

*In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the Authority, under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See, however, “TAX MATTERS” herein regarding certain other tax considerations.*

**\$53,975,000**  
**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**SALES TAX REVENUE BONDS (LIMITED TAX BONDS)**

**\$8,155,000**  
**Series 2012A**  
**(City of Brawley)**

**\$15,410,000**  
**Series 2012B**  
**(City of Calexico)**

**\$2,305,000**  
**Series 2012C**  
**(City of Calipatria)**

**\$6,170,000**  
**Series 2012D**  
**(City of Imperial)**

**\$21,935,000**  
**Series 2012E**  
**(County of Imperial)**

**Dated: Date of Delivery****Due: as shown on the inside cover**

The bonds of each Series set forth above (collectively, the “Bonds”) are being issued by the Imperial County Local Transportation Authority (the “Authority”) pursuant to an Indenture, dated as of May 1, 2012 (the “Master Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and separate Supplemental Indentures, each dated as of May 1, 2012 (each, a “Supplemental Indenture” and, together with the Master Indenture, the “Indenture”). Proceeds of the Bonds will be applied to: (i) finance certain costs associated with certain transportation projects for the Participating Agencies (herein defined), as described herein, (ii) fund a bond reserve fund for each Series of Bonds, and (iii) pay costs of issuance of each Series of Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE” herein.

Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2012. The Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as Owner of the Bonds and nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal or redemption price of and interest on the Bonds is payable by wire transfer to DTC which, in turn, will remit such principal, redemption price and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds.

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

Each Series of Bonds is a limited obligation of the Authority secured solely by a pledge of the Pledged Allocable Sales Tax Revenues of the Participating Agency of the related Series of Bonds (as defined herein) and certain amounts held by the Trustee in certain funds and accounts established under the Indenture. The Measure D Sales Tax (as defined herein) to which the Pledged Allocable Sales Tax Revenues relate was approved by more than two-thirds of the electorate of the County of Imperial voting on the ballot measure on November 4, 2008. The Measure D Sales Tax expires on March 31, 2050. The Pledged Allocable Sales Tax Revenues pledged to a Series of Bonds will not be available for the payment of principal of, redemption price or interest on any other Series of Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF IMPERIAL, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PRICE OR INTEREST ON THE BONDS.

**This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the Bonds.**

*The Bonds are offered by the Underwriter when, as and if issued by the Authority, subject to approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority by County Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel to the Authority, and for the Underwriter by its counsel Hawkins Delafield & Wood LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about May 2, 2012.*

**CABRERA CAPITAL MARKETS, LLC**

**\$8,155,000**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012A  
(City of Brawley)**

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP (Base No. 45272E)<sup>†</sup></b>
2013	\$265,000	3.00%	0.65%	AW5
2014	300,000	3.00	1.03	AX3
2015	305,000	3.00	1.33	AY1
2016	315,000	3.00	1.69	AZ8
2017	325,000	3.00	1.92	BA2
2018	335,000	3.00	2.24	BB0
2019	345,000	3.00	2.57	BC8
2020	355,000	4.00	2.85	BD6
2021	370,000	3.00	3.13	BE4
2022	380,000	3.00	3.30	BF1
2023	390,000	3.25	3.48	BG9

\$4,470,000 5.00% Term Bonds due June 1, 2032 – Yield 4.28%\* (CUSIP 45272EBH7)<sup>†</sup>

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\* Yield to par call on June 1, 2022.

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<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the Authority is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**\$15,410,000**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012B  
(City of Calexico)**

<b><u>Maturity Date</u> <u>(June 1)</u></b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u> <u>(Base No. 45272E)<sup>†</sup></u></b>
2013	\$495,000	3.00%	0.65%	BJ3
2014	555,000	3.00	1.03	BK0
2015	575,000	3.00	1.33	BL8
2016	590,000	4.00	1.69	BM6
2017	615,000	3.00	1.92	BN4
2018	635,000	4.00	2.24	BP9
2019	660,000	4.00	2.57	BQ7
2020	685,000	4.00	2.85	BR5
2021	710,000	3.00	3.13	BS3
2022	735,000	3.00	3.30	BT1
2023	755,000	5.00	3.48 <sup>*</sup>	BU8

\$8,400,000 4.00% Term Bonds due June 1, 2032 – Yield 4.28% (CUSIP 45272EBV6)<sup>†</sup>

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<sup>\*</sup> Yield to par call on June 1, 2022.

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**\$2,305,000**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012C  
(City of Calipatria)**

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP (Base No. 45272E)<sup>†</sup></b>
2013	\$ 75,000	3.00%	0.65%	BW4
2014	85,000	3.00	1.03	BX2
2015	85,000	3.00	1.33	BY0
2016	90,000	3.00	1.69	BZ7
2017	95,000	3.00	1.92	CA1
2018	95,000	3.00	2.24	CB9
2019	100,000	3.00	2.57	CC7
2020	100,000	3.00	2.85	CD5
2021	105,000	3.00	3.13	CE3
2022	105,000	3.00	3.30	CF0
2023	110,000	3.25	3.48	CG8

\$1,260,000 5.00% Term Bonds due June 1, 2032 – Yield 4.28%\* (CUSIP 45272ECH6)<sup>†</sup>

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\* Yield to par call on June 1, 2022.

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**\$6,170,000**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012D  
(City of Imperial)**

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP (Base No. 45272E)<sup>†</sup></b>
2013	\$200,000	3.00%	0.65%	CJ2
2014	225,000	3.00	1.03	CK9
2015	230,000	3.00	1.33	CL7
2016	240,000	3.00	1.69	CM5
2017	245,000	3.00	1.92	CN3
2018	255,000	3.00	2.24	CP8
2019	260,000	3.00	2.57	CQ6
2020	270,000	4.00	2.85	CR4
2021	280,000	3.00	3.13	CS2
2022	290,000	3.00	3.30	CT0
2023	295,000	3.25	3.48	CU7

\$3,380,000 5.00% Term Bonds due June 1, 2032 – Yield 4.28%\* (CUSIP 45272ECV5)<sup>†</sup>

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\* Yield to par call on June 1, 2022.

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**\$21,935,000**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012E  
(County of Imperial)**

<b><u>Maturity Date</u></b> <b><u>(June 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <b><u>(Base No. 45272E)<sup>†</sup></u></b>
2013	\$ 710,000	3.00%	0.65%	CW3
2014	800,000	3.00	1.03	CX1
2015	825,000	3.00	1.33	CY9
2016	850,000	4.00	1.69	CZ6
2017	880,000	3.00	1.92	DA0
2018	910,000	3.00	2.24	DB8
2019	935,000	3.00	2.57	DC6
2020	965,000	4.00	2.85	DD4
2021	1,000,000	4.00	3.13	DE2
2022	1,045,000	3.00	3.30	DF9
2023	1,075,000	5.00	3.48*	DG7

\$11,940,000 4.00% Term Bonds due June 1, 2032 – Yield 4.28% (CUSIP 45272EDH5)<sup>†</sup>

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\* Yield to par call on June 1, 2022.

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No dealer, salesman or any other person has been authorized by the Imperial County Local Transportation Authority (the "Authority") or Cabrera Capital Markets, LLC, underwriter of the Bonds (the "Underwriter"), to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority 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. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Authority and other sources believed to be reliable. All summaries contained herein of the Indenture (as defined herein) or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Authority except statistical information or other statements where some other date is indicated in the text.

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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON 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 STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

## **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,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way, regardless of the level of optimism communicated in the information. Such forward-looking statements include, but are not limited to, the projections of any future operating results of the Authority included herein.

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

# **IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**

## **BOARD OF DIRECTORS**

Sedalia Sanders, Chairperson	City of El Centro
Hector Cervantes, Vice Chairperson	City of Calipatria
George Nava	City of Brawley
Bill Hodge	City of Calexico
David Bradshaw	City of Holtville
Mark Gran	City of Imperial
Larry Ritchie	City of Westmorland
Michael W. Kelley	County of Imperial
Jack Terrazas	County of Imperial

## **ADMINISTRATIVE STAFF**

Mark Baza, Executive Director  
Kathi Williams, Senior Transit Planner/Finance Manager

## **Bond Counsel and Disclosure Counsel**

Fulbright & Jaworski L.L.P.  
Los Angeles, California

## **Underwriter**

Cabrera Capital Markets, LLC  
Los Angeles, California

## **Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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## OFFICIAL STATEMENT

**\$53,975,000**

### **IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012**

**\$8,155,000**  
**Series 2012A**  
**(City of Brawley)**

**\$15,410,000**  
**Series 2012B**  
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**\$2,305,000**  
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**(City of Calipatria)**

**\$6,170,000**  
**Series 2012D**  
**(City of Imperial)**

**\$21,935,000**  
**Series 2012E**  
**(County of Imperial)**

## INTRODUCTION

### **General**

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Imperial County Local Transportation Authority (the “Authority”) of the respective Series of sales tax revenue bonds identified above (collectively, the “Bonds”). Each Series of Bonds is payable solely from the Pledged Allocable Sales Tax Revenues (defined below) of the Participating Agency (as defined herein) of the relevant Series. Pledged Allocable Sales Tax Revenues pledged to the repayment of a Series of Bonds will not be available for the principal of, redemption price and interest on any other Series of Bonds. The Series 2012A Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Brawley (“Brawley”). The Series 2012B Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Calexico (“Calexico”). The Series 2012C Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Calipatria (“Calipatria”). The Series 2012D Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Imperial (“Imperial”). The Series 2012E Bonds are payable from the Pledged Allocable Sales Tax Revenues of the County of Imperial (“County”). Depending upon the context, Pledged Allocable Sales Tax Revenues means either the Pledged Allocable Sales Tax Revenues pledged to the repayment of a Series of Bonds, or, collectively, the Pledged Allocable Sales Tax Revenues of the Participating Agencies.

The Bonds of each Series are being issued pursuant to an Indenture, dated as of May 1, 2012 (the “Master Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by a separate Supplemental Indenture for each Series of Bonds, each dated as of May 1, 2012 (each, a “Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each between the Authority and the Trustee.

### **Authority for Issuance**

The Bonds are being issued by the Authority under and pursuant to the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 *et seq.*) of the Public Utilities Code of the State of California (the “State”), as amended or supplemented (the “Act”), the Ordinance (as defined herein) and Measure D (as defined herein).

## **Purpose and Application of Proceeds**

The proceeds of the Bonds will be used to: (i) finance a portion of the costs associated with certain transportation projects for the Participating Agencies, (ii) fund a bond reserve fund for each Series of Bonds, and (iii) pay certain costs of issuance for each Series of Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE” herein.

## **Security**

Each Series of Bonds is a limited obligation of the Authority secured solely by a pledge of Pledged Allocable Sales Tax Revenues of the respective Participating Agency for such Series. Each Series of the Bonds are further secured by a pledge of amounts held by the Trustee on deposit in certain funds and the respective accounts of each Participating Agency under the Indenture and each Supplemental Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. The Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under the Indenture, are referred to collectively herein as the “Bonds.” Additional Bonds and other obligations secured by a pledge of the Pledged Allocable Sales Tax Revenues on parity with a Series of the Bonds may hereafter be issued or incurred. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations” herein.

## **Definitions**

For the purposes of the forepart of this Official Statement, the following terms shall have the meanings ascribed below. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS - Definitions” or, if not defined therein, in the Indenture.

“Allocable Sales Tax Revenues” means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to each Local Agency.

“Excess Pledged Allocable Sales Tax Revenues” means Pledged Allocable Sales Tax Revenues in excess of the amount required to be transferred to the Funds and Accounts established pursuant to a Supplemental Indenture for the repayment of a Series of Bonds.

“Expenditure Plan Program Allocations” means amounts allocated from the Measure D Sales Tax Revenues to administrative expenses of the Authority, state highway improvements within the County and transit projects prior to the allocation of Measure D Sales Tax Revenues to each Local Agency pursuant to the Expenditure Plan.

“Local Agency” means, any or each of, the Brawley, Calexico, Calipatria, the City of El Centro, the City of Holtville, the City of Imperial, the City of Westmorland or the County.

“Measure D” means the ballot measure imposing the Measure D Sales Tax that was approved by more than two-thirds of the electorate of the County voting on such ballot measure in November 2008.

“Measure D Sales Tax” means the retail transactions and use tax applicable in the incorporated and unincorporated territory of the County in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, at the rate of one-half of one percent for a period not to exceed forty (40) years, commencing on April 1, 2010, and expiring on March 31, 2050, pursuant to the Ordinance.

“Measure D Sales Tax Revenues” means the amounts available for distribution to the Authority after the date of issuance of the Bonds on account of the Measure D Sales Tax after deducting amounts payable by the Authority to the California State Board of Equalization for costs and expenses for its services in connection with the Measure D Sales Tax imposed pursuant to the Section 180201 of the Act and the Ordinance.

“Non-Participating Agency” means each Local Agency not pledging and assigning its Allocable Sales Tax Revenue in connection with the issuance of a Series of Bonds.

“Non-Pledged Measure D Sales Tax Revenues” means the Expenditure Plan Program Allocation and the Measure D Sales Tax Revenues attributable to each Non-Participating Agency pursuant to the Expenditure Plan.

“Ordinance” means Ordinance 1-2008 “The Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan,” adopted by the Authority on July 28, 2008.

“Participating Agency” means, respectively, Brawley, Calexico, Calipatria, Imperial and the County.

“Pledged Allocable Sales Tax Revenues” means the portion of the Measure D Sales Tax Revenues allocable under the Ordinance to the applicable Participating Agency pledged pursuant to a Supplemental Indenture to the repayment of a Series.

### **Limited Obligations**

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER FUNDS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

### **References**

The descriptions and summaries of various documents hereinafter set forth, including the Master Indenture and the Supplemental Indentures, do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document, copies of which are available for inspection at the offices of the Authority.

## **THE BONDS**

### **General**

Each Series will be dated their date of delivery, will bear interest at the rates and will mature on the dates set forth on the inside cover of this Official Statement. Interest on each Series of the Bonds will be payable on December 1, 2012 and semiannually thereafter on each June 1 and December 1 (each an “Interest Payment Date”). Interest on each Series will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will be issued in fully registered form and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form in the

principal amount of \$5,000 or any integral multiple thereof. See APPENDIX E – “BOOK-ENTRY SYSTEM.”

