual Debt Service (calculated based on Fiscal Year) with respect to the Parity Obligations which will be Outstanding immediately following the incurrence of such Additional Parity Obligations, as evidenced by a written report of an Independent Accountant or Independent Fiscal Consultant.

The following items (each being an "Additional Allowance") may be added to such Net Revenues for the purpose of applying the restriction contained in this covenant:

(i) An allowance for the revenues from any addition to or improvement or extension of the Water System to be made with the proceeds of such proposed Additional Parity Obligation, and also for revenues from any addition to or improvement or extension of the Water System which have been made from moneys from any source but which, during all or part of such Fiscal Year (or more recent 12 month period) were not in service, all in an amount equal to 90 percent of the estimated additional average Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period following the incurrence of the proposed Additional Parity Obligation, as shown by the certificate or opinion of an Independent Fiscal Consultant engaged by the City; and

(ii) An allowance for revenues arising from either of the following, in an amount equal to 100 percent of the amount by which Net Revenues would have increased if such increase in charges had been in effect during the whole of such Fiscal Year (or more recent 12 month period), as shown by the certificate or opinion of an Independent Fiscal Consultant engaged by the City:

A. any increase in charges made for services from the Water System as specified in the City's municipal code or adopted Council resolution or ordinance (provided, that if the relevant sections of City's municipal code, resolution or ordinance provide for incremental increases for multiple years, then the allowance shall be based on rates that will become effective no later than [36] months following the incurrence of the proposed Additional Parity Obligation);

B. any additional increase not covered by clause (i) above in the charges made for services from the Water System which have become effective prior to incurring such proposed Additional Parity Obligation but which, during all or any part of such Fiscal Year (or more recent 12 month period), was not in effect.

Superior and Subordinate Obligations.

(a) So long as any Bonds remain Outstanding, the City shall not issue or incur any additional bonds or other Obligations (except for the 2013 Loan already outstanding), which will rank senior over the Bonds in the priority of lien with respect to the Net Revenues.

(b) Nothing in the Indenture shall be construed to limit or affect the ability of the City to issue or incur Obligations which are either unsecured or which rank junior to the Bonds in their lien with respect to the Net Revenues.

**Additional Covenants of the City**

Punctual Payment.

The City shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances.

The City shall not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Revenues, except as provided in the Indenture. While recognizing the 2013 Loan as a senior obligation with respect to pledge of revenues of the Water System and moneys in the Water Fund, so long as any Bond

remains Outstanding, the City shall not incur any additional Obligation or security superior to the Bonds payable in whole or in part from the Net Revenues, or on parity with the Bonds payable in whole or in part from the Net Revenues, except as permitted by the Indenture. Nothing contained in the Indenture shall limit or affect the ability of the City to issue or incur Obligations which are either unsecured or which rank junior to the Bonds in their lien with respect to the Net Revenues.

*Distribution of Net Revenues for Debt Service.* The City shall distribute Net Revenues available for debt service on all Outstanding Bonds and other Parity Obligations on a pro rata basis without regard to whether the Bonds or other Parity Obligations have funded debt service reserves or surety bonds or other similar funding instruments.

Rates and Charges.

(a) To the extent permitted by law, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, to yield Gross Revenues (after making allowances for contingencies and error in the estimates and taking into account transfers, if any, from the Rate Stabilization Fund pursuant to the Indenture) in an amount sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;

(ii) Payments required during such Fiscal Year pursuant to the 2013 Loan Agreement;

(iii) The principal of and interest on then Outstanding Bonds and other Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority (except to the extent such principal and interest are payable from the proceeds of the Parity Obligations, or from any other source of legally available funds of the City which have been deposited with the Trustee or another fiduciary for the Parity Obligations for such purpose prior to the commencement of such Fiscal Year);

(iv) All amounts, if any, required to restore the balance in the Reserve Fund to the Reserve Requirement and to replenish the debt service reserve funds relating to other Parity Obligations as required by Parity Obligation Agreements; and

(v) All other payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year.

(b) In addition, to the extent permitted by law, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, so that Net Revenues will be at least equal to 125 percent of the amounts described in the preceding clause (a)(iii) of this Section.