## **Redemption**

***Optional Redemption.*** Each Series of the Bonds maturing on or prior to June 1, 2022 shall not be subject to redemption prior to their respective stated maturities. Each Series of the Bonds maturing on or after June 1, 2023 shall be subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Authority may direct and in Authorized Denominations), on or after June 1, 2022, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

### ***Mandatory Redemption.***

***Series 2012A Bonds.*** The Series 2012A Bonds maturing on June 1, 2032 shall be subject to mandatory sinking fund redemption, in part, on June 1 in each of the years and in the respective principal amounts as set forth in the following schedule, each mandatory sinking fund payment to be reduced pro rata at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

<b>Redemption Date (June 1)</b>	<b><u>Principal</u></b>
2024	\$405,000
2025	425,000
2026	445,000
2027	470,000
2028	495,000
2029	515,000
2030	545,000
2031	570,000
2032*	600,000

\*Final Maturity

**Series 2012B Bonds.** The Series 2012B Bonds maturing on June 1, 2032 shall be subject to mandatory sinking fund redemption, in part, on June 1 in each of the years and in the respective principal amounts as set forth in the following schedule, each mandatory sinking fund payment to be reduced pro rata at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

<b>Redemption Date (June 1)</b>	<b><u>Principal</u></b>
2024	\$ 795,000
2025	825,000
2026	860,000
2027	890,000
2028	930,000
2029	965,000
2030	1,005,000
2031	1,045,000
2032*	1,085,000

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\*Final Maturity

**Series 2012C Bonds.** The Series 2012C Bonds maturing on June 1, 2032 shall be subject to mandatory sinking fund redemption, in part, on June 1st in each of the years and in the respective principal amounts as set forth in the following schedule, each mandatory sinking fund payment to be reduced pro rata at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

<b>Redemption Date (June 1)</b>	<b><u>Principal</u></b>
2024	\$115,000
2025	120,000
2026	125,000
2027	130,000
2028	140,000
2029	145,000
2030	155,000
2031	160,000
2032*	170,000

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\*Final Maturity

**Series 2012D Bonds.** The Series 2012D Bonds maturing on June 1, 2032 shall be subject to mandatory sinking fund redemption, in part, on June 1st in each of the years and in the respective principal amounts as set forth in the following schedule, each mandatory sinking fund payment to be reduced pro rata at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

<b>Redemption Date (June 1)</b>	<b><u>Principal</u></b>
2024	\$305,000
2025	320,000
2026	340,000
2027	355,000
2028	375,000
2029	390,000
2030	410,000
2031	430,000
2032*	455,000

\*Final Maturity

**Series 2012E Bonds.** The Series 2012E Bonds maturing on June 1, 2032 shall be subject to mandatory sinking fund redemption, in part, on June 1st in each of the years and in the respective principal amounts as set forth in the following schedule, each mandatory sinking fund payment to be reduced pro rata at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

<b>Redemption Date (June 1)</b>	<b><u>Principal</u></b>
2024	\$1,130,000
2025	1,175,000
2026	1,220,000
2027	1,270,000
2028	1,320,000
2029	1,370,000
2030	1,425,000
2031	1,485,000
2032*	1,545,000

\*Final Maturity

**Notice of Redemption; Conditional Notice.** Notice of redemption shall be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, (i) to the respective Owners of any Series of the Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first class mail, and (ii) to each of the Repositories by first class mail; provided, however, that failure to give such notice to any Repository or the failure of any Owner or Repository to receive such notice or any defect in any such notice, will not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of a Series, unless, upon the giving of such notice, such Series (or portions thereof) shall be deemed to have been paid in accordance with the

provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series (or portions thereof) to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Series (or portions thereof). In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice given pursuant to the provisions of the Indenture may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission no later than ten (10) Business Days thereafter in the same manner, and to the same Persons, as notice of such redemption was given.

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

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

Each Series is a limited obligation of the Authority secured by a pledge of Pledged Allocable Sales Tax Revenues of the Participating Agency related to the relevant Series and amounts held by the Trustee in certain funds and accounts established under the Indenture and the respective Supplemental Indenture, excluding the Rebate Fund. The Authority shall not be required to advance any moneys derived from any source other than Pledged Allocable Sales Tax Revenues and the amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund and any Purchase Fund, and pledged under the Indenture, including interest earnings on such amounts, whether for the payment of the principal or Redemption Price of or interest on the relevant Series of the Bonds or for any other purpose of the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER FUNDS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON, THE BONDS.

### **Pledge of Pledged Allocable Sales Tax Revenues and Certain Funds Held by Trustee**

Pursuant to the Indenture, each Series shall be secured by Pledged Allocable Sales Tax Revenues and otherwise as provided in the applicable Supplemental Indenture, subject to the terms and conditions set forth therein. The Authority has agreed in the Indenture to punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the

Bonds and of the Indenture and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Allocable Sales Tax Revenues and the other assets pledged for such Bonds or Mandatory Sinking Account Payments as provided in this Indenture. Pursuant to the Supplemental Indenture for the applicable Series of Bonds, the pledge of Pledged Allocable Sales Tax Revenues constitutes a first lien on the Pledged Allocable Sales Tax Revenues to secure the relevant Series of Bonds and Parity Obligations. The pledge of Pledged Allocable Sales Tax Revenues is irrevocable until all Bonds of the applicable Series issued under the Indenture, and all Parity Obligations payable from the applicable Pledged Allocable Sales Tax Revenues are no longer Outstanding. The Pledged Allocable Sales Tax Revenues pledged to the payment of applicable Series and Parity Obligations shall be applied without priority or distinction of one over the other and the Pledged Allocable Sales Tax Revenues shall constitute a trust fund for the security and payment of such Series and Parity Obligations. For a more detailed description of the Measure D Sales Tax and projected receipts of the Measure D Sales Tax and Pledged Allocable Sales Tax Revenues, see “THE MEASURE D SALES TAX” herein. The Measure D Sales Tax Revenues allocable to Local Agencies other than the Participating Agencies are not pledged to, and will not be available for payment of, the Bonds.

Each Participating Agency will enter into a pledge agreement, dated as of May 1, 2012 (each, a “Pledge Agreement”), with the Authority under which the respective Participating Agency has pledged and assigned its Pledged Allocable Sales Tax Revenues on a first priority basis to the Trustee for the payment of debt service on the Series payable from such Pledged Allocable Sales Tax Revenues. Under the Pledge Agreement, each Participating Agency has made certain representations and covenants to the Authority. A form of the Pledge Agreement is attached hereto as APPENDIX H – “FORM OF PLEDGE AGREEMENT.”

#### **Measure D Sales Tax Revenue Fund; Allocation of Measure D Sales Tax Revenues**

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid pursuant to the Indenture, the Authority hereby assigns and shall cause Measure D Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall deposit in a fund, designated as the “Measure D Sales Tax Revenue Fund,” which fund the Trustee shall establish and maintain, all Measure D Sales Tax Revenues, when and as received by the Trustee. Non-Pledged Measure D Sales Tax Revenues shall remain in the Measure D Sales Tax Revenue Fund and shall not be subject to the lien created under the Indenture.

Within one Business Day of receipt of the Measure D Sales Tax Revenues, the Trustee shall provide the Authority with the Notice of Receipt. Within two Business Days of receiving the Notice of Receipt, the Authority shall submit the Monthly Allocation Certificate, and shall instruct the Trustee to deposit such amounts in a trust fund, designated as the “Pledged Allocable Sales Tax Revenue Fund,” which fund the Trustee shall establish and maintain, all Pledged Allocable Sales Tax Revenues, when and as received by the Trustee. Within one Business Day of receiving the Monthly Allocation Certificate, the Trustee shall deposit the Pledged Allocable Sales Tax Revenues into the Pledged Allocable Sales Tax Revenue Fund in accordance with the Monthly Allocation Certificate, and on, the same Business Day, shall deposit the Pledged Allocable Sales Tax Revenues into the applicable Participating Agency Sales Tax Revenue Account for the applicable Participating Agency.

If within five Business Days following the transmission of the Notice of Receipt by the Trustee to the Authority, the Trustee has not received the Monthly Allocation Certificate, the Trustee shall deposit from the Measure D Sales Tax Revenue Fund to the Pledged Allocable Sales Tax Revenue Fund an amount sufficient to make the deposits into the respective accounts of the Participating Agencies as required under the Supplemental Indenture or Supplemental Indentures associated with the relevant Series of Bonds Outstanding to the payment of which such Pledged Allocable Sales Tax Revenues are pledged. Not later than five Business Days following the transmission of the Notice of Receipt by the Trustee, all

Non-Pledged Measure D Sales Tax Revenues and all Excess Allocable Sales Tax Revenues not required for deposit under a Supplemental Indenture for the repayment of the Bonds will be transferred to the Treasurer-Tax Collector of the County, where it shall be distributed to the Local Agencies in accordance with the Ordinance as directed by the Authority. Following the determination by the Trustee that the Pledged Allocable Sales Tax Revenues were sufficient to make the required deposits identified in the Monthly Allocation Certificate, the Trustee shall confirm in writing, in substantially the form attached to the Indenture, that such amounts were sufficient and that such deposits and transfers have been made.

The Pledged Allocable Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the respective Series and Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on Pledged Allocable Sales Tax Revenues of any Participating Agency held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, are provided in a Supplemental Indenture), shall also be deposited in the respective Participating Agency Sales Tax Revenue Account. All moneys at any time held in a Participating Agency Sales Tax Revenue Account shall be held in trust for the benefit of the Owners of the applicable Bonds and the holders of applicable Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and the applicable Supplemental Indenture. All Pledged Allocable Sales Tax Revenues released to the Authority or any Local Agency shall no longer be pledged for the repayment of the Bonds and shall be released from and no longer subject to the lien created under the Indenture. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Allocation of Pledged Allocable Sales Tax Revenues.”

So long as any Bonds remain Outstanding, following receipt and deposit of the Pledged Allocable Sales Tax Revenues in the applicable Participating Agency Sales Tax Revenue Account in each month (or as soon as possible following the receipt of Pledged Allocable Sales Tax Revenues), the Trustee is required to set aside such Pledged Allocable Sales Tax Revenues in the following respective accounts, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis as provided in the Indenture):

1. Interest Accounts. The Indenture requires the Trustee to make monthly deposits in the applicable Participating Agency Interest Account in an amount equal to (a) 1/4 of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Current Interest Bonds of each Series of Bonds during the next ensuing six-month period (except during the period beginning May 2, 2012 and ending November 30, 2012, the amount deposited shall be calculated based on the next ensuing seven months), plus (b) the aggregate amount of interest to accrue during that month on Outstanding variable rate bonds calculated, if the actual rate of interest is not known, at the interest rate specified by the Authority, or if the Authority has not specified an interest rate, at the maximum interest rate borne by such variable rate bonds during the month prior to the date of deposit plus one hundred (100) basis points; subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Allocation of Pledged Allocable Sales Tax Revenues.”

2. Principal Accounts; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the applicable Participating Agency Interest Account in an amount equal to at least (a) 1/8 of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding of the applicable Series that are Serial Bonds having annual maturity dates within the next twelve (12) months (except for the period beginning on May 2, 2012 and ending on May 31, 2013, which shall be a 13-month period) until the requisite amount for the

next payment is on deposit in each Principal Account and Sinking Account, as applicable, plus (b) 1/8 of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Bonds that are Term Bonds of a Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account for the Trustee to make the monthly deposit required by the Indenture, the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit. All deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment with respect to a Series of Bonds secured on a parity from such Pledged Allocable Sales Tax Revenues.

No deposit need be made into Participating Agency Principal Account or the Participating Agency Sinking Account so long as there are in such account (i) moneys sufficient to pay the Bond Obligations of all Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues that are Serial Bonds then Outstanding and maturing by their terms within the next twelve (12) months, except for the period beginning May 2, 2012 and ending May 31, 2013, which shall be thirteen (13) months, plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the applicable Participating Agency Principal Account during such 12-month period and theretofore paid from the respective Participating Agency Principal Account to redeem or purchase Term Bonds of a Series during such 12-month period. At the beginning of each fiscal year and in any event not later than June 1 of each year, the Trustee shall request a certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter, any excess amounts in the applicable Participating Agency Principal Account not needed to pay principal on such date (and not held to pay principal on the Bonds of a Series having principal payment dates other than June 1) shall be released to the Participating Agency. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Allocation of Pledged Allocable Sales Tax Revenues.”

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds. See “–Bond Reserve Funds” below and APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Establishment and Application of Funds; Reserve Funds– Funding and Application of Bond Reserve Funds.”

4. Subordinate Obligations Fund. If the Authority issues Subordinate Obligations, the Authority may direct the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

5. Fees and Expenses Fund. If the Authority has directed the Trustee to establish the Fees and Expenses account for the applicable Participating Agency, after the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the applicable Fees and Expenses account amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with the applicable Series of Bonds or any Parity Obligation (excluding termination payments on Interest Rate Swap Agreements).

Any Pledged Allocable Sales Tax Revenues remaining in Participating Agency Sales Tax Revenue Account after the foregoing transfers described in (1), (2), (3), (4) and (5) above, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Participating Agency on the same Business Day or as soon as practicable thereafter. The Authority shall distribute all such remaining portions of the excess amounts of Pledged Allocable Sales Tax Revenues when received by it to the applicable Participating Agency.

If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the applicable Participating Agency Interest Account, the applicable Participating Agency Principal Account, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority agrees to transfer to the Trustee from any available Pledged Allocable Sales Tax Revenues in its possession the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.

See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Allocation of Pledged Allocable Sales Tax Revenues” for a more complete discussion.

### **Bond Reserve Funds**

Each Supplemental Indenture establishes a Bond Reserve Fund, which will secure the applicable Series of Bonds and will be funded from proceeds of the applicable Series of Bonds in the following amounts: \$631,250.00, the Series 2012A Bond Reserve Requirement; \$1,131,300.00, the Series 2012B Bond Reserve Requirement; \$179,575.00, the Series 2012C Bond Reserve Requirement; \$478,000.00, the Series 2012D Bond Reserve Requirement; \$1,607,700.00, and the Series 2012E Bond Reserve Requirement representing the Bond Reserve Requirement for each Series. “Bond Reserve Requirement” means, as of any date of calculation for the applicable Series of Bonds, an amount equal to the least of (i) ten percent (10%) of the proceeds of the applicable Series of Bonds (or if the amount of original issue discount or original issue premium applicable to the applicable Series of Bonds exceeds two (2%) percent, ten (10%) percent of the issue price of the applicable Series of Bond), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the applicable Series of the Bonds, and (iii) Maximum Annual Debt Service on the applicable Series of Bonds. Pursuant to the provisions of the Indenture, the Authority may satisfy the respective Series 2012 Bond Reserve Requirement with cash, a letter of credit, a surety bond, or an insurance policy. **Amounts held in the Bond Reserve Fund for a specific Series will be available for payment relating to that specific Series and that specific Series alone and will not be available for payment of any other Series.** For a more complete discussion of the Bond Reserve Fund provisions of the Indenture, see APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Establishment and Application of Funds; Reserve Funds– Funding and Application of Bond Reserve Funds.”

### **Additional Bonds and Parity Obligations**

The Bonds are the first five Series of Bonds secured, respectively, by the Pledged Allocable Sales Tax Revenues of the applicable Participating Agency and will be the only obligations at this time secured by such Pledged Allocable Sales Tax Revenues. The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Pledged Allocable Sales Tax Revenues of the applicable Participating Agency on a parity with the Series of Bonds secured by a pledge

of such Pledged Allocable Sales Tax Revenues of the relevant Participating Agency, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Requirements for Issuance of Additional Series of a Participating Agency.”

***Issuance of Additional Series of Bonds.*** Subsequent to the issuance of a Series of Bonds, the Authority may in accordance with the terms of the Supplemental Indenture establish one or more additional Series of that Participating Agency payable by the Authority from and secured by Pledged Allocable Sales Tax Revenues equally and ratably with any other Series of Bonds payable from and secured by the same Pledged Allocable Sales Tax Revenues, but only upon compliance by the Authority with the provisions of the Indenture.

Certain of the applicable provisions of the Indenture are described below:

(a) No Event of Default relating to any Series payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series shall have occurred and then be continuing.

(b) If a Bond Reserve Fund is required in connection with the issuance of an additional Series of Bonds, the Supplemental Indenture providing for the issuance of such Series of additional Bonds may require either (i) a Bond Reserve Fund is established to provide additional security for that Series of Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Series secured by that Bond Reserve Fund and then Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of the sale of such additional Series or from other funds and may be satisfied in whole or in part through the provision of a letter of credit or surety bond or insurance policy as described under APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Establishment and Application of Funds; Reserve Funds– Funding and Application of Bond Reserve Funds.”

(c) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(d) The Authority shall place on file with the Trustee a Certificate of the Authority certifying that the amount of Pledged Allocable Sales Tax Revenues of the Participating Agency for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such additional Series will become Outstanding would have been at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued that are payable from such Pledged Allocable Sales Tax Revenues, which Certificate shall also set forth the computations upon which such Certificate is based; provided, however, that for purposes of calculation of Maximum Annual Debt Service, Interest Rate Swap Agreements that constitute Parity Obligations shall not be included in such calculation.

(e) Principal payments of each additional Series of Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent desired by the Authority with regard to the type of Bond to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Authority through a Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

***Issuance of Refunding Bonds.*** Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized under subcaption (c) above under the caption “Issuance of Additional Series of Bonds”; provided, that Maximum Annual Debt Service on all Outstanding Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues prior to the issuance of such Refunding Bonds. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Issuance of Refunding Bonds.”