(c) For clarification, the amount of Gross Revenues and Net Revenues for a Fiscal Year shall be computed on the basis that include any transfer into the Water Fund that Fiscal Year from the Rate Stabilization Fund; provided if such transfer from the Rate Stabilization Fund includes an amount that were originally transferred from Gross Revenue within the same Fiscal Year, then the calculation should be adjusted so that such amount would not be double-counted.

(d) The City shall have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates and charges applicable

to the Water System provided to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill.

*Maintenance and Operation of the Water System; Insurance.*

The City shall maintain and preserve the Water System in good repair and working order at all times and shall operate the Water System in an efficient and economical manner and shall pay all Operation and Maintenance Costs as they become due and payable. The City shall procure and maintain insurance relating to the Water System that shall afford protection in such amounts and against such risks as are usually covered in connection with public water systems similar to the Water System; provided, that the City may participate in a self-insurance risk pool program administered by a joint powers authority, or establish and maintain its own self-insurance fund that is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound.

*Sale or Other Disposition of Property.*

The City shall not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part or rights of the Water System or any real or personal property comprising a part of the Water System if such sale, transfer or disposition would cause the City to be unable to satisfy the requirements of the Indenture.

*Eminent Domain.*

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds received by the City as the result of such proceedings, at the election of the City, shall either be (i) used for the lease, acquisition or construction of improvements and extension of the Water System, or (ii) applied to the payment or prepayment of the Bonds or Parity Obligations.

*Compliance with Contracts; Liens.*

The City shall not commit any breach or default under any agreement affecting or involving the Water System (to the extent that the City is a party thereto), or permit any lien to be attached to any portion of the Water System, if such breach, default, or lien which would materially adversely affect its ability to comply with its covenants set forth in the Indenture.

*Payment of Taxes and Compliance with Governmental Regulations.*

The City shall pay and discharge all taxes, assessments and other governmental charges which may be lawfully imposed upon the Water System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and contesting such validity or application will not materially impair the operations or financial condition of the Water System.

*Accounting Records and Financial Statements; Continuing Disclosure.*

The City shall keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System. The City shall cause the books and accounts of the Water System to be audited annually by an Independent Accountant, not more than nine months after the



close of each Fiscal Year, and shall make a copy of such report available for inspection by Owners of the Bonds at the office of the City.

The City shall comply with the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; provided, that any Owner or beneficial owner of the Bonds may take such actions as may be necessary or appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligation under the Continuing Disclosure Certificate.

*Tax Covenants.*

(a) The City shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-Exempt status of interest on the Bonds under Section 103(a) of the Code or cause interest on the Bonds to be an item of tax preference for purposes of the alternative minimum tax under the Code.

(b) In furtherance of the foregoing tax covenant, the City shall comply with the provisions of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. These covenants shall survive payment in full or defeasance of the Bonds.

(c) Notwithstanding any provision of this Section, if the City shall provide to the Trustee an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this section and, notwithstanding the provisions of the Indenture regarding amendments, the covenants under Indenture shall be deemed to be modified to that extent.

*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 rights and benefits provided in the Indenture.

**Trustee**

*Appointment; Resignation or Removal.*

(a) U.S. Bank National Association, a national banking association organized under the laws of the United States of America, having a corporate trust office in Seattle, Washington, is appointed Trustee under the Indenture for the purpose of receiving all money which the City is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

(b) The Trustee may at any time resign by giving written notice to the City. Any successor trustee appointed under the Indenture shall give notice of such appointment to the Owners, which notice shall be mailed to the Owners at their addresses appearing in the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If, within 90 days after notice of the removal or resignation of the Trustee, no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the

appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Indenture.

(c) The City may at any time, but only prior to an Event of Default or after the curing or waiver of an Event of Default and only upon 30 days written notice, at its sole discretion remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a bank, banking association, banking institution (state or federal) or trust company or corporation with a corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus (or whose parent holding company has a combined capital (exclusive of borrowed capital) and surplus) of at least \$75,000,000, and subject to supervision or examination by federal or state authority, and so long as the Bond Insurance Policy is in effect, the Bond Insurer's requirements set forth in the Indenture. If such bank, banking association, banking institution or trust company or corporation publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank, banking institution or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Merger or Consolidation.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the Indenture, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

Concerning Successor Trustee.

Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting such appointment under the Indenture and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the City, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee under the Indenture to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested by the Indenture or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Appointment of Co-Trustee.

It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction in may not exercise any of the powers, rights or remedies granted in the Indenture to the Trustee or hold title to the properties, in trust, as granted in the Indenture, or take any other action that may be desirable or necessary

in connection therewith, it may be necessary that the Trustee or the City appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee or the City appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the City be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, shall resign or shall be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

*Intervention by Trustee.*

In any judicial proceeding to which the City is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to provisions below under “*Limited Liability of Trustee*”, shall do so if requested in writing by the Owners of at least 25 percent in aggregate principal amount of such Bonds then Outstanding.

*Accounting Records and Financial Statements.*

(a) 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 by the Trustee relating to the proceeds of Bonds, moneys received from the City pursuant to the Indenture, and all funds and accounts established and maintained by the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the City during regular business hours with reasonable prior notice.

(b) Any account or fund required to be established and maintained by the Trustee pursuant to the Indenture may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with the Indenture and sound corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

*Duties Determined by Express Indenture Provisions.*

The duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture. The Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the

Indenture against the Trustee. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through its attorneys, agents or receivers.

Limited Liability of Trustee.

(a) The recitals of facts, agreements and covenants of the City contained in the Indenture and in the Bonds shall be taken solely as statements, agreements and covenants of the City, and the Trustee shall assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds. In addition, the Trustee shall assume no responsibility with respect to the Indenture or the Bonds other than in connection with the duties or obligations assigned to or imposed upon the Trustee in the Indenture or in the Bonds. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become an Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary 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 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be responsible for the validity, genuineness or performance of any leases, contracts or other instruments at any time conveyed, mortgaged, hypothecated, pledged, assigned or transferred to it under the Indenture, or with respect to the obligation of the City to preserve and keep unimpaired the rights of the City under or concerning any such leases, contracts or other instruments. The Trustee does not assume any responsibility for the correctness or completeness of any information contained in any offering materials distributed in connection with the sale of the Bonds and makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Bonds. In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City, having any claim against the Trustee arising from the Indenture not attributable to the Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Trustee under the Indenture for payment except as otherwise specifically provided in the Indenture.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any Owner pursuant to the Indenture unless the Trustee shall have received reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall have no duty to see to the payment or discharge of any fees, assessment or other charge or any lien of any kind owing with respect to the Water System or any part thereof.

(e) In the absence of negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the factual statements in certificates and other writings furnished to the Trustee by the City pursuant to the requirements of the Indenture.

(f) The Trustee is not accountable for the use by the City of funds which the Trustee releases to the City or which the City otherwise receives, or to verify compliance by the City, or for the adequacy

or validity of any collateral or security interest securing the Indenture or the Bonds. The Trustee has no obligation to incur financial or other liability or risk in performing any duty or in exercising any right under the Indenture.

(g) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into the Indenture against the Trustee.

(h) The Trustee shall not be deemed to have knowledge of any Event of Default other than a payment default under the Indenture unless the Trustee shall be specifically notified in writing of such default by the City, or by the Owners of at least 25 percent in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid. The Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms conditions, covenants or agreements in the Indenture or in any of the documents executed in connection with the Bonds. Any action taken or omitted to be taken by the Trustee in good faith pursuant to the Indenture upon the request of the City or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond executed and delivered in exchange therefor or in place thereof.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds 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.

(j) The Trustee shall not be considered in breach of or in default with respect to any obligations created under the Indenture, in the event of a 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, acts of terrorists or public enemies, acts of a government, acts of the other party to the Indenture, 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 governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event or occurrences beyond the control of the Trustee; provided, that in the event of any such delay, the Trustee shall notify the City in writing within ten business days after the occurrence of the event giving rise to such delay.

(k) The immunities and exceptions from liability of the Trustee as provided in the Indenture shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and defeasance of the Bonds. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. The Trustee, in its individual or any other capacity, may become the Owner of any Bonds or other obligations of any party to the Indenture with the same rights which it would have if not the Trustee and may act as a 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 owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding. Before taking or refraining from any action under the Indenture at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to it and be in full force and effect.

(l) No provision in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability when performing its duties in accordance with the Indenture, or exercising of any of its rights or powers under the Indenture.

Reliance by Trustee.

(a) The Trustee shall be protected in acting upon any notice, indenture, request, consent, order, certificate, report, bond 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 who may be counsel to the City with regard to legal questions, and shall not be liable for any action taken or no taken upon the advice of such counsel.

(b) The Trustee shall not be 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 is the registered owner of such Bond as shown on the registration books.

(c) Whenever in the administration of its duties under the Indenture the Trustee shall deem it necessary or desirable that a matter be proven or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by a Written Certificate of the City and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

**Modification and Amendment of the Indenture**

Amendment.

The Indenture and the rights and obligations of the City, the Owners or the Trustee may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the affected Bonds then Outstanding, exclusive of Bonds disqualified as provided below, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the City to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture, of any Bond, without the express written consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment, or (3) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the City and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon execution, without the consent of any Owners, for any one or more of the following purposes:

(a) To add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City under the Indenture;

(b) To make such provisions to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture or in regard to questions arising under the Indenture, as the City may deem necessary or desirable and not inconsistent with the Indenture, so long as such amendment shall not materially adversely affect the interest of the Owners;

(c) To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute which comes in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, so long as such amendment shall not materially adversely affect the interests of the Owners of the Bonds;

(d) To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(e) To subject to the Indenture additional collateral or to add other agreements of the City;

(f) To grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or City;

(g) To the extent necessary to deliver or maintain a Qualified Reserve Credit Instrument in connection with satisfying all or a portion of the Reserve Requirement; or

(h) For any other purpose that does not materially adversely affect the interests of the Owners.

*Disqualified Bonds.*

Bonds owned or held by or for the account of the City shall be subject to disqualification as set forth in the provision in the Indenture described under “Miscellaneous -- *Disqualified Bonds.*”

*Effect of Supplemental Indenture.*

From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties and all Owners of Outstanding Bonds, 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 action taken as provided above, the City may determine that the Bonds shall bear a notation, by endorsement in form approved by the City, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Owner’s Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such Bond Owners’ action, then new Bond certificates shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

**Events of Default and Remedies of Bond Owners**

*Notwithstanding anything to the contrary in the provisions described below, so long as the Bond Insurance Policy remains in effect and the Bond Insurer has not defaulted with respect to its obligations under the Bond Insurance Policy, the following provisions shall be subject to, and qualified by, the provisions set forth in the Indenture regarding the Bond Insurance Policy and the*

*rights of the Bond Insurer, including, without limitation, the Bond Insurer's right to consent to acceleration of the Bonds, and the Bond Insurer's right to consent to or direct certain Trustee, City or Owner actions.*

*Events of Default.*

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

(a) Failure by the City to make the due and punctual payment of the principal (including any Sinking Account Installment) of or redemption premium, if any, or interest on any Bond or other Parity Obligations when and as the same shall become due and payable, whether at maturity as expressed in the Bond or other Parity Obligations, by declaration or otherwise;

(b) Failure by the City to observe and perform any of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, other than as referred to in the preceding clause (a), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the City by the Trustee, or to the City and the Trustee by the Owners of not less than 25 percent in aggregate principal amount of the Outstanding Bonds; provided, however, if in the reasonable opinion of the City the failure stated in such notice can be corrected, but not within such 30-day period, the Trustee (if the notice was given by the Trustee) or such Owners (if the notice was given by the Owners) shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within such 30-day period and diligently pursued until such failure is corrected (so long as the Bond Insurer consents in writing to such extension beyond the 30-day period); and

(c) The filing by the City of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the City, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of the Water System.