***Parity Obligations.*** As defined in the Indenture, “Parity Obligations” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a lien and charge on the Pledged Allocable Sales Tax Revenues of a Participating Agency subordinate to the lien and charge upon the Pledged Allocable Sales Tax Revenues which secures the respective Bonds of a Series, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture described herein and having an equal lien and charge upon the Pledged Allocable Sales Tax Revenues of such Participating Agency and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The Authority may issue or incur Parity Obligations which will have, when issued, an equal lien and charge upon the Pledged Allocable Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds,” unless such Parity Obligations are being issued for refunding purposes or constitute an Interest Rate Swap Agreement, in which case the coverage test shall not apply.

### **Subordinate Obligations**

The Authority may issue obligations which will be payable as to principal, redemption premium, if any, interest and reserve fund requirements, if any, only out of Pledged Allocable Sales Tax Revenues after the prior payment of all amounts then required to be paid from Pledged Allocable Sales Tax Revenues for principal, redemption premium, if any, interest and reserve fund requirements for the Bonds and Parity Obligations secured or payable from such Pledged Allocable Sales Tax Revenue, as the same become due and payable.

### **Investments**

All amounts held under the Indenture will be invested at the direction of the Authority in Investment Securities, as defined in the Indenture, and are subject to certain limitations contained therein. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Definitions.”

## **PLAN OF FINANCE**

A portion of the proceeds of each Series of Bonds will be deposited in the Project Fund of the applicable Participating Agency to be applied to finance the costs to repair and rehabilitate existing roadways, reduce congestion and improve safety and provide for the construction of needed facilities of each Participating Agency, as briefly described below (collectively, the “Project”).

### **City of Brawley Project**

Brawley will undertake roadway repair and rehabilitation projects, including asphalt resurfacing projects of certain city streets and roadways and the rehabilitation or installation of sidewalks, curbs and gutters on certain of the city streets and roadways.

### **City of Calipatria Project**

Calipatria will undertake roadway repair and rehabilitation projects, including the asphalt resurfacing of certain city streets and roadways and several street and roadway reconstruction projects.

### **City of Calexico Project**

Calexico will undertake roadway repair and rehabilitation projects, including the asphalt resurfacing of certain city streets and roadways and several street and roadway reconstruction projects, as well as sidewalk rehabilitation and streetscape improvement projects.

### **City of Imperial Project**

Imperial will undertake roadway repair and rehabilitation projects, including the widening and associated improvement of certain city streets, roadway and sidewalk rehabilitation and certain pavement overlay and streetscape improvement projects.

### **County of Imperial Project**

The County will undertake roadway repair and rehabilitation projects, including the widening and associated improvement of certain streets and roadways located within the County as well as certain pavement overlay and street reconstruction projects.

The Authority will not be responsible for the design, construction or implementation of the Project.

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the funds are as follows:

	<b>2012A</b> <b>(City of</b> <b><u>Brawley</u>)</b>	<b>2012B</b> <b>(City of</b> <b><u>Calexico</u>)</b>	<b>2012C</b> <b>(City of</b> <b><u>Calipatria</u>)</b>	<b>2012D</b> <b>(City of</b> <b><u>Imperial</u>)</b>	<b>2012E</b> <b>(County of</b> <b><u>Imperial</u>)</b>
<b><u>Sources of Funds:</u></b>					
Principal Amount of Bonds	\$8,155,000.00	\$15,410,000.00	\$2,305,000.00	\$6,170,000.00	\$21,935,000.00
Plus: Net Original Issue Premium	<u>359,854.40</u>	<u>85,523.80</u>	<u>94,618.85</u>	<u>272,148.25</u>	<u>90,829.85</u>
Total Sources:	\$8,514,854.40	\$15,495,523.80	\$2,399,618.85	\$6,442,148.25	\$22,025,829.85
<b><u>Uses of Funds:</u></b>					
Deposit to Project Fund	\$7,723,672.34	\$14,071,627.07	\$2,160,540.36	\$5,838,253.25	\$20,000,000.00
Deposit to Bond Reserve Fund	631,250.00	1,131,300.00	179,575.00	478,000.00	1,607,700.00
Costs of Issuance <sup>(1)</sup>	<u>159,932.06</u>	<u>292,596.73</u>	<u>59,503.49</u>	<u>125,895.00</u>	<u>418,129.85</u>
Total Uses:	\$8,514,854.40	\$15,495,523.80	\$2,399,618.85	\$6,442,148.25	\$22,025,829.85

<sup>(1)</sup> Includes underwriter's discount, rating agency fees, trustee fees, printing costs, bond counsel, disclosure counsel, trustee counsel and other miscellaneous costs of issuance.

## DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service requirements for each Series of Bonds.

Fiscal Year Ending June 30	Series 2012A (City of Brawley)			Series 2012B (City of Calexico)			Series 2012C (City of Calipatria)		
	<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>	<u>Annual Debt Service</u> <sup>(1)</sup>	<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>	<u>Annual Debt Service</u> <sup>(1)</sup>	<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>	<u>Annual Debt Service</u> <sup>(1)</sup>
2013	\$ 265,000	\$ 365,849	\$ 630,849	\$ 495,000	\$ 634,394	\$ 1,129,394	\$ 75,000	\$ 102,248	\$ 177,248
2014	300,000	330,625	630,625	555,000	572,250	1,127,250	85,000	92,375	177,375
2015	305,000	321,625	626,625	575,000	555,600	1,130,600	85,000	89,825	174,825
2016	315,000	312,475	627,475	590,000	538,350	1,128,350	90,000	87,275	177,275
2017	325,000	303,025	628,025	615,000	514,750	1,129,750	95,000	84,575	179,575
2018	335,000	293,275	628,275	635,000	496,300	1,131,300	95,000	81,725	176,725
2019	345,000	283,225	628,225	660,000	470,900	1,130,900	100,000	78,875	178,875
2020	355,000	272,875	627,875	685,000	444,500	1,129,500	100,000	75,875	175,875
2021	370,000	258,675	628,675	710,000	417,100	1,127,100	105,000	72,875	177,875
2022	380,000	247,575	627,575	735,000	395,800	1,130,800	105,000	69,725	174,725
2023	390,000	236,175	626,175	755,000	373,750	1,128,750	110,000	66,575	176,575
2024	405,000	223,500	628,500	795,000	336,000	1,131,000	115,000	63,000	178,000
2025	425,000	203,250	628,250	825,000	304,200	1,129,200	120,000	57,250	177,250
2026	445,000	182,000	627,000	860,000	271,200	1,131,200	125,000	51,250	176,250
2027	470,000	159,750	629,750	890,000	236,800	1,126,800	130,000	45,000	175,000
2028	495,000	136,250	631,250	930,000	201,200	1,131,200	140,000	38,500	178,500
2029	515,000	111,500	626,500	965,000	164,000	1,129,000	145,000	31,500	176,500
2030	545,000	85,750	630,750	1,005,000	125,400	1,130,400	155,000	24,250	179,250
2031	570,000	58,500	628,500	1,045,000	85,200	1,130,200	160,000	16,500	176,500
2032	<u>600,000</u>	<u>30,000</u>	<u>630,000</u>	<u>1,085,000</u>	<u>43,400</u>	<u>1,128,400</u>	<u>170,000</u>	<u>8,500</u>	<u>178,500</u>
Total	\$8,155,000	\$4,415,899	\$12,570,899	\$15,410,000	\$7,181,094	\$22,591,094	\$2,305,000	\$1,237,698	\$3,542,698

<sup>(1)</sup> Totals may not add due to rounding.

**DEBT SERVICE SCHEDULE**  
(Continued)

Fiscal Year Ending <u>June 30</u>	Series 2012D (City of Imperial)		Annual Debt Service <sup>(1)</sup>	Series 2012E (County of Imperial)		Annual Debt Service <sup>(1)</sup>
	<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>		<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>	
2013	\$ 200,000	\$ 276,771	\$ 476,771	\$ 710,000	\$ 893,728	\$ 1,603,728
2014	225,000	250,138	475,138	800,000	805,800	1,605,800
2015	230,000	243,388	473,388	825,000	781,800	1,606,800
2016	240,000	236,488	476,488	850,000	757,050	1,607,050
2017	245,000	229,288	474,288	880,000	723,050	1,603,050
2018	255,000	221,938	476,938	910,000	696,650	1,606,650
2019	260,000	214,288	474,288	935,000	669,350	1,604,350
2020	270,000	206,488	476,488	965,000	641,300	1,606,300
2021	280,000	195,688	475,688	1,000,000	602,700	1,602,700
2022	290,000	187,288	477,288	1,045,000	562,700	1,607,700
2023	295,000	178,588	473,588	1,075,000	531,350	1,606,350
2024	305,000	169,000	474,000	1,130,000	477,600	1,607,600
2025	320,000	153,750	473,750	1,175,000	432,400	1,607,400
2026	340,000	137,750	477,750	1,220,000	385,400	1,605,400
2027	355,000	120,750	475,750	1,270,000	336,600	1,606,600
2028	375,000	103,000	478,000	1,320,000	285,800	1,605,800
2029	390,000	84,250	474,250	1,370,000	233,000	1,603,000
2030	410,000	64,750	474,750	1,425,000	178,200	1,603,200
2031	430,000	44,250	474,250	1,485,000	121,200	1,606,200
2032	<u>455,000</u>	<u>22,750</u>	<u>477,750</u>	<u>1,545,000</u>	<u>61,800</u>	<u>1,606,800</u>
Total	\$6,170,000	\$3,340,596	\$9,510,596	\$21,935,000	\$10,177,478	\$32,112,478

<sup>(1)</sup> Totals may not add due to rounding.

## **THE MEASURE D SALES TAX**

### **Authorization, Application and Collection of the Measure D Sales Tax**

In November 1989, more than two-thirds of the voters in the County voting on a ballot measure approved implementing the Measure D Sales Tax, a retail transactions and use tax of one-half of one percent (0.50%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. In November 2008, more than two-thirds of the voters in the County voting on a ballot measure approved extending the imposition of the Measure D Sales Tax for an additional 40 years, commencing on April 1, 2010 and expiring on March 31, 2050. Revenues from the Measure D Sales Tax may be used to finance the transportation programs and projects authorized pursuant to the Ordinance and described in the Authority's Expenditure Plan. See "THE MEASURE D PROGRAM – Expenditure Plan" herein. Collection of the Measure D Sales Tax is administered by the Board of Equalization. The Authority will authorize the Board of Equalization to make payment of Pledged Allocable Sales Tax Revenues directly to the Trustee.

The Measure D Sales Tax imposed by the Authority is in addition to the seven and one-quarter percent (7-1/4%) sales and use currently levied statewide. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The statewide use tax does not apply to cases where the sale of the property is subject to the sales tax, therefore the application of the statewide use tax is generally applied to purchases made outside of the State for use within the State.

The Measure D Sales Tax is generally imposed upon the same transactions and items subject to the statewide sales and use tax (the "State Sales Tax"), with generally the same exceptions. Several categories of transactions are exempt from the State Sales Tax and the Measure D Sales Tax. Significant exemptions include: sales of food products for human consumption (this exemption does not include hot prepared foods and food consumed on the premises where purchased), prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivering to consumers through mains, lines and pipes. In addition, "occasional sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Measure D Sales Tax; however, the "occasional sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the State Sales Tax and from the Measure D Sales Tax.

Action by the State legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure D Sales Tax are imposed. A voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery. In 1993, certain types of transactions subject to the State Sales Tax were eliminated through repeal of legislation. The State legislature could further change the transactions and items upon which the State Sales Tax and the Measure D Sales Tax are imposed. In addition, other voter initiative measures could be adopted, further affecting the receipt of the Measure D Sales Tax Revenues. Such changes or amendments could have either an adverse or a beneficial effect on Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Measure D Sales Tax Revenues. See "INVESTMENT CONSIDERATIONS—Proposition 218."

## Collection of Measure D Sales Tax Revenues

Collection of the Measure D Sales Tax is administered by the Board of Equalization. The Authority and the Board of Equalization have entered into an Amended and Restated Agreement for State Administration of a Retail Transactions and Use Tax (the “Administrative Agreement”) to authorize the payment of Measure D Sales Tax Revenues directly to the Trustee, after the State Board of Equalization deducts amounts payable to itself.

Prior to July 1, 1993, the amount retained by the Board of Equalization was based on a flat 0.82% of the receipts of the Measure D Sales Tax. Effective July 1, 1993, the amount retained by the Board of Equalization is based on the total special taxing jurisdiction costs reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the Board of Equalization. For fiscal year 1995 and each fiscal year thereafter, the amount retained by the Board of Equalization will be adjusted to account for the difference between the Board of Equalization’s recovered costs and the actual costs incurred by the Board of Equalization during the prior two fiscal years. Commencing July 1, 1998, the amount retained by the Board of Equalization may not exceed the lesser of the percentage retained for the fiscal year ended June 30, 1999 and 1.5% of the receipts of the Measure D Sales Tax. The amount retained by the Board of Equalization for the fiscal year ended June 30, 2011 was \$133,600. The Authority has been advised by the Board of Equalization that the estimated amount to be retained by the Board of Equalization for the fiscal year ending June 30, 2012 is \$113,200.

Pursuant to its procedures, the Board of Equalization projects receipts of the Measure D Sales Tax on a quarterly basis and historically has remitted an advance of the receipts of the Measure D Sales Tax to the Authority on a monthly basis. The amount of each monthly advance is based upon the Board of Equalization’s quarterly projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the Measure D Sales Tax for the previous quarter. Pursuant to the Administrative Agreement however, the Board of Equalization is only obligated to transmit Measure D Sales Tax not less often than twice each calendar quarter.

For the Fiscal Year ended June 30, 2009, Pledged Allocable Sales Tax Revenues totaled \$7,575,965. For the Fiscal Year ended June 30, 2010, Pledged Allocable Sales Tax Revenues totaled \$6,632,276. Assuming no increase in the amount of Pledged Allocable Sales Tax Revenues from the amount received for the Fiscal Year ended June 30, 2010, based on the annual debt service requirements of the Bonds set forth above under the caption “Debt Service Schedule,” maximum annual debt service coverage for the Bonds is presented in the table below. The information presented is based upon past receipt of Measure D Sales Tax Revenues and as such, is not an indication of future results, as the amount of Measure D Sales Tax Revenues received in any given year may fluctuate.

### PLEDGED ALLOCABLE SALES TAX REVENUES COVERAGE

Series	2010 Pledged Allocable Sales Tax Revenue	Maximum Annual Debt Service (“MADS”)	MADS Coverage
Series 2012A (City of Brawley)	\$1,199,428	\$ 631,250	1.90
Series 2012B (City of Calexico)	1,697,661	1,131,300	1.50
Series 2012C (City of Calipatria)	233,703	179,575	1.30
Series 2012D (City of Imperial)	622,034	478,000	1.30
Series 2012E (County of Imperial)	2,879,450	1,607,700	1.79

Source: The Authority.

Each Series of the Bonds are payable from the Pledged Allocable Sales Tax Revenues of the applicable Participating Agency, which is only a portion of the Measure D Sales Tax Revenues. The portion of the Measure D Sales Tax Revenues not constituting Pledged Allocable Sales Tax Revenues is not pledged to, and will not be available to the payment of, the any Series of Bonds.

### **Pledged Allocable Sales Tax Revenues**

Pursuant to the Expenditure Plan, after the deduction of amounts payable to the Board of Equalization and the administrative expenses of the Authority of a maximum of one percent (1%), the balance of the Measure D Sales Tax Revenues are allocated as follows:

- (i) Up to five percent (5%) for state highway improvements within the County; except that the Authority, with the affirmative vote of at least two-thirds (2/3) of its members, may allocate funds in excess of the five percent (5%) limitation for state highway improvement projects if that action would result in the allocation of state or federal matching funds in an amount equal to or greater than the amount allocated in accordance with the Ordinance<sup>\*</sup>;
- (ii) A minimum of two percent (2%) of each member agency's share of the annual Measure D's half-cent sales tax revenue shall be set aside for transit projects. The minimum two percent (2%) set aside requirement is not intended to prohibit expenditure of a larger percentage for transit projects that may be proposed by the individual agencies or by a combination of agencies. The Ordinance indicates that expenditures should be compatible and coordinated with the regions' transit planning process, programs and services<sup>†</sup>;
- (iii) The balance for local street and road purposes, with each Local Agency receiving an annual base sum of \$150,000, adjusted annually for inflation; and
- (iv) The remaining revenues after the base sum distribution are distributed to each Local Agency, with 80% based on the total population within the jurisdiction of each Local Agency, and 20% based on maintained street and road mileage as certified and/or submitted to the California Department of Transportation by each Local Agency annually.