*Remedies upon Event of Default (Acceleration).*

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

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable fees, charges and expenses (including those of its attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no



such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

*Application of Revenues and Other Funds After Default.*

All amounts then held or received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture (except for any moneys for payment of the Rebate Amount) shall be applied by the Trustee, in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

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

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

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

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

*Trustee to Represent Bond Owners.*

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the assets pledged under the Indenture, pending such proceeding. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee

without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

*Bond Owners' Direction of Proceedings.*

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

*Limitation of Bond Owners' Right to Sue.*

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

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

*Absolute Obligation of City Out of Net Revenues.*

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

Remedies Not Exclusive.

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or at law or in equity or otherwise.

No Waiver of Default.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

**Defeasance**

Discharge of Indebtedness.

(a) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the interest on and the principal of such Bonds, when due, at the times and in the manner stipulated in such Bonds and in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Net Revenues, and all covenants, agreements and other obligations of the City to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute at the Written Request of the City, and at the expense of the City, and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall, after payment of amounts due the Trustee under the Indenture, pay over or deliver to the City all money or securities held by the Trustee pursuant to the Indenture which are not required for the payment of the interest due on and the principal of and premium, if any, due on such Bonds other than the moneys, if any, for the payment of the applicable Rebate Amount.

(b) Bonds for the payment of which money shall have been set aside (through deposit by the City or otherwise) to be held in trust by the Trustee for such payment at the maturity or redemption date of such Bonds shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the first paragraph of this Section.

(c) Any Outstanding Bonds shall prior to the maturity date of such Bonds be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section if:

(i) There shall have been deposited with the Trustee (or another fiduciary or escrow agent), either cash in an amount which shall be sufficient, or Defeasance Securities (including any Defeasance Securities issued or held in book entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money that shall be sufficient to pay when due the principal of and redemption premium, if any, and the interest on such Bonds (such principal, redemption premium, if any, and interest being referred to below as the "Refunding Requirements") due and to become due on such Bonds on and prior to the maturity date of such Bonds or such earlier irrevocably established redemption date; provided that, unless such deposit consists of an amount in cash, which in and of itself, is sufficient to pay the Refunding Requirements in full, the sufficiency of the Defeasance Securities so deposited with the Trustee (or fiduciary or escrow agent) shall be appropriately verified by an Independent Accountant in a verification report.

(ii) The City shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or earlier redemption date upon which money is to be available for the payment of the principal of such Bonds.

(iii) None of the Defeasance Securities deposited with the Trustee pursuant to this Section nor interest or principal payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the City in Defeasance Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall be maintained in the related escrow fund until such time as the Refunding Requirements have been paid in full (but solely to the extent that does not affect the Tax-Exempt status of any Bonds).

Unclaimed Moneys.

Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest on such Bonds which remain unclaimed for two years after the date when such Bonds or interest on such Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the said date when such Bonds or interest on such Bonds become due and payable, shall be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of such Bonds; provided, however, before being required to make any such payment to the City, the Trustee shall, at the Written Request of the City and at the expense of the City, cause to be mailed to the registered Owners of such Bonds at their addresses as they appear on the Registration Books a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City. Any money held by the Trustee in trust for the payment and discharge of any Bonds shall not bear interest or be otherwise invested from and after such maturity or redemption date.

**Bond Insurance Policy**

Payment Under Bond Insurance Policy.

So long as the Bond Insurance Policy remains in full force and effect, the following provisions shall apply with respect to payments under the Bond Insurance Policy:

(a) In the event that principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer and the Bond Insurer shall be subrogated to the rights and remedies of such registered owners.

(b) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Bonds as follows:

(1) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall: (A) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney-in-fact for such Owners of the Bonds in any legal proceeding related to the payment and assignment to the Bond Insurer of the claims for interest on the Bonds, (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment from the Bond Insurer with respect to the claims for interest so assigned, (C) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Bonds, and (D) disburse the same to such respective Owners; and

(2) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall: (A) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney-in-fact for such Owner of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the Bonds surrendered to the Bond Insurer, (B) receive as designee of the respective Owners (and not as the Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Bond Insurer, (C) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Bonds, and (D) disburse the same to such Owners.