The amounts allocable to the County, Brawley, Calexico, Calipatria and Imperial pursuant to (iii) and (iv), above, constitute Pledged Allocable Sales Tax Revenues of the respective Participating Agency pledged to the repayment of the applicable Series of Bonds.

As of the date of this Official Statement, the Authority is deducting 1% of the Measure D Sales Tax Revenues for administrative expenses, 5% of the Measure D Sales Tax Revenues for state highway improvements and 2% of each Participating Agency's share of annual Measure D Sales Tax Revenues for transportation projects.

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<sup>\*</sup> The Authority will covenant not to increase the amount of Sales Tax Revenues allocated to state highway improvement projects in an amount that would result in the estimated Allocable Sales Tax Revenues for the next succeeding Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

<sup>†</sup> The Authority will covenant not to increase the amount of Sales Tax Revenues allocated to transit projects above the two percent (2%) allocation required by the Ordinance to an amount that would result in the estimated Allocable Sales Tax Revenues for the upcoming Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

Set forth below are tables showing the Pledged Allocable Sales Tax Revenues for each Participating Agency for the fiscal years indicated.

### 2010-11 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$11,459,826.0 Revenue Received from State Board of Equalization  
 \$114,598.0 1% Maximum Administration Fee  
 \$226,904.5 2% Transit Reserve  
 \$567,261.0 Up to 5% Maximum for Imperial County State Highways  
 \$10,551,062.0 Total Distribution including Flat Amount to Each Agency  
 \$2,870,704.0 Total Distribution to Agencies not Participating in Authority Financing  
 \$7,680,358.0 Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Total Population <sup>(2)</sup>	Maintain Mileage	Allocation	Total Allocation
Brawley	\$150,000	27,431	79	\$1,245,763	\$1,395,763
Calexico	150,000	39,972	84	1,795,564	1,945,564
Calipatria	150,000	3,948	23	186,911	336,911
Imperial	150,000	13,342	50	613,229	763,229
Imperial County	150,000	33,512	2,562	3,088,891	3,238,891
	\$750,000			\$6,930,357	\$7,680,357

<sup>(1)</sup> \$150,000 Individual Allocation for each Local Agency pursuant to LTA Ordinance 1-2008, adopted by the Authority on July 28, 2008.

<sup>(2)</sup> Population counts are based on State of California Department of Finance population estimates available to the Authority at the time of calculation.

Source: The Authority.

### 2009-10 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$9,637,708 Revenue Received from State Board of Equalization  
 \$96,377 1% Maximum Administration Fee  
 \$481,885 Up to 5% Maximum for Imperial County State Highways  
 \$9,059,445 Total Distribution including Flat Amount to Each Agencies  
 \$2,427,170 Total Distribution to Agencies not Participating in Authority Financing  
 \$6,632,276 Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Total Population <sup>(2)</sup>	Maintain Mileage	Allocation	Total Allocation
Brawley	\$ 75,000	26,513	81	\$1,124,428	\$1,199,428
Calexico	75,000	38,733	84	1,622,661	1,697,661
Calipatria	75,000	3,574	23	158,703	233,703
Imperial	75,000	12,752	50	547,034	622,034
Imperial County	75,000	32,714	2,562	2,804,450	2,879,450
	\$375,000			\$6,257,276	\$6,632,276

<sup>(1)</sup> \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

<sup>(2)</sup> Population counts are based on State of California Department of Finance population estimates available to the Authority at the time of calculation.

Source: The Authority.

## 2008-09 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$10,998,882	Revenue Received from State Board of Equalization
\$109,989	1% Maximum Administration Fee
\$549,944	Up to 5% Maximum for Imperial County State Highways
\$10,338,949	Total Distribution including Flat Amount to Each Agency
\$2,762,984	Total Distribution to Agencies not Participating in Authority Financing
\$7,575,965	Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,292,037	\$1,367,037
Calexico	75,000	1,865,587	1,940,587
Calipatria	75,000	182,800	257,800
Imperial	75,000	627,106	702,106
Imperial County	<u>75,000</u>	<u>3,233,435</u>	<u>3,308,435</u>
Total	\$375,000	\$7,200,965	\$7,575,965

<sup>(1)</sup> \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

Source: The Authority.

## 2007-08 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$12,382,115	Revenue Received from State Board of Equalization
\$123,821	1% Maximum Administration Fee
\$619,106	Up to 5% Maximum for Imperial County State Highways
\$11,639,188	Total Distribution including Flat Amount to Each Agency
\$3,098,905	Total Distribution to Agencies not Participating in Authority Financing
\$8,540,283	Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,459,492	\$1,534,492
Calexico	75,000	2,105,348	2,180,348
Calipatria	75,000	209,614	284,614
Imperial	75,000	666,707	741,707
Imperial County	<u>75,000</u>	<u>3,724,124</u>	<u>3,799,124</u>
	\$375,000	\$8,165,283	\$8,540,283

<sup>(1)</sup> \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

Source: The Authority.

## 2006-07 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$12,092,729	Revenue Received from State Board of Equalization
\$120,927	1% Maximum Administration Fee
\$452,331	Up to 5% Maximum for Imperial County State Highways
\$11,519,471	Total Distribution including Flat Amount to Each Agency
\$3,127,901	Total Distribution to Agencies not Participating in Authority Financing
\$8,391,570	Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,478,187	\$1,553,187
Calexico	75,000	2,112,488	2,187,488
Calipatria	75,000	214,048	289,048
Imperial	75,000	596,666	671,666
Imperial County	<u>75,000</u>	<u>3,615,181</u>	<u>3,690,181</u>
	\$375,000	\$8,016,570	\$8,391,570

<sup>(1)</sup> \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

Source: The Authority.

## 2005-06 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$11,052,374	Revenue Received from State Board of Equalization
\$110,524	1% Maximum Administration Fee
\$--	Up to 5% Maximum for Imperial County State Highways
\$10,941,850	Total Distribution including Flat Amount to Each Agency
\$2,916,925	Total Distribution to Agencies not Participating in Authority Financing
\$8,024,925	Total Distribution to Agencies Participating in Authority Financing

Agency	Flat Allocation <sup>(1)</sup>	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,398,746	\$1,473,746
Calexico	75,000	2,030,092	2,105,092
Calipatria	75,000	219,899	294,899
Imperial	75,000	563,337	638,337
Imperial County	<u>75,000</u>	<u>3,437,851</u>	<u>3,512,851</u>
	\$375,000	\$7,649,925	\$8,024,925

<sup>(1)</sup> \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

Source: The Authority.

## **THE MEASURE D PROGRAM**

### **General**

On July 28, 2008, the Board of Directors of the Authority (the “Board of Directors”) adopted the Expenditure Plan that prioritizes project implementation within the framework of projected Measure D Sales Tax. Proceeds of the Measure D Sales Tax may be used to finance the transportation projects and programs listed in the Ordinance and the Expenditure Plan.

### **Ordinance**

The purpose of the Ordinance is, in part, to establish a source of funding for traffic relief goals and to fund improvements set out in the Expenditure Plan, including the following:

- To repair and rehabilitate existing roadways
- To reduce congestion and improve safety
- To provide for the construction of needed facilities

### **Expenditure Plan**

On November 4, 2008, the voters of the County approved a ballot measure, implementing the provisions of the Ordinance. With the passage of such ballot measure, the voters authorized the extension of the Measure D Sales Tax and the implementation of a County-wide transportation improvement program. Each Local Agency develops a five-year list of projects to be funded with available revenues and annually notifies the Authority of its policy body’s official action approving the list. A public hearing is held prior to the Authority’s approval of the annual program of projects. No major projects may be funded with the Measure D Sales Tax Revenues unless the projects are in the approved program of projects.

### **Projects under the Expenditure Plan**

Under the Ordinance, the Authority is authorized to implement transportation improvements, which include: (i) the repair and rehabilitation of existing roadways, reduction of congestion and safety improvement, and the construction of needed facilities; (ii) the improvement or rehabilitation of state highways; and (iii) the financing of transit projects and services.

### **Maintenance of Effort**

Pursuant to the Expenditure Plan, each Local Agency is required to annually maintain as a minimum, the same level of local discretionary funds expended for street and road purposes as was reported in the State of Controller’s Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006, or, if the Local Agency had extraordinary local discretionary fund expenditures during Fiscal Year 2005-2006, such Local Agency may use, as a base for determining the minimum level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year period Fiscal Year 2002-2003 through 2005-06 (each the “Maintenance of Effort,” as applicable). The Maintenance of Effort is adjusted annually for inflation. Failure by a Local Agency to budget for its Maintenance of Effort or to expend its Maintenance of effort in a Fiscal Year will result in a decrease in the amount of Allocable Sales Tax Revenues received by such Local Agency. See “INVESTMENT CONSIDERATIONS – Minimum Maintenance of Effort Requirement.”

## **Administration**

One percent (1%) of Measure D Sales Tax Revenues are provided for administration expenses, which consist of miscellaneous administrative costs including, but not limited to, audits and the preparation of annual estimates.

## **Local Taxpayer Supervising Committee**

Pursuant to the Ordinance, the Authority has created a Local Taxpayer Supervising Committee (the "LTSC"). The LTSC's responsibilities include reviewing the fiscal performance of the sales tax transportation program through an annual audit to ensure that all transportation sales tax funds are spent by the Authority in accordance with the Expenditure Plan and the Ordinance. In addition, the LTSC's other mission is to provide positive, constructive advice to the Authority on how to improve implementation over the forty-year course of the program for the benefit of the residents and businesses of the County, and to study and report on other issues related to the current or future use of the Measure D Sales Tax Revenues that may be expressly authorized by the Authority.

The LTSC has three voting members serving staggered four year terms. The LTSC members must be residents of the County possessing following professional and/or community credentials:

One member who is a professional, -active or retired – in the field of municipal audit, finance and/or budgeting with at least five years in a relevant and senior decision-making position in the public or private sector.

One member who is licensed civil engineer or trained transportation planner – active or retired-with at least five years of demonstrated experience in the field of transportation in government and/or the private sector.

One member who is a current or retired manager of major public and/or privately financed development or construction projects, who by training and experience would understand the complexity, costs and implementation issues involved in building large scale infrastructure improvements.

In addition to the voting members, the Chair of the Authority Governing Board, the Executive Director of the Authority and the County Auditor-Controller will serve as ex-officio, non-voting, members of the LTSC.

The LTSC is required to hold publicly noticed meetings to consider and discuss the audit mentioned above.

## **THE AUTHORITY**

### **General**

The Authority is a local transportation authority organized under the provisions of the Act and created by action of the Board of Supervisors of the County in 1989. The Authority is governed by a nine member Board of Directors. The membership is comprised of a city council member from each incorporated city within the County and two members of the County Board of Supervisors.

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
BOARD OF DIRECTORS**

<u>Director</u>	<u>Local Agency</u>
Sedalia Sanders, Chairperson	City of El Centro
Hector Cervantes, Vice Chairperson	City of Calipatria
George Nava	City of Brawley
Bill Hodge	City of Calexico
David Bradshaw	City of Holtville
Mark Gran	City of Imperial
Larry Ritchie	City of Westmorland
Michael W. Kelley	County of Imperial
Jack Terrazas	County of Imperial

*Executive Director, Mark Baza.* Since June 2010, Mr. Baza has served as the Executive Director for the Authority and the Imperial County Transportation Commission (the “ICTC”). For the Authority, Mr. Baza is responsible for the management and administration of the County’s Measure D Sales Tax Program. For the ICTC, Mr. Baza’s responsibilities include the regional transportation planning, programming and administration of state and federal transportation funds in partnership with the multi-county Metropolitan Planning Organization, the Southern California Association of Governments, the California Department of Transportation, the Federal Transit Administration and Federal Highway Administration. Additionally, Mr. Baza is responsible for the administration and oversight of the region’s transit operations (Imperial Valley Transit), which includes fixed-route and paratransit services throughout the county, and other local demand response transit services.

Prior to his appointment as Executive Director for ICTC and the Authority, Mr. Baza had worked for the California Department of Transportation (“Caltrans”) District 11 for 21 years. At Caltrans, Mr. Baza had worked in the District Division’s of Planning, Program/Project Management, and the Proposition 1B – Trade Corridor Improvement Fund (“TCIF”) Divisions. As a Senior Transportation Planner/Project Manager, Mr. Baza was responsible for short and long-range transportation planning for San Diego and Imperial counties. Mr. Baza also managed the planning and development for a portfolio of innovative financing (Public-Private Partnership) projects to improve goods movement; and, ground access at California’s seven land ports of entry with Mexico and the Port of San Diego’s seaport terminals. Mr. Baza earned a Bachelors of Arts degree, from the University of California, San Diego in Urban/Rural Studies and Planning, and completed a Certificate Program in Transportation Planning and Air Quality, from the University of California, Riverside.

*Finance Manager, Kathi Williams.* Ms. Williams serves as the Finance Manager for the Authority. As Finance Manager, Ms. Williams is responsible for oversight and processing all financial management and transactions of the Measure D Sales Tax Program. For the ICTC, Ms. Williams is responsible for development of the Commission’s annual Overall Work Plan and Budget and overseeing all staff support administering the financial and budget transactions of the Commission. Additionally, Ms. Williams oversees the daily management and operations of the fixed route, paratransit and demand response transit services performed under service contract to the ICTC.

Prior to joining the Authority, Ms. Williams served as an Administrative Analyst III for the County of Imperial’s Executive Office and the Imperial Valley Association of Governments. During her 20 Years with the County, Ms. Williams had comparable responsibilities for managing the Regional Transit planning and operations, and the development of finance and budget programs for the County’s

Public Works Department. Ms. Williams earned a Bachelors and Master of Arts degrees in Public Administration, from San Diego State University.

*Employees.* The Authority employs four staff members. The Imperial County Transportation Commission provides the daily staff support for the Authority for administration of receipts and disbursements the Measure D Sales Tax Revenues as allocated by the State Board of Equalization.

## **INVESTMENT POLICY**

Pursuant to its existing policy, the Authority has deposited all of its funds in the County's investment pool (the "County Pool"). The Treasurer-Tax Collector manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement.

As of January 31, 2012, the County Pool had approximately 41.6% of its assets invested in Federal Agency Issues. Approximately 14.2% of the Pool's assets were invested in Certificates of Deposit. Approximately 14.17% of the County Pool were invested in LAIF/Highmark Capital/ZBA. Approximately 22.2% of the pool is held uninvested in cash. The detailed composition of the Pool, as of January 31, 2012, was as follows (all dollar amounts in thousands):

<u><b>Type of Investment</b></u>	<u><b>Book Basis</b></u>	<u><b>Market Value</b></u>	<u><b>Par Amount</b></u>
Cash	\$ 93,088	\$ 93,088	\$ 93,088
LAIF/HIGHMARK CAPITAL/ZBA	59,500	59,500	59,500
Certificates of Deposit	92,619	92,619	92,619
Federal Agency Issues	<u>170,454</u>	<u>174,604</u>	<u>170,520</u>
Total	\$415,661	\$419,811	\$415,727

Source: County Treasurer-Tax Collector.

Pursuant to the Indenture, the Authority may invest proceeds of the Bonds in the County Pool.

## **INVESTMENT CONSIDERATIONS**

### **Economy of the County and the State**

The Bonds are secured by a pledge of Pledged Allocable Sales Tax Revenues, which consist of a portion of the Measure D Sales Tax Revenues allocable to the Participating Local Agencies after certain distributions are made pursuant to the ordinance and less an administrative fee paid to the Board of Equalization. The level of Measure D Sales Taxes collected at any time is dependent upon the level of retail sales within the County, which level of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of Measure D Sales Tax Revenues and therefore on the Pledged Allocable Sales Tax Revenues and upon the ability of the Authority to pay the principal of and interest on the Bonds. For information relating to current economic conditions within the County, see APPENDIX B – "ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF IMPERIAL."

## **State Sales Tax and the Measure D Sales Tax**

In addition to the Measure D Sales Tax levied by the Authority, the State also imposes a 7.25% sales tax. With limited exceptions, the Measure D Sales Tax is imposed upon the same transactions and items subject to the sales tax levied state-wide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the State sales tax and the Measure D Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Measure D Sales Tax Revenues collected. For a further description of the Measure D Sales Tax, see “THE MEASURE D SALES TAX.”

## **Minimum Maintenance of Effort Requirement**

Pursuant to the Expenditure Plan, each Local Agency is required to annually maintain as a minimum, the same level of local discretionary funds expended for street and road purposes as was reported in the State of Controller’s Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006, or, if the Local Agency had extraordinary local discretionary fund expenditures during Fiscal Year 2005-2006, such Local Agency may use, as a base for determining the level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year Fiscal Year 2002-2003 through 2005-06. The Maintenance of Effort is adjusted annually for inflation. The Authority shall not allocate any portion of a Local Agency’s Measure D Sales Tax Revenues to such Local Agency until that Local Agency has certified to the Authority the extent to which the Maintenance of Effort requirement shall be included in such Local Agency’s budget. If the Local Agency does not certify that it will meet its entire Maintenance of Effort requirement in any given year, such Local Agency will have its portion of Measure D Sales Tax Revenues reduced in that year by the shortfall between the amount the Local Agency is required to budget and expend on Maintenance of Effort and the amount actually budgeted for Maintenance of Effort. Further, if any audit indicates that any Local Agency did not meet its certified level of Maintenance of Effort in any given year, it shall have its portion of Measure D Sales Tax Revenues reduced in the following year by the amount which such Local Agency did not meet its certified level of Maintenance of Effort. Amounts not allocated to a Local Agency due to failure to budget for or expend its Maintenance of Effort requirements are reallocated among the other Local Agencies pursuant to the allocation methodology prescribed in the Expenditure Plan. **Failure of a Participating Agency to budget for or expend its minimum Maintenance of Effort will result in a decrease in the amount of Pledged Allocable Sales Tax Revenues received by such Participating Agency, which may affect the ability of the Authority to pay the principal of and interest on the Series of Bonds payable from that Participating Agency’s Pledged Allocable Sales Tax Revenues.** For the text of this provision see “APPENDIX G – THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND EXPENDITURE PLAN.”

Under the expenditure plan (the “1989 Expenditure Plan”) incorporated as part of the LTA ORD 1-89, that was adopted by the Authority on July 31, 1989, and authorized the imposition of a sales tax similar in jurisdiction and amount to the Measure D Sales Tax, each Local Agency was required to maintain a maintenance of effort similar to the Maintenance of Effort requirement described above. In certain years, the Authority waived such maintenance of effort requirement for each of the Local Agencies. The 1989 Expenditure Plan did not allow for the waiver of the maintenance of effort requirement by the Authority. Similar to the Expenditure Plan, the 1989 Expenditure Plan required compliance with such maintenance of effort provision or such non-complying Local Agency would face delayed or reduced allocations of sales tax revenue.

## **Proposition 218**

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The Measure D Sales Tax received the approval of more than two-thirds of the voters as required by Article XIII C. However, Article XIII C also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Measure D Sales Tax in a manner which would prevent the payment of debt service on the Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

## **Further Initiatives**

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, which may affect the Authority’s ability to levy and collect the Measure D Sales Tax.

## **No Acceleration Provision**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal and interest on the Bonds when due. In the event of a default by the Authority, each Owner of a Bond will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – “SUMMARY OF LEGAL DOCUMENTS – Indenture – Events of Default and Remedies.”

## **Impact of Bankruptcy of the Authority**

As a municipal entity, the Authority may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”) under certain circumstances. In a Chapter 9 bankruptcy, the pledge of Pledged Allocable Sales Tax Revenues to the Trustee for the benefit of owners of the Bonds will be enforceable only if a bankruptcy court determines that the Pledged Allocable Sales Tax Revenues are special revenues under Chapter 9 (“Special Revenues”).

The results of Chapter 9 proceedings are difficult to predict. The fact that the Measure D Sales Tax was specifically levied to finance particular projects would support a determination that the Pledged Allocable Sales Tax Revenues constitute Special Revenues. However, if a bankruptcy court concludes that the Measure D Sales Tax is a general sales tax levied to finance the general purposes of the Authority as well as the projects, the court could rule that the Pledged Allocable Sales Tax Revenues do not constitute Special Revenues. If the Pledged Allocable Sales Tax Revenues are held not to be Special Revenues, the owners of the Bonds would no longer be entitled to any lien on the Pledged Allocable Sales Tax Revenues and may be treated as general unsecured creditors of the Authority.

If a bankruptcy court rules that the Pledged Allocable Sales Tax Revenues constitute Special Revenues, the court could further rule that the pledge is subordinate to

the payment of necessary operating expenses with respect to the projects. To make such a ruling, however, the court must first determine that the Pledged Allocable Sales Tax Revenues are “derived from” the projects. Such a determination does not appear to be supported by the facts and would involve the court holding that an indirect nexus is sufficient to find that sales taxes specifically levied to finance the projects are “derived from” the such projects.

### **Loss of Tax Exemption**

As discussed under “TAX MATTERS,” interest on the Bonds could become includable in federal gross income, possibly from the date of issuance of the Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the Bonds. Should interest become includable in federal gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority for the Fiscal Year ended June 30, 2010, included in APPENDIX A of this Official Statement have been audited by Hutchinson and Bloodgood LLP, Certified Public Accountants and Consultants. Hutchinson and Bloodgood LLP was not requested to consent to the inclusion of its reports regarding the Authority in APPENDIX A, nor have they undertaken to update their reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Hutchinson and Bloodgood LLP, with respect to any event subsequent to the date of their reports. The Authority represents that there has been no material adverse change in its financial position since June 30, 2010. The Authority is in the process of selecting an auditor for the financial statements of the Authority for the Fiscal Years ended June 30, 2011 and June 20, 2012. This process was delayed while the audits for Fiscal Years ended June 30, 2008, 2009 and 2010 were completed.

## **LITIGATION**

There is not now pending or, to the knowledge of the Authority, threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued or the levy, collection and pledge of Pledged Allocable Sales Tax Revenues. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices is being contested.

In 2008, Calipatria sued the Authority and the County, alleging that the Authority did not apply the correct population statistics to the apportionment formula set forth in the 1989 Expenditure Plan, incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989 (the “Prior Ordinance”), because the statistics did not include people housed in the Calipatria State Prison. The Authority and the County have denied each of the allegations in the lawsuit. The Authority and its counsel for the lawsuit do not believe that Calipatria will prevail on the merits. The Authority believes that if Calipatria does prevail on the merits, any judgment will not materially and adversely impact Pledged Allocable Sales Tax Revenues. The Ordinance under which the Bonds are being issued expressly does not include people housed in any prison for purposes of the current apportionment formula.

## TAX MATTERS

The Internal Revenue Code of 1986 (the “Code”) imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that under existing statutes, regulations, rulings and court decisions, 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 will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income of that corporation. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed. Bond Counsel is of the further opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the Authority in connection with the issuance of the Bonds, the Authority will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority with such covenants. Further, except as stated in the preceding paragraph, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Complete copies of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX F.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

The opinion of Bond Counsel is not a guarantee of a result, but will represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters to be addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion will not be binding on the IRS. The IRS has an ongoing program

of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the “taxpayer,” and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Bonds, regardless of the final disposition of the audit.

The excess, if any, of the stated redemption price at maturity of the Bonds over the initial offering price to the public of the Bonds set forth on the inside cover of this Official Statement is “original issue discount.” Such original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and exempt from California personal income tax. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds other than at the initial offering price and pursuant to the initial offering. Any person considering purchasing a Bond should consult his or her own tax advisors with respect to the tax consequences of ownership of bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and at the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such bonds under federal individual and corporate alternative minimum taxes.

To the extent that a purchaser of a Bond acquires that Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Bonds, such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis. The amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than such owner’s original cost of the Bond to the owner. Any person considering purchasing a Bond at a price that includes bond premium should consult his or her own tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale or other disposition of the Bond.

Although it is expected that Bond Counsel will express the opinion that interest on the Bonds is exempt from California personal income tax and that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limits on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds),

(ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences. Any person considering purchasing a Bond in this offering should consult his or her own tax advisors with respect to such tax consequences.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

## **LEGAL MATTERS**

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Fulbright & Jaworski LLP, Bond Counsel to the Authority. Complete copies of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX F. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by County Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel to the Authority, and for the Underwriter by their counsel Hawkins Delafield & Wood LLP, Los Angeles, California.

## **RATING**

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), has issued its rating of "A+" with respect to the Series 2012A Bonds (City of Brawley), "A+" with respect to the Series 2012B Bonds (City of Calexico), "A+" with respect to the Series 2012C Bonds (City of Calipatria), "A+" with respect to the Series 2012D Bonds (City of Imperial) and "A+" with respect to the Series 2012E Bonds (County of Imperial). These ratings reflect only the views of S&P, and do not constitute a recommendation to buy, sell or hold securities. Any desired explanation of the significance of such rating should be obtained from the rating agency furnishing same at the following address: Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. The Authority has furnished to S&P certain information respecting the Bonds and the Authority. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings with respect to the Bonds are subject to revision or withdrawal at any time by S&P, and there is no assurance that the ratings will continue for any period of time or that it will not be lowered or withdrawn. Any reduction or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased for reoffering by Cabrera Capital Markets, LLC, as underwriter (the "Underwriter"), at a purchase price of \$54,338,595.52 (representing \$53,975,000.00 aggregate

principal amount of the Bonds, plus net original issue premium of \$902,975.15, less Underwriter's discount of \$539,379.63). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Bonds may be offered and sold by the Underwriter to certain dealers and others at yields lower than the public offering yield indicated on the inside cover hereof, and such public offering yield may be changed, from time to time, by the Underwriter.

### **CONTINUING DISCLOSURE**

The Authority will covenant for the benefit of the owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority by not later than March 15 after the end of the Authority's Fiscal Year (presently June 30), commencing with March 15, 2013 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the dissemination agent, if any, on behalf of the Authority with the Municipal Standards Rulemaking Board (the "MSRB"). The notices of listed events will be filed by the Dissemination Agent on behalf of the Authority with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of certain enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants are being made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12 (the "Rule") of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. The Authority did not submit Annual Reports for the years 2007, 2008, 2009 and 2010, as was required pursuant to the terms of a continuing disclosure agreement, dated as of May 1, 2003 (the "2003 CDA"), by and between the Authority and U.S. Bank National Association, entered into in connection with the Authority's Sales Tax Revenue Refunding and New Money Bonds (Limited Tax Bonds) Series 2003 (the "2003 Bonds"), and thus the Authority was not in compliance with its reporting obligations thereunder. The Authority's reporting obligations under the 2003 CDA terminated on March 1, 2011, upon the retirement of the 2003 Bonds. Due to such termination, the Authority does not intend to file the unfiled Annual Reports listed above. The Authority has adopted Continuing Disclosure Compliance Procedures to ensure compliance with the continuing disclosure obligations set forth in the Continuing Disclosure Agreement.

### **MISCELLANEOUS**

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete or definitive. For full and complete statements of such provisions reference is made to the Act or said documents, as the case may be. Copies of the Master Indenture and the First Supplemental Indenture are available for inspection at the Authority and following delivery of the Bonds will be on file at the offices of the Trustee.

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

The execution and delivery of this Official Statement has been duly authorized by the Authority.

IMPERIAL COUNTY LOCAL TRANSPORTATION  
AUTHORITY

By: \_\_\_\_\_/s/ Mark Baza  
Executive Director

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE IMPERIAL COUNTY LOCAL  
TRANSPORTATION AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**ANNUAL FINANCIAL REPORT  
OF THE IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

Honorable Board Members  
Imperial County Local Transportation Authority  
El Centro, California

We have audited the accompanying financial statements of the Imperial County Local Transportation Authority, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Imperial County Local Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Imperial County Local Transportation Authority, as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules of Estimated Revenues 2009 - 2010 and the schedule of Five-Year Program of Projects have not been subjected to the audit procedures applied in the audit of the general purpose financial statements and accordingly, we express no opinion on them.

In connection with our examination, we also performed, to the extent applicable, tests of compliance with the "By-laws of the Imperial County Local Transportation Authority" and the "Imperial County Local Transportation Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan".

In our opinion, the Imperial County Local Transportation Authority is in compliance with the applicable laws, rules, and regulations with the exceptions noted in the Findings and Recommendations for the fiscal year ended June 30, 2010.

*Hutchinson and Bloodgood LLP*

March 2, 2012

IMPERIAL COUNTY LOCAL  
TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

The following section of the annual financial report of the Imperial County Local Transportation Authority (the Authority) includes an overview and analysis of the Authority's financial position and activities for the years ended June 30, 2010 and 2009. This discussion and analysis, as well as the basic financial statements which it accompanies, is the responsibility of the management of the Authority.

**Introduction to the Basic Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles; such report has been designed to improve the usefulness of the report to the primary users of these basic financial statements.

The Authority presents its basic financial statements using the economic resources measurement to focus and accrual basis of accounting. As a Fiduciary Activity, the Authority's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets. Notes to the basic financial statements and this section support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of the Authority.

**Statements of Net Assets** - The Statements of Net Assets Include all assets and liabilities of the Authority, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2010 and 2009.

**Statements of Revenues, Expenses, and Changes in Net Assets**-The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred by the Authority during the years ended June 30, 2010 and 2009, on the accrual basis of accounting.

IMPERIAL COUNTY LOCAL  
TRANSPORTATION AUTHORITY

MANAGEMENTS DISCUSSION AND ANALYSIS

June 30, 2010

**Condensed Financial Position Information**

The following condensed financial Information provided an overview of the Authority's financial position for the fiscal years ended June 30, 2010 and June 30, 2009.

	<u><b>2010</b></u>	<u><b>2009</b></u>
Assets:		
Cash and cash equivalents	\$ 4,272,848	\$ 4,080,400
Cash with fiscal agent	- -	1,780,205
Due from other governments	- -	1,025,000
Due from other governments - Other	147,590	336,138
Interest receivable	<u>11,774</u>	<u>16,363</u>
Total assets	<u><u>\$ 4,432,212</u></u>	<u><u>\$ 7,238,106</u></u>
Liabilities:		
Accounts payable	\$ - -	\$ 250,972
Allocations due to members	1,370,803	1,338,657
Due to other funds	10,249	- -
Bonds payable	<u>- -</u>	<u>1,025,000</u>
Total liabilities	1,381,052	2,614,629
Net assets:		
Held in trust for local members	<u>3,051,160</u>	<u>4,623,477</u>
Total liabilities and net assets	<u><u>\$ 4,432,212</u></u>	<u><u>\$ 7,238,106</u></u>

(a) *Net Assets*

The assets of the Authority exceeded its liabilities at the close of fiscal year 2009-2010 by \$3,051,160 (*Net Assets*).

(b) *Liabilities*

Liabilities net decrease for fiscal year 2009-2010 was \$1,233,577. Bonds payable decreased \$1,025,000 from prior year as a result of the current year scheduled bond payment. The allocations due to member had an increase of \$32,146 from the prior year.