(c) The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond 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 Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name directed by the Bond Insurer, 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 City on any Bond or the subrogation or assignment rights of the Bond Insurer

(e) Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Bond Insurer that:

(1) They recognize that to the extent the Bond Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the City, with interest thereon, as provided and solely from the Net Revenues and funds established under this Indenture and the Bonds; and

(2) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the Indenture and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to Owners, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(f) The Bond 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 City (as such terms are defined in the Bond 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 Bond Insurer has received a claim upon the Bond Insurance Policy.

Certain Rights of Bond Insurer.

So long as the Bond Insurance Policy shall be in full force and effect and the Bond Insurer has not defaulted with respect to its payment obligations thereunder, the following provisions shall apply:

- (a) Any amendment, supplement, modification to, or waiver of the Indenture that requires the consent of the Owners of the Bonds or adversely affects the rights or interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer. In addition, any amendment or supplement to the Indenture shall require the prior written consent of the Bond Insurer with the exception of amendments or supplements:
- (i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
  - (ii) To grant or confer upon the Owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners, or
  - (iii) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed, or
  - (iv) To add to the covenants and agreements of the City in the Indenture other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City, or
  - (v) To issue additional bonds in compliance with the terms of the Indenture (unless otherwise specified herein).
- (b) Any reorganization or liquidation plan with respect to the City must be acceptable to the Bond Insurer. The Trustee and each Owner of the Bonds hereby appoint the Bond Insurer as their agent and attorney-in-fact with respect to the Bonds and agree that BAM 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, (i) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner of the Bonds delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Bonds with respect to the Bonds 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.
- (c) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default or a default under the Indenture, monetary or nonmonetary, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of the Owners under the Indenture. No monetary or nonmonetary Event of Default affecting the Bonds may be waived without the Bond Insurer's written consent.

(d) Upon the occurrence and continuance of an Event of Default or default under the Indenture, the Bond Insurer shall be deemed to be the sole and exclusive owner of the Outstanding Bonds for all purposes under the Indenture, including, without limitation, for purpose of exercising remedies and approving amendments.

(e) The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(f) If an event of default occurs under any agreement pursuant to which any Obligation of the City has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the owner of the Bonds or the Bond Insurer, as Bond Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under this Indenture for which BAM or the Trustee, at the direction of the Bond Insurer, shall be entitled to exercise all available remedies under the Indenture, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates of participation, installment or lease payments (for financing purposes) or similar obligations that are payable or secured by a pledge of Net Revenues on a senior, parity or subordinate basis to the Bonds.

(g) The rights granted to the Bond Insurer under the Indenture to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Bonds and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Owners of the Bonds or any other person is required in addition to the consent of the Bond Insurer.

(h) So long as the Bonds are Outstanding or any amounts are due and payable to BAM, the City shall not sell, lease, transfer, encumber or otherwise dispose of the Water System (or a material portion of the Water System), except upon obtaining the prior written consent of the Bond Insurer.

(i) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of a Qualified Reserve Credit Instrument (other than the Reserve Policy) in lieu of cash into the Reserve Fund.

## **Miscellaneous**

### *Benefits of Indenture Limited to Parties.*

Nothing in the Indenture, expressed or implied, is intended to give to any person or entity other than the City, the Trustee, the Bond Insurer and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the Trustee, the Owners of the Bonds and the Bond Insurer.

### *Execution of Documents by Bond Owners.*

Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make

acknowledgments of deeds to be recorded in the state or territory in which such Owner purports to act that the person signing such declaration, request 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 any Bond and the amount, number and date of holding the same may be proved by the Registration Books. Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to 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) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the City shall specify in a certificate to the Trustee those Bonds that are disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

*Waiver of Personal Liability.*

No officer, agent or employee of the City shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing contained in the Indenture shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

*Consent of Parties.*

Whenever the consent or approval of any party to the Indenture is required by the terms of the Indenture, the consent or approval of such party shall not be unreasonably withheld.

*Partial Invalidity.*

If any one or more of the covenants or agreements, or portions thereof, provided in the Indenture on the part of the City (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law.

*Payment on Business Days.*

Whenever in the Indenture any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made, without accruing additional interest thereby, on the Business Day immediately following such day.

*Governing Law.*

The Indenture shall be construed and governed in accordance with the laws of the State of California.