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY  
MANAGEMENTS DISCUSSION ANALYSIS

June 30, 2010

**Summary of Operations and Changes in Net Assets**

The Authority's net assets decrease for fiscal year 2010 was \$624,874 and decrease for 2009 of \$516,925. The tables below summarize the Authority's fiscal year 2010 and 2009 activity:

	<u><b>2010</b></u>	<u><b>2009</b></u>
Additions:		
Taxes	\$10,331,248	\$12,120,617
Interest	61,339	148,379
Other income	1,811	34,375
Principal repayments	<u>1,025,000</u>	<u>995,000</u>
Total additions	<u>11,419,398</u>	<u>13,298,371</u>
Deductions:		
Distribution to local members	9,746,746	11,473,402
Collection charges	--	110,009
General government	1,236,651	1,153,360
Principal payments	1,025,000	995,000
Interest	<u>35,875</u>	<u>83,525</u>
Total deductions	<u>12,044,272</u>	<u>13,815,296</u>
Increase (decrease) in net assets	<u>(624,874)</u>	<u>(516,925)</u>
Total net assets, beginning of year	4,623,477	5,782,565
Prior period adjustment	<u>(947,443)</u>	<u>(642,163)</u>
Total net assets, beginning of year adjusted	<u>3,676,034</u>	<u>5,140,402</u>
Total net assets, end of year	<u>\$ 3,051,160</u>	<u>\$ 4,623,477</u>

(a) *Additions*

In fiscal year 2010 operating revenues decreased approximately 14%.

(b) *Deductions*

Deductions consists of, distributions to members, collection charges, general government, principal payments, and interest expense. During the year, deductions decreased by \$1,771,024.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may reach Kathi Williams, Imperial County Transportation Commission, at (760) 482-4292.

## **FINANCIAL SECTION**

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2010**

	<u>LTA Funds</u>	<u>Highway Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,396,355	\$ 1,876,493
Due from other governments	135,692	11,898
Interest receivable	<u>7,271</u>	<u>4,503</u>
Total assets	<u><u>\$ 2,539,318</u></u>	<u><u>\$ 1,892,894</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Allocations due to members	\$ 1,370,803	\$ --
Due to other funds	<u>--</u>	<u>10,249</u>
Total liabilities	<u>1,370,803</u>	<u>10,249</u>
<b>Net Assets</b>		
Net assets held in trust	<u>1,168,515</u>	<u>1,882,645</u>
Total liabilities and net assets	<u><u>\$ 2,539,318</u></u>	<u><u>\$ 1,892,894</u></u>

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

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For The Fiscal Year Ended June 30, 2010**

	<u>LTA Funds</u>	<u>State Highway Fund</u>
<b>Additions</b>		
Taxes	\$ 9,839,284	\$ 491,964
Interest	28,132	33,207
Other income	1,811	--
Principal repayments	<u>1,025,000</u>	<u>--</u>
Total additions	<u>10,894,227</u>	<u>525,171</u>
<b>Deductions</b>		
Current		
General government	86,606	1,150,045
Distribution to members	9,746,746	--
Debt service		
Principal payments	1,025,000	--
Interest	<u>35,875</u>	<u>--</u>
Total deductions	<u>10,894,227</u>	<u>1,150,045</u>
Change in net assets	<u>--</u>	<u>(624,874)</u>
Net assets, beginning	2,115,958	2,507,519
Prior period adjustment	<u>(947,443)</u>	<u>--</u>
Net assets, beginning adjusted	<u>1,168,515</u>	<u>2,507,519</u>
Net assets, ending	<u><u>\$ 1,168,515</u></u>	<u><u>\$ 1,882,645</u></u>

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

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors of Imperial County. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Compliance requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

***Fund accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

***Basis of accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the state at year end on behalf of the Authority are not recognized as revenue.

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgets***

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. The budgeted revenues are based on the previous year's collections. The expenditures are based on the specified formula provided in the LTA ordinance.

A legally adopted budget has not been adopted by the Authority for the State Highway Special Revenue Fund.

***Cash and cash equivalents***

Cash is pooled with cash of the County of Imperial to maximize investment opportunities and yields. It is the policy of the Authority to classify only those investments having an original maturity date within three months of the date acquired as cash equivalents.

***Net Assets***

The fund balance represents undesignated net assets, restricted for LTA use for which these funds have been authorized.

**Note 2. ANNUAL FINANCIAL STATEMENTS**

The financial statements are intended to reflect only the financial position, results of operations and compliance of the Imperial County Local Transportation Authority.

**Note 3. DEPOSITS AND INVESTMENTS**

Deposits and investments are displayed on the balance sheet as cash and cash equivalents or as deposits with fiscal agents. Cash of all funds is pooled with cash of the County of Imperial, which includes amounts in demand deposits as well as short-term investments, and is displayed on the balance sheet as "cash and cash equivalents". Amounts required to be invested separately, such as under the provisions of bond indentures are displayed as "deposits with fiscal agents." The investments that are equity securities are valued at cost, the investments that are debt securities are valued at amortized cost and the investments held in pools are valued at market. The detail of such amounts as of June 30, 2010 is as follows:

Cash and cash equivalents	\$4,272,848
Deposits with fiscal agents	<u>- -</u>
Total deposits and investments	<u><u>\$4,272,848</u></u>

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 3. DEPOSITS AND INVESTMENTS (Continued)**

***Deposits with fiscal agents***

The Authority has monies held by a fiscal agent pledged for the payment or as security of the sales tax revenue bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments the fiscal agent may make.

***Investments***

Under provisions of the California Government Code, authorized investments for the Authority include securities of the state or local agencies of the state, securities of the U.S. Treasury and other federal agencies, certificates of deposit, bankers' acceptances, repurchase agreements and reverse repurchase agreements.

The Authority's investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

***Category 1***

Insured or registered, or securities held by the Authority or its agent in the Authority's name.

***Category 2***

Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

***Category 3***

Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
County of Imperial Investment Fund	\$ --	\$ --	\$ --	\$4,272,848	\$4,272,848
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$4,272,848</u>	<u>\$4,272,848</u>

At fiscal year end, the cash held in the investment pool managed by the County of Imperial has a carrying amount and market value of \$4,272,848. This type of investment is not subject to categorization.

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 4. LONG-TERM DEBT**

On April 29, 2003 the Authority issued \$6,670,000 of Sales Tax Revenue Bonds which are secured by a pledge of all LTA sales tax revenue bonds allocated to the City of Brawley and the City of Holtville of which \$4,060,000 was used to defease all of the 1993 Bonds. Interest on the 2003 Bonds is payable semiannually on March 1 and September 1 beginning September 1, 2003 with rates ranging from 2.00 to 3.50 percent per annum. The annual principal requirements are from \$920,000 to \$1,025,000 with a final maturity on March 1, 2010.

During the fiscal year ended June 30, 2010 the following changes occurred in bonds payable:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
<b>2003 Series</b>	<u>\$1,025,000</u>	<u>\$ - -</u>	<u>\$1,025,000</u>	<u>\$ -</u> =

**Note 5. COMPLIANCE WITH THE REQUIREMENT OF IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND TRANSPORTATION AUTHORITY EXPENDITURE PLAN**

***Distribution of LTA funds***

The County of Imperial is required to act in the capacity of receiving, receipting, depositing and disbursing the Local Transportation Authority funds as received from the State Board of Equalization.

***Expenditures of the LTA funds for local streets and roads***

The member agencies, as set forth in Note 1, are required to expend LTA funds with the following priorities:

- 1) To repair and rehabilitate the existing roadways
- 2) To reduce congestion and improve safety
- 3) To provide for the construction of needed facilities

***Project programming and monitoring***

The members of the Authority are required to develop a five-year program of projects to be funded with revenues made available by the LTA funds.

See Schedule IV, pages 20 through 47 for the Authority's various "Five-Year Program of Projects".

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 5. COMPLIANCE WITH THE REQUIREMENT OF IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND TRANSPORTATION AUTHORITY EXPENDITURE PLAN (continued)**

***Maintenance of effort***

It is the intent of the Authority that revenues provided from this measure is used to supplement existing local revenues being used for the purposes set forth above. Each local agency receiving revenues shall annually maintain as a minimum the same level of local discretionary funds expended for street and road purposes as was reported in the State Controller's Annual Report of Financial Transactions for Streets and Roads - Fiscal Year 1984-85. If any local discretionary funds had extraordinary local discretionary fund expenditures during fiscal year 1984-85, it may use, as a base for determining the minimum level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year period of fiscal year 1982-83 through fiscal year 1984-85. The use of a three-year average for the base period shall be subject to Authority approval.

The Maintenance of Effort has been suspended by the Local Transportation Authority Board for the fiscal year ended June 30, 2010.

***Private sector funding***

Revenues provided for this measure shall not be used to replace private developer funding which has been or will be committed for any project.

***Administrative expenses***

The Authority allocates 1% of the total funds received on a monthly basis for salaries, wages, benefits, overhead, auditing and those services including contractual services necessary to administer the LTA ordinance. These funds remain in the LTA fund until necessary to expend for administrative purposes. During the fiscal year ended June 30, 2010, the Authority expended \$86,606 for administrative purposes. This is less than the allowable 1% allocation.

***Establishment of separate accounts***

The Authority is required to record the LTA activity in a separate Local Transportation Authority fund. Interest earned on funds allocated pursuant to the LTA ordinance is to be allocated to all members of the Authority.

***Amendments***

There have been no amendments to the Expenditure Plan during the fiscal year ended June 30, 2010.

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 5. COMPLIANCE WITH THE REQUIREMENT OF IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND TRANSPORTATION AUTHORITY EXPENDITURE PLAN (Continued)**

***Program of projects***

The members of the Authority are required to develop a "Five-Year Program of Projects" by April 30th of each year to be performed with the use of the LTA funds.

**Note 6. COMPLIANCE WITH THE BY-LAWS OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**

The members of the Authority are required to comply with the By-Laws of the Imperial County Local Transportation Authority. The By-Laws address the following issues:

- A) Functions; members; management; and administration
- B) Officers
- C) Reports and funds
- D) Amendments to By-Laws

**Note 7. STATE HIGHWAY**

The Authority receives up to 5% of the tax revenues for state highway purposes within Imperial County. The Authority must certify that Imperial County is receiving at a minimum its fair share of highway funds from the State before any revenues may be allocated for any state highway projects. During the fiscal year ended June 30, 2010 the Authority did allocate funds to the State Highway Fund.

**Note 8. CONTINGENCY**

The California Supreme Court, in a decision dated September 28, 1995, overturned City of Woodlake v. Logan and several other cases which had determined that Proposition 62, passed in a statewide election in November 1986, was unconstitutional. Proposition 62 requires two-thirds voter approval for new or increased taxes levied by local governments. After Proposition 62 was declared unconstitutional, the Imperial County Local Transportation Authority was created to implement the retail and use tax ordinance as adopted by 65.5% of the electorate on November 7, 1989. The court decision in its present form does not discuss any retroactivity; and therefore, the effect on the Authority cannot be determined at this time.

See accountants' report

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 9. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in the "Due From" and "Payable" accounts to agree to correct balances. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$947,443.

See accountants' report

## **SUPPLEMENTARY INFORMATION**

**IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY  
ESTIMATED REVENUES**

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Brawley	\$1,131,847	\$1,154,623	\$1,154,623
Calexico	1,514,872	1,565,902	1,565,902
Calipatria	242,850	246,468	246,468
El Centro	1,860,856	1,899,342	1,899,342
Holtville	336,153	341,781	341,781
Imperial	498,435	507,560	507,560
Westmorland	175,643	177,812	177,812
County of Imperial	<u>2,664,829</u>	<u>2,720,641</u>	<u>2,720,641</u>
Total	<u>\$8,425,485</u>	<u>\$8,594,129</u>	<u>\$8,594,129</u>

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
10 <sup>th</sup> Street	B Street	River Drive	Resurface
11 <sup>th</sup> Street	Malan Street	Leonard	Resurface
13 <sup>th</sup> Street	C Street	D Street	Resurface
14 <sup>th</sup> Street	Malan Street	K Street	Resurface
14 <sup>th</sup> Street	C Street	D Street	Resurface
1 <sup>st</sup> Street	A Street	N. End	Resurface
2 <sup>nd</sup> Street	Malan Street	G Street	Resurface
3 <sup>rd</sup> Street	A Street	End	Resurface
3 <sup>rd</sup> Street	Malan Street	End	Resurface
3 <sup>rd</sup> Street	K Street	G Street	Resurface
5 <sup>th</sup> Street	A Street	End	Resurface
5 <sup>th</sup> Street	South Plaza	Malan Street	Resurface
5 <sup>th</sup> Street	North Plaza	C Street	Resurface
8 <sup>th</sup> Street	Main Street	K Street	Resurface
9 <sup>th</sup> Street	Malan Street	B Street	Resurface
A Street	Magnolia	Western Ave.	Resurface
A Street	Eastern Ave.	Best Road	Resurface
Adams	Malan Street	Leonard	Resurface
Adler Street	Rio Vista Ave.	El Cerrito Dr.	Resurface
Adler Street	7 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
Adler Street	5 <sup>th</sup> Street	West End	Resurface
Allen Street	Marilyn Ave.	Rio Vista Ave.	Resurface
B Street	First Street	Imperial Ave.	Resurface
B Street	8 <sup>th</sup> Street	Palm Ave.	Resurface

See accountants' report

# CITY OF BRAWLEY

## 5-Year Program of Projects 2007/12

ROAD	FROM	TO	PROJECT DESCRIPTION
Best Road	Highway 111	Northern City Limits	Resurface
C Street	First Street	10 <sup>th</sup> Street	Resurface
C Street	13 <sup>th</sup> Street	Best Road	Resurface
D Street	Imperial Ave.	8 <sup>th</sup> Street	Resurface
D Street	Pinner Drive	Rio Vista Ave.	Resurface
De Anza Place	Cattle Call Dr.	Allen St.	Resurface
Dogwood Road	Malan Street	S. City Limits	Resurface
Driftwood Place	Rio Vista Ave.	B Street	Resurface
E Street	Palm Ave.	Eastern Ave.	Resurface
E Street	5 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
E Street	Pinner Drive	Las Flores Drive	Resurface
Eastern Ave.	Jones Street	End	Resurface
El Cerrito Drive	B Street	River Drive	Resurface
El Cerrito Drive	Cattle Call Drive	Main Street	Resurface
Ell Street	Dogwood Road	3 <sup>rd</sup> Street	Resurface
G Street	5 <sup>th</sup> Street	Palm Ave.	Resurface
G Street	1 <sup>st</sup> Street	Plaza	Resurface
G Street	Rio Vista Ave.	West End	Resurface
Garrett Street	K Street	South End	Resurface
Gilmour Street	K Street	Malan Street	Resurface
H Street	9 <sup>th</sup> Street	Eastern Ave.	Resurface
H Street	El Cerrito Drive	West End	Resurface
I Street	1 <sup>st</sup> Street	Palm Ave.	Resurface
I Street	Eastern Ave.	Best Road	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial Ave.	Malan Street	A Street	Resurface
Ivy Street	9 <sup>th</sup> Street	End	Resurface
J Street	9 <sup>th</sup> Street	Palm Ave.	Resurface
J Street	Terrace Circle	Imperial Ave.	Resurface
K Street	Marilyn Ave.	East End	Resurface
K Street	Highway 86	9 <sup>th</sup> Street	Resurface
Las Flores Drive	H Street	D Street	Resurface
Legion Road	Highway 86	Evelyn	Resurface
Magnolia Street	Rio Vista Ave.	El Cerrito Drive	Resurface
Magnolia Street	Eastern Ave.	13 <sup>th</sup> Street	Resurface
Magnolia Street	10 <sup>th</sup> Street	Palm Ave.	Resurface
Magnolia Street	7 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
Magnolia Street	5 <sup>th</sup> Street	West End	Resurface
Marjorie Ave.	H Street	Main Street	Resurface
Martin Place	9 <sup>th</sup> Street	East End	Resurface
Marilyn Ave.	Cattle Call Drive	K Street	Resurface
Pinner Drive	Las Flores Drive	D Street	Resurface
Plaza Ave.	North Imperial Ave.	South Imperial Ave.	Resurface
Rio Vista Ave.	Main Street	C Street	Resurface
Rio Vista Ave.	Magnolia Street	River Drive	Resurface
River Drive	10 <sup>th</sup> Street	Eastern Ave.	Resurface
Russell Road	K Street	South End	Resurface
Shank Road	Highway 111	Best Road	Resurface
Stanley Place	Malan Street	K Street	Resurface
Sycamore Drive	J Street	H Street	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Sycamore Drive	Cattle Call Drive	Allen Street	Resurface
Terrace Circle	J Street	H Street	Resurface
Vine Street	Malan Street	K Street	Resurface
Willard Ave.	Cattle Call Drive	H Street	Resurface
Wilson Road	I Street	End	Resurface
Malan Street	Highway 86	Best Road	Resurface
Cattle Call Drive	Highway 86	Area Cattle Call Park	Resurface
Julia Drive	Highway 86	Rodeo Drive	Resurface
Terrace Drive	Terrace Circle	West H Street	Resurface
Driftwood Place	N.Western Ave.	Boswell Court	Resurface
Boswell Court	Driftwood Place	West C Street	Resurface
Sunset Drive	A Street	River Drive	Resurface
First Street	A Street	River Drive	Resurface
Second Street	A Street	Magnolia Street	Resurface
N. Adams Street	Magnolia Street	River Drive	Resurface
Cortez Court	Magnolia Street	End of Court	Resurface
11 <sup>th</sup> Street	C Street	B Street	Resurface
Welcome Street	11 <sup>th</sup> Street	Palm Ave.	Resurface
Peach Street	11 <sup>th</sup> Street	Palm Ave.	Resurface
N. Ulloa Ave.	D Street	B Street	Resurface
Welcome Street	N. Eastern Ave.	End	Resurface
Palm Drive	H Street	I Street	Resurface
Norman Road	Highway 78	End	Resurface
Ivy Street	S. Palm Ave.	13 <sup>th</sup> Street	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Martin Street	S. Palm Ave.	13 <sup>th</sup> Street	Resurface
Leonard Street	11 <sup>th</sup> Street	S. Palm Ave.	Resurface
S. 13 <sup>th</sup> Street	Malan Street	K Street	Resurface
17 <sup>th</sup> Street	Malan Street	K Street	Resurface
18 <sup>th</sup> Street	Malan Street	K Street	Resurface
Magnolia Street	16 <sup>th</sup> Street	East End	Resurface
16 <sup>th</sup> Street	Magnolia Street	River Drive	Resurface
Jones Street	N. Eastern Ave.	East End	Resurface
A Street	8 <sup>th</sup> Street	Railroad Tracks	Resurface
D Street	10 <sup>th</sup> Street	Palm Ave.	Resurface
B Street	Palm Ave.	Eastern Ave.	Resurface
D Street	Palm Ave.	Eastern Ave.	Resurface
K Street	Highway 86	Rio Vista Ave.	Resurface
Cattle Call Drive	Highway 86	Willard Ave.	Resurface
Various Locations			Sidewalks, curbs, gutters and maintenance
Various Intersections			Sight Distance improvements
West Plaza/Main Street			Signalization
East Plaza/Main Street			Signalization
B Street/Highway 111			Signalization
Western Avenue/Main Street			Signalization
H Street	S. Imperial Ave.	8 <sup>th</sup> Street	Resurface
I Street	S. Palm Ave.	S. Eastern Ave.	Resurface
Palm Ave.	Highway 78	River Drive	Resurface
River Drive	N. Eastern Ave.	Best Road	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
3 <sup>rd</sup> Street	K Street	Malan Street	Resurface
6 <sup>th</sup> Street	H Street	D Street	Resurface
7 <sup>th</sup> Street	E Street	End	Resurface
11 <sup>th</sup> Street	Magnolia Street	River Drive	Resurface
Adams Street	B Street	Magnolia Street	Resurface
Bina Street	Magnolia Street	River Drive	Resurface
E Street	1 <sup>st</sup> Street	Plaza Drive	Resurface
E Street	Rio Vista Avenue	1 <sup>st</sup> Street	Resurface
Eastern Avenue	Main Street	Malan Street	Resurface
H Street	1 <sup>st</sup> Street	3 <sup>rd</sup> Street	Resurface
H Street	Rio Vista Avenue	End	Resurface
I Street	1 <sup>st</sup> Street	El Cerrito Drive	Resurface
K Street	Marilyn Avenue	Rio Vista Avenue	Resurface
River Drive	Rio Vista Avenue	El Cerrito Drive	Resurface
13 <sup>th</sup> Street	Malan Street	K Street	Resurface
Willard Avenue	Cattle Call Drive	Julia Drive	Resurface

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kloke Avenue Bridge	All American Canal	All American Canal	Bridge
Highway 111	International Border	Cole Road	Corridor Traffic Study
Emerson Ave Phase II	Second Street	Highway 98	Reconstruction
Cole Road	Kloke Avenue	½ E/O Meadows Rd	Reconstruction
Highway 111			Various Improvements
Second Street	Calexico Int'l Airport	Cesar Chavez Blvd	Bridge & Reconstruction
Highway 98	West City Limits	East City Limits	Widening
California Court	Camacho Road	North/End	New Construction
Weakly Road	Estrada Blvd	Scaroni Road	New Construction
Various Locations			Surface Treatment
Various Locations			Payment Repair
Various Locations			Safety Improvements & Traffic Studies
Various Locations			Curb/Gutter, Sidewalks, Wheelchair ramps
Sunset	Robinson	Central Main Canal	New Construction
Cole Road	Fiesta Ave		Signalization
Cole Road	Highway 98		Signalization
Cole Road	Bowker Road		Bridges
Meadows Road	Cole Road	Jasper Road	Bridge/New Construction
Sunset Avenue	Central Main Canal	Jasper Road	Bridge & Road Const.
Imperial Ave East	Central Main Canal	Jasper Road	Reconstruction
Imperial Ave West	Central Main Canal	Jasper Road	Reconstruction
Sherman Street	Harold Avenue	Railroad Tracks	New Construction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Sherman Street	Pierce Avenue	Emilia Drive	New Construction
VV Williams Ave	Sam Ellis St	Cole Road	Reconstruction
De las Flores St	Eady Ave	Kloke Ave	New Construction
Sixth St	Emerson Ave	Railroad Tracks	New Construction
Third Street	Heber Avenue	Encinas Avenue	Reconstruction/Widening
Fourth St	Blair Avenue	Encinas Avenue	Reconstruction/Widening
Sixth St	Imperial Avenue	Heber Avenue	Reconstruction/Widening
Seventh St	Imperial Avenue	Blair Avenue	Reconstruction
Sherman St	Rockwood Ave	Blair Avenue	Reconstruction
Eighth Street	Imperial Avenue	Rockwood Ave	Reconstruction/Widening
Temple Court	Imperial Avenue	Rockwood Ave	Reconstruction/Widening
Rosemont St	Rockwood Ave	Blair Avenue	Reconstruction
Ninth Street	Imperial Avenue	Rockwood Avenue	Reconstruction/Widening
Ethel St	Heber Avenue	Blair Avenue	Reconstruction
Maiden Lane	Imperial Ave	Paulin Ave	Reconstruction/Widening
Tenth St	Imperial Ave	Rockwood Ave	Reconstruction/Widening
Pauline Avenue	Fifth Street	Highway 98	Reconstruction
Second Street	Calexico Int'l Airport	West City Limits & All American Canal	Bridge & Reconstruction
Beach Street	Elmer Belcher Street	Fifth Street	Reconstruction Phase 1
Beach Street	Fifth St	Second Street	Reconstruction Phase II
Encanto Drive	Elmer Belcher St	Eight Street	Reconstruction
Encanto Drive	Eight Street	Eight Street	Reconstruction
Encanto Terrace	Elmer Belcher St	Eight Street	Reconstruction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Dool Avenue	Elmer Belcher St	Fifth Street	Reconstruction Phase 1
Dool Avenue	Fifth Street	Second Street	Reconstruction Phase II
Fifth Street	Heber Avenue	Andrade Ave	Reconstruction Phase 1
Fifth Street	Heber Avenue	Imperial Ave.	Reconstruction Phase II
Sixth Street	Encinas Avenue	Andrade Avenue	Reconstruction
Seventh Street	Blair Avenue	Andrade Avenue	Reconstruction
Eight Street	Dool Avenue	Andrade Avenue	Reconstruction
Zapata Street	Granero Avenue	Meadows Road	Reconstruction
Meadows Road	Highway 98	All American Canal	Reconstruction
Rosas Street	East Cul-d-sac	Meadows Road	Reconstruction
Iris Avenue	Camila Street	Rosas Street	Reconstruction
Iris Avenue	Holdridge St	Saphire Street	Reconstruction
Holdridge Street	Meadows Road	E Hashem Ave	Reconstruction
Holdridge Street	E. Hashem Ave	Cul-d-sac East	Reconstruction
Holdridge Street	De Leon Avenue	Meadows Road	Reconstruction
Camilia Street	Meadows Road	Cul-d-sac East	Reconstruction
E. Hashem Avenue	100' North of Holdridge	Cul-d-sac South	Reconstruction
Margarita Street	E. Hashem Avenue	Cul-d-sac West	Reconstruction
Margarita Street	E. Hashem Avenue	Cul-d-sac East	Reconstruction
Jasmine Street	E. Hashem Avenue	Cul-d-sac West	Reconstruction
Jasmine Street	E. Hashem Avenue	Cul-d-sac East	Reconstruction
Obeliscos Street	Iris Avenue	Cul-d-sac West	Reconstruction
Obeliscos Street	Iris Avenue	Cul-d-sac- East	Reconstruction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kloke Road	Grant Street	Highway 98	Reconstruction
Paulin Avenue	Second Street	Fifth Avenue	Reconstruction
Emerson Avenue	Third Street	Highway 98	Reconstruction
Encinas Avenue	Second Street	Highway 98	Reconstruction
Belcher Street	Encinas Avenue	Andrade Ave	Reconstruction
Seventh St	Andrade Avenue	Paseo de su Alteza	Reconstruction
Paseo de su Alteza	Los Reyes	Seventh Street	Reconstruction
Paseo de su Alteza	Seventh Street	Fifth Street	Reconstruction
Paseo de su Alteza	Fifth Street	Camino del Rio	Reconstruction
Rancho Elegante	Paseo de su Alteza	Andrade Avenue	Reconstruction
Arroyo	Rancho Elegante	Second Street	Reconstruction
Camino Del Rio	Andrade Avenue	Paseo de su Alteza	Reconstruction
Milpitas	Paseo de su Alteza	Cul-d-sac West	Reconstruction
Rio Hondo	Milpitas	Camino del Rio	Reconstruction
Fifth Street	Paseo de su Alteza	Andrade Avenue	Reconstruction
Paseo Emperador	Seventh Street	Paseo de su Alteza	Reconstruction
Santiago Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Colorado Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Plata Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Brave Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
De Leon Avenue	Harrington Street	Cul-d-sac South	Reconstruction
Fiesta Avenue	Harrington Street	Holdridge Street	Reconstruction
Holdridge Street	Rancho Frontera	De Leon Avenue	Reconstruction
Rancho Frontera	Harrington Street	Highway 98	Reconstruction

See accountants' report

# CITY OF CALIPATRIA

## 5-Year Program of Projects 2007/12

ROAD	FROM	TO	PROJECT DESCRIPTION
Alamo	International	East	Maintenance
Alexandria	International	Brown	Maintenance
Barbara	International	Commercial	Maintenance
Bonita	International	East	Maintenance
Bonita P1	Brown	East	Maintenance
Brown	California	Freeman	Maintenance
Brown	SR115	Bowles	Maintenance
California	International	Railroad	Maintenance
California	Industrial	Commercial	Maintenance
Centro	SR115	Alamo	Rehabilitate
Centro	SR115	Alexandria	Rehabilitate
Church	International	Railroad	Maintenance
Church	Brown	East	Rehabilitate
Commercial	California	Freeman	Rehabilitate
Commercial	SR115	Church	Maintenance
Date	West terminus	Railroad	Maintenance
Delta	International	Lake	Rehabilitate
Delta	Lake	Railroad	Maintenance
Delta	Industrial	Commercial	Rehabilitate
East	Bonita PI	Bowles	Rehabilitate
East	SR115	Bonita PI	Maintenance
East	SR115	Young	Maintenance
Fern	International	SR115	Rehabilitate
Freeman	Brown	East	Rehabilitate

See accountants' report

**CITY OF CALIPATRIA**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial	SR115	Delta	Rehabilitate
Imperial	SR115	Date	Rehabilitate
Industrial	Alexandria	Young	Rehabilitate
Industrial	SR115	Church	Maintenance
International	Main	Delta	Rehabilitate
International	Main	Bowles	Maintenance
Lake	C Lateral	Fern	Rehabilitate
Lake	Fern	Delta	Maintenance
Mesa Verde	Ironwood	Terminus	Rehabilitate
Park	Fern	Delta	Maintenance
Railroad	SR115	Young	Maintenance
Railroad	SR115	Date	Rehabilitate
Laurel Lane	Fan Palm		Rehabilitate

**CITY OF EL CENTRO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Streets/Overlay			Street repair, overlay and striping
Street Slurry Seal			Street slurry seal and striping
North Date Canal Under-grounding			Under-grounding of the canal along Villa Ave, between 17 <sup>th</sup> and 8 <sup>th</sup> St. City will pay 25% IID will pay 75%.
La Brucherie Widening			Right-of-way acquisition, widening and Shoulder improvements from Adams to Orange
Bike Path			80 ADA Ramps, striping and signage for bike routes.
Dogwood Road Widening			Widen Dogwood RD (I-8 to southern  City limits) and rehabilitation of Danenberg from Dogwood to 4 <sup>th</sup> St.
Dogwood Phase 1- Local Match- RSTP			Removal and reconstruction of two Lane Dogwood Ave between I-8 and State street (1.2 miles)
Dogwood Phase 2- Local Match- RSTP			Removal and reconstruction of existing Four-lane Dogwood Rd (0.2 miles) Between Commercial and State street.
Imperial Avenue Phase 3 – Local			Rehabilitation and overlay of Imperial Avenue from Orange to Adams (.5mi)
Orange Avenue Reconstruction- Local Match- RSTP			Overlay Orange Ave. two lanes, between Waterman and Labrucherie And install curb and gutter on south side of Orange, parking and drainage.
8 <sup>th</sup> & I-8 Bridge Widening			Widen 8 <sup>th</sup> Street to four lanes between Aurora and Wake. This will require the Bridge to be widened by approximately 33', Because this bridge adjoins Another bridge built in 1996 that strictly Serves pedestrian traffic on the west Side, the widening of the vehicular Bridge and approach roadway is limited to the east side.

**CITY OF EL CENTRO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Interim Dogwood Bridge Improvements			Widen west bound and east bound off-ramps at Dogwood Ave. on I-8 and all approaches of Dogwood Av. This also includes the design and installation of new traffic signals at the same on and off-ramp locations
Imperial Avenue Extension (I-8 South to Mc Cabe)			Median and south bound lane along west side for future extension of Imperial Ave. (south)
Bradshaw			Connect Bradshaw through to 8 <sup>th</sup> St. Two lanes.
Cruickshank			Connect Cruickshank through to 8th St. two lanes.
Wake Ave. SR86 NW Corner Radius West bound signal light Modification			Relocate NW signal light and install new curb return to allow trucks to adequately turn.