**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

*Upon issuance and delivery of the Bonds, Bond Counsel proposes to render its final approving opinion in substantially the following form:*

[Delivery Date]

City Council  
City of Lemoore  
711 West Cinnamon Drive.  
Lemoore, California 93245

**Opinion of Bond Counsel**

with reference to

\$27,380,000  
City of Lemoore  
Water Revenue Bonds  
Series 2019

Members of the City Council:

We have examined: (i) a record of proceedings relating to the issuance of the above-referenced bonds (the “Bonds”) by the City of Lemoore, California (the “City”), (ii) the Indenture, dated as of March 1, 2019 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), and (iii) such other matters of law as we have deemed necessary to enable us to render the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. All capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

The Bonds are issued pursuant to the Charter of the City (adopted pursuant to Article XI of the Constitution of the State of California), Title 10 of the Lemoore Municipal Code, and the Indenture, dated as of March 1, 2019 (the “Indenture”), by and between the City and U.S. Bank National Association, as Trustee. The Bonds are issued to finance certain capital improvements of the City’s water system (the “Enterprise”).

Based on the examination described herein, we are of the opinion that, under existing law:

1. The Indenture has been duly and lawfully authorized, executed and delivered by the City. Assuming due authorization, execution and delivery by the Trustee, the Indenture is in full force and effect in accordance with its terms and is valid and binding upon the City and enforceable in accordance with its terms, and no other authorization for the Indenture is required.

The Indenture creates the valid pledge which it purports to create of the Net Revenues and certain funds established by the Indenture, including the investments, if any, thereof; subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

2. The Bonds have been duly and validly authorized and issued by the City in accordance with the laws of the State of California, including the Refunding Bond Law, and the Indenture. The Bonds constitute the valid and binding special obligations of the City payable solely from Net Revenues and the funds and accounts specifically identified in the Indenture as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture.

3. Interest on the Bonds is exempt from personal income taxes of the State of California.

4. Assuming compliance with the covenants described below, interest on the Bonds is excluded from gross income for federal income tax purposes. The Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”) and, therefore, interest on the Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The City has covenanted to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Bond, or the interest thereon, if any change occurs or action is taken or omitted upon the advice or approval of any counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 3 and 4 and the paragraph immediately following paragraph 4, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds.

The opinions expressed in the paragraphs numbered 1 and 2 hereof are qualified to the extent that the enforceability of the Indenture and the Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, receivership, fraudulent conveyance or transfer, moratorium, reorganization, arrangements or other laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State or other laws or equitable

principles affecting the enforcement of creditors' rights generally. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Without limiting the foregoing, we have assumed compliance with all agreements and covenants contained in the Indenture.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed the accuracy of the factual matters represented, warranted or certified in such documents. In this letter, we express no opinion regarding any information or presentation in the Official Statement or any other material offering materials relating to the Bonds.

Respectfully submitted

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## APPENDIX E

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated March 19, 2019, is executed and delivered by the City of Lemoore (the “City”) in connection with the City’s issuance of its \$27,380,000 Water Revenue Bonds, Series 2019 (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2019, by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). Proceeds of the Bonds will be used to finance capital projects of the City’s Water System.

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 (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Official Statement (defined below, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean initially Willdan Financial Services or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, as the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule, or such other successor repository site as prescribed by the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any successor thereto.

“Official Statement” shall mean the final Official Statement, dated March 5, 2019, relating to the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2 12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

Section 3. Provisions of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, no later than nine months after the close of the City’s fiscal year (which currently will be March 31 of each year based on a June 30 end of fiscal year), commencing with the report for the 2017-18 fiscal year, provide to the MSRB, via EMMA, and the Bond Insurer, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate (provided that the report for fiscal year 2017-18 will consist of the City’s financial statements pursuant to Section 4(a) only, because the balance of the information is included in the Official Statement)\*. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report 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(b).