**CITY OF HOLTVILLE**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Fern Avenue	Fifth Street	Fourth Street	Reconstruct
Fern Avenue	Fifth Street	Sixth Street	Resurface
Various Streets			Maintenance & Restorative Seal
Artesia Avenue	Myrtle Avenue	Olive Avenue	Maintenance & Restorative Seal
Eight Street	Melon	Olive Avenue	Maintenance & Restorative Seal
Fern Avenue	Sixth Street	Ninth Street	Maintenance & Restorative Seal
Orange Avenue	Fifth Street	Tenth Street	Maintenance & Restorative Seal
Walnut Avenue	237 S. of Third St	Tenth Street	Maintenance & Restorative Seal
Maple Avenue	Fourth Street	Ninth Street	Maintenance & Restorative Seal
Chestnut Avenue	Fourth Street	Ninth Street	Maintenance & Restorative Seal
Brentwood Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
Holt Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Sixth Street	Orange Avenue	350 East of Grape	Maintenance & Restorative Seal
Grape Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Myrtle Avenue	Sixth Street	West Seventh St	Maintenance & Restorative Seal
South Half of 6 <sup>th</sup> St	Tamarack	Melon Ave	Maintenance & Restorative Seal
Fifth Street	Tamarack Ave	Mesquite Ave	Maintenance & Restorative Seal
Cedar Street	Fourth Street	Alamo Bridge	Maintenance & Restorative Seal
Holt Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Tenth Street	Holt Avenue	Orange Ave	Maintenance & Restorative Seal
Cedar Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
Fourth Street	Highway 115	Holt Avenue	Maintenance & Restorative Seal
Fourth Street	Holt Avenue	Walnut Avenue	Maintenance & Restorative Seal
Fourth Street	Walnut Avenue	Grape Avenue	Maintenance & Restorative Seal

See accountants' report

**CITY OF HOLTVILLE**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Pine Avenue	Fourth Street	Fifth Avenue	Maintenance & Restorative Seal
Pine Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Holt Avenue	Fourth Street	Fifth Street	Maintenance & Restorative Seal
Walnut Avenue	South County Line	237 S. of Third St	Maintenance & Restorative Seal
Sixth Street	Holt Avenue	Orange Avenue	Maintenance & Restorative Seal
Tamarack Avenue	Fifth Street	Zenos Road (Sixth St)	Maintenance & Restorative Seal
Palo Verde Avenue	Fifth Street	Zenos Road (Sixth St)	Maintenance & Restorative Seal
Mesquite Avenue	Fifth Street	Zenos Road (Sixth St)	Maintenance & Restorative Seal
Sixth Street	Melon Avenue	Holt Avenue Of Fifth Street	Maintenance & Restorative Seal
Tenth Street	Orange Avenue	Figueroa Avenue	Maintenance & Restorative Seal
Figueroa Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Circle Drive	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Circle Drive	Eighth Street	Chestnut Ave	Maintenance & Restorative Seal
Figueroa Avenue	Seventh St	Eighth Street	Maintenance & Restorative Seal
Fig Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Maple Avenue	Third Street	Fourth Street	Maintenance & Restorative Seal
Third Street	Walnut Avenue	Grape Avenue	Maintenance & Restorative Seal
Chestnut Avenue	Third Street	Fourth Street	Maintenance & Restorative Seal
Rose Avenue – East of Chestnut Avenue			Maintenance & Restorative Seal
Ninth Street	Beale Avenue	Towland Road	Maintenance & Restorative Seal
Seventh Street	Beale Avenue	Towland Road	Maintenance & Restorative Seal
Webb Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
Ash Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal

See accountants' report

**CITY OF HOLTVILLE**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Elm Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Oak Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Eighth Street	Ash Avenue	Oak Avenue	Maintenance & Restorative Seal
Grape Avenue	Fourth Street	Fifth Street	Maintenance & Restorative Seal
Seventh Street	Myrtle Avenue	Beale Avenue	Maintenance & Restorative Seal
Eighth Street	Olive Avenue	Beale Avenue	Maintenance & Restorative Seal
Wooldridge Ave	Melon Ave	Olive Avenue	Maintenance & Restorative Seal
Ninth Street	Olive Avenue	Beale Avenue	Maintenance & Restorative Seal
Melon Avenue	Sixth Street	Ninth Street	Maintenance & Restorative Seal
Olive Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Palm Avenue	Fourth Street	Highway 115	Maintenance & Restorative Seal
Palm Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Cedar Avenue	Fourth Street	Seventh Street	Maintenance & Restorative Seal
Orange Avenue	200' S. of Fifth St		Maintenance & Restorative Seal
Beale Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
8 <sup>th</sup> Street	Maple	Walnut Ave	Maintenance & Restorative Seal
Figueroa Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Olive Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Ninth Street	Slaton	Brentwood	Maintenance & Restorative Seal
Grape Avenue	Fourth Street	Third Street	Construct Extension
Beale Avenue	Ninth Street	Tenth Street	Construct Extension
Willow Avenue	Ninth Street	Tenth Street	Construct Extension
Grape Court	East of Grape Avenue		Construct Extension

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Streets	Various Limits		Const/Rehab/Maintenance
Neckel	Hwy 86	Railroad	Rehab/Repair/ Maint.
Ralph	Hwy 86	Railroad	Rehab/Repair/Maint
Neckel/Hwy 86	Intersection		Improve & Signalize
Ralph/Hwy 86	Intersection		Improve & Signalize
Treshill/Hwy 86	Intersection		Construct & Signalize
1 <sup>st</sup> St	N St.	P St.	Construct
1 <sup>st</sup> St	D St	Imperial Ave	Repair/Maintenance
2 <sup>nd</sup> St	K St	P St	Const/Repair/Maint
3 <sup>rd</sup> St	C St	F St	Repair/Maintenance
3 <sup>rd</sup> St	G St	K St	Repair/Maintenance
3 <sup>rd</sup> St	N St	P St	Construct
4 <sup>th</sup> St	C St	F St	Repair/Maintenance
4 <sup>th</sup> St	N St	P St	Construct
5 <sup>th</sup> St	E St	Imperial Ave	Repair/Maintenance
5 <sup>th</sup> St	Hwy 86	K St	Repair/Maintenance
5 <sup>th</sup> St	N St	P St	Construct
6 <sup>th</sup> St	Hwy 86	K St	Repair/Maintenance
6 <sup>th</sup> St	D St	H St	Rehab/Repair/Maint
7 <sup>th</sup> St	D St	F St	Repair/Maintenance
7 <sup>th</sup> St	H St	Imperial Ave	Repair/Maintenance
Barioni Blvd	B St	P St	Repair/Maintenance
9 <sup>th</sup> St	F St	G St	Repair/Maintenance
9 <sup>th</sup> St	J St	K St	Reair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
9 <sup>th</sup> St	N St	P St	Construct
10 <sup>th</sup> St	F St	Imperial Ave	Repair/Maintenance
10 <sup>th</sup> St	N St	P St	Construct
11 <sup>th</sup> St	D St	Imperial Ave	Construct/Repair/Maint
11 <sup>th</sup> St	N St	P St	Construct
12 <sup>th</sup> St	J St	K St	Const/Repair/Maint
12 <sup>th</sup> St	N St	P St	Construct
14 <sup>th</sup> St	B St	D St	Repair/Const/Maint
14 <sup>th</sup> St	F St	Hwy 86	Rehab/Repair/Maint
15 <sup>th</sup> St	Hwy 86	M St	Repair/Maintenance
15 <sup>th</sup> St	La Brucherie	D St	Construct
C St	3 <sup>rd</sup> St	4 <sup>th</sup> St	Repair/Maintenance
C St	12 St	14 <sup>th</sup> St	Repair/Maintenance
D St	1 <sup>st</sup> St	3 <sup>rd</sup> St	Repair/Maintenance
D St	4 <sup>th</sup> St	5 <sup>th</sup> St	Repair/Maintenance
D St	11 <sup>th</sup> St	12 <sup>th</sup> St	Repair/Maintenance
E St	1 <sup>st</sup> St	3 <sup>rd</sup> St	Repair/Maintenance
E St	10 <sup>th</sup> St	12 <sup>th</sup> St	Repair/Maintenance
F St	1 <sup>st</sup> St	14 <sup>th</sup> St	Repair/Maintenance
F St	6 <sup>th</sup> St	13 <sup>th</sup> St	Repair/Maintenance
G St	2 <sup>nd</sup> St	10 <sup>th</sup> St	Rehab/Repair/Maint
G St	13 <sup>th</sup> St	14 <sup>th</sup> St	Rehab/Repair/Maint
H St	1 <sup>st</sup> St	Barioni Blvd	Rehab/Repair/Maint
H St	10 <sup>th</sup> St	11 <sup>th</sup> St	Rehab/Repair/Maint
Imperial Ave	Hwy 86	2 <sup>nd</sup> St	Repair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial Ave	12 <sup>th</sup> St	15 <sup>th</sup> St	Repair/Maintenance
J St	Barioni Blvd	12 <sup>th</sup> St	Repair/Maintenance
K St	2 <sup>nd</sup> St	10 <sup>th</sup> St	Repair/Maintenance
L St	2 <sup>nd</sup> St	Barioni Blvd	Rehab/Repair/Maint
M St	Barioni Blvd	15 <sup>th</sup> St	Construct
N St	1 <sup>st</sup> St	Barioni Blvd	Rehab/Repair/Maint
O St	Barioni Blvd	13 <sup>th</sup> St	Const/Repair/Maint
P St	Barioni Blvd	Neckel Rd	Construct
Aten Blvd	Dogwood Rd	Austin Rd	Rehab/Repair/Maint
La Brucherie	Aten Blvd	Intersection	Const/Rehab/Maint/Sign
Preble Ave	Aten Rd	Treshill Rd	Rehab/Repair/ Maint
Treshill Blvd	Hwy 86	La Brucherie	Construct
Clark & Aten Rd	Intersection		Const/Rehab/Signal
Wall St	Hwy 86	La Brucherie	Const/Rehab
Myrtle Ave	Aten Blvd	Treshill St	Rehab/Repair/Maint
Bougainvillea Tr	Aten Blvd	Joshua Tree	Repair/Maintenance
Brushwood	Desert Willow	Joshua Tree	Repair/Maintenance
Morning Glory	Aten Blvd	Joshua Tree	Repair/Maintenance
Smokewood	Desert Willow	Joshua Tree	Repair/Maintenance
Joshua Tree	Desert Willow	Bougainvillea	Repair/Maintenance
Desert Willow	Brushwood	Smokewood	Repair/Maintenance
Baywood	Brushwood	Smokewood	Repair/Maintenance
Sequoia	Brushwood	Smokewood	Repair/Maintenance
Juniper	Brushwood	Smokewood	Repair/Maintenance
Cañon	Rodeo Dr	Neckel Ave	Repair/Maintenance
Lariat Ln	Rodeo Dr	Sage Ct	Repair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Winchester Ln	Rodeo Dr	Sage Ct	Repair/Maintenance
Sage Court	Lariat Ln	Winchester	Repair/Maintenance
Mustang Ln	Cañon Dr	End of Lane	Repair/Maintenance
Conestoga Ln	Cañon Dr	End of Lane	Repair/Maintenance
Roadrunner	Cañon Dr.	End of Lane	Repair/Maintenance

See accountants' report

**CITY OF WESTMORLAND**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Center Street	Highway 86	Baughman Road	Reconstruct
Center Street	Highway 86	Eighth Street	Reconstruct
First Street	Center Street	F Street	Repair/Maintenance
First Street	Center Street	C Street	Repair/ Construct
First Street	H Street	G Street	Repair/Maintenance
Second Street	G Street	Center Street	Repair/Reconstruct
Third Street	F Street	Center Street	Repair/Maintenance
Fifth Street	G Street	C Street	Repair/Construct
Fifth Street	H Street	West end of Street	Repair/Maintenance
Sixth Street	F Street	Center Street	Reconstruct
Sixth Street	H Street	West end of Street	Repair/Maintenance
Seventh Street	J Street	Center Street	Reconstruct
Seventh Street	D Street	B Street	Reconstruct
Eighth Street	J Street	H Street	Construct
Eighth Street	Center Street	150' E. of D Street	Repair/Maintenance
B Street	Highway 86	Seventh Street	Reconstruct
C Street	Highway 86	Seventh Street	Repair/Maintenance
D Street	Seventh Street	Eighth Street	Repair/Maintenance
F Street	Third Street	7 <sup>th</sup> Street	Reconstruct
G Street	Highway 86	Third Street	Repair
G Street	Sixth Street	Seventh Street	Repair/Construct
H Street	First Street	Highway 86	Repair/Construct
H Street	Seventh Street	Eighth Street	Construct
J Street	Seventh Street	Eighth Street	Repair/Maintenance

See accountants' report

**CITY OF WESTMORLAND**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Jauregui Street	G Street	End of Cul-de-sac	Repair/Maintenance
Sundance	J Street	End of Cul-de-sac	Repair/Maintenance
Various Streets	Various Locations		Reconstruction/Repair

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Roads in Bombay Beach			Overlay
Various Roads in Desert Shores			Overlay
Various Roads in Heber			Overlay
Various Roads in Niland			Overlay
Various Roads in Ocotillo			Overlay
Various Roads in Palo Verde			Overlay
Various Roads in Salton City			Overlay
Various Roads in Salton Sea Beach			Overlay
Various Roads in Seeley			Overlay
Various Roads in Winterhaven			Overlay
Diehl Road (13)	Drew Road (WR)	West 2 miles	Overlay
Wixom Road (12)	Drew Road (WR)	West to End	Overlay
Alamo Road (23.5)	Towland (ET)	Bridenstein Road ( EU)	Reconstruct
Araz ( A2N07)	I-8	Winterhaven Dr. (A2P06)	Overlay
Aten Road (24)	Forrester Road (WJ)	Gillette Road	Overlay
Austin Road (WG)	Evans Road (53)	Aten Road (24)	Overlay
Barbara Worth Road (EL)	Anza Road (2)	Jasper Road (8)	Overlay
Barbara Worth Road (EL)	I-8	McCabe Road (14)	Overlay
Baughman Road	Forrester Rd	Highway 86	Reconstruct
Belford Road (28.5)	Imperial Ave.	West End	Overlay
Blair Rd. (EE)	McDonald Rd. (76)	Pon Rd. (78)	Overlay
Boarts Road (53)	Highway 86	Kalin Road (WE)	Overlay
Bonds Corner Rd (EW)	Hwy 98	I-8	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Bowker Road (EH)	Cole Road (6)	Jasper Road	Overlay
Bowker Road (EH)	Highway 98	Anza Road (2)	Overlay
Boyd Rd (34)	Poore Rd (EY)	Highline Rd. (EZ)	Overlay/Widen
Brockman Road (WL)	Abatti Road (12)	McCabe Road (14)	Reconstruct
Brockman Road (WH)	Hwy 98	McCabe Road (14)	Overlay/Widen
Casey Rd. (EM)	Boyd Rd. (34)	Keystone Rd. (36)	Overlay
Chick Road (16)	Highway 111	1 ½ miles West	Overlay/Widen
Clark Road (WC)	Horne Road (16)	Wahl Road (10)	Overlay
Clark Road (WC)	El Centro City Limits	Atens Road (24)	Maintenance
Cole Road	Railroad Tracks	Kloke Road	Reconstruct
Correll/Dogwood			Signals
Cross Road	El Centro City Limits	Imperial City Limits	Maintenance
Drew Rd. (WR)	I-8	Evan Hewes Rd. (2A23)	Overlay
Drew Rd. (WR)	I-8	Lions Rd. (9)	Overlay
Drew Rd. (WR)	Lions Rd. (9)	Kubler Rd. (6)	Overlay
Drew Rd. (WR)	Kubler Rd. (9)	Hwy 98	Overlay
Dogwood Road (00)	State Highway 86		Signals/ Rechannelization
Dogwood Road (00)	Heber (SR86)	½ Mile South of Chick Rd	Overlay/ Widen/Signals
Eddins Road (65)	English Road (WA)	Brandt Road (EC)	Reconstruct
Eddins Road (65)	English Road (WA)	Calipatria City Limits	Overlay
Eddins Road (65)	Lyerly Road (EA)	English Road (WA)	Overlay
English Road (WA)	Montgomery Road (GE)	Sinclair Road (72)	Overlay
Evan Hewes (2A23)	Hwy 115	Hwy 111	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Evan Hewes (2A23)	Austin Rd. (WG)	Forrester Rd. (WJ)	Overlay
Evan Hewes (2A23)	Drew Rd. (WR)	Westmoreland Rd. (WX)	Overlay
Evan Hewes (2A23)	Imperial Hwy (2A02)	Plaster City	Overlay
Evan Hewes (2A23)	Westmorland Rd (WX)	Bennett Rd. (WP)	Overlay
Evan Hewes (2A23)	Hwy 115	