(b) Not later than five business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent 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 first sentence of this subsection (b). If requested by the Dissemination Agent, 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall in a timely manner send a notice to the MSRB, in such form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent (if other than the City) shall, if and to the extent, the City has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the City certifying that the Annual Report has been provided to the MSRB 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 audited financial statements of the City for the most recently completed fiscal year. Such audited financial statements shall be 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, as may be further modified by applicable state

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\* Parenthetical added for clarification purposes after printing of Preliminary Official Statement.

law. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements customarily used by the City, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Commencing with the Annual Report due March 31, 2019, to the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof:

- (i) the then currently outstanding principal amount of the Bonds;
- (ii) a list of Additional Parity Obligations, if any, secured by revenues of the Water System then outstanding, and the respective principal amounts;
- (iii) the then currently outstanding principal amount of the 2013 Loan;
- (iv) to the extent that the City has modified any of the Water System service charges since the last Annual Report, an updated Table 1 reflecting the modified charges;
- (v) information, updated to incorporated information with respect to the most recently ended fiscal year, of the type included in the following tables of the Official Statement: (A) Table 5 - "Service Charge Revenues by Customer Type," (B) Table 7 - "Top Ten Customers (by Service Charge Revenues), and (C) Table 10 - "Debt Service Coverage," but, for projected revenue, expenses and coverage, only the then current fiscal year (*i.e.*, the year during which the Report is prepared and submitted) needs to be included.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above for inclusion in the Annual Report may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been available to the public on EMMA or filed with the SEC. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given to the MSRB, via EMMA, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten business days after the occurrence of such Listed Event:

- (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 Bonds;
- (7) Modifications to rights of Bond owners, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes (underlying and insured, if any of the Outstanding Bonds are then insured);
- (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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial



obligation of the obligated person, any of which reflect financial difficulties.

(For Listed Events listed in Section 5(a)(15) and (16), “financial obligation” has such meaning as set forth in the Rule which, as of the date of this Disclosure Certificate, includes: (i) a debt obligation; (ii) a 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) a guarantee of (i) or (ii); provided that municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule is not a “financial obligation” for this purpose.)

(b) The Dissemination Agent shall, within one business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11), (12) or (16), or (8) with respect to tender offers, inform the City of the occurrence of such event. In any case, as soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (2), (7), (10), (13), (14), (15) or (8) with respect to bond calls, inform the City of the occurrence of such event and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (10), (13), (14), (15) or (8) with respect to bond calls, the City shall as soon as possible, in order to meet the ten business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(e) The Dissemination Agent shall send to the Bond Insurer a copy of each notice provided to the MSRB under this Section 5.

Section 6. 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. 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); provided, that this requirement shall be deemed satisfied by the filing of a notice of defeasance or full redemption pursuant to Section 5(b).

Section 7. Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. From time to time, the City may appoint a different Dissemination Agent to assist it in carrying out its obligations (or designate itself as the Dissemination Agent) under this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the City and the Trustee. The City may replace the Dissemination Agent with or without cause. The Dissemination Agent (if different from the City) shall be paid compensation by the City for services provided hereunder in accordance with its schedule of fees as amended from time to time.

Section 8. 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 the City, 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 affecting the Bonds either (i) is approved by holders of the affected Bonds in the manner provided in the related Indenture for amendments to such 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 such 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. For purposes of this paragraph, “impact” has the meaning as that word is used in the letter from the staff of the Securities and Exchange Commission to the National Association of Bond Lawyers dated June 23, 1995.

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 the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

Section 9. 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 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, the Bond Insurer 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 or the Dissemination Agent, as the case may be, 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 or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Owners, or any other party. The City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Certificate or 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 (acting in such capacity and not as Trustee or any other role) shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Bond Insurer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the City has caused its duly authorized officer to execute and deliver this Certificate on the date first written above.

**CITY OF THE LEMOORE**

By: \_\_\_\_\_  
City Manager

The undersigned hereby agrees to act as  
Dissemination Agent pursuant to the  
foregoing Continuing Disclosure Certificate

**WILLDAN FINANCIAL SERVICES**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX F

### DTC'S BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. The City give no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the Bonds paid to DTC or its nominee as, the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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: 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMD Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any) and interest payments on the Bonds 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 the City or the Trustee, 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, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any) and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered in accordance with the provisions of the Indenture.

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**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**BAM**

**CALIFORNIA  
ENDORSEMENT TO  
MUNICIPAL BOND  
INSURANCE POLICY  
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer



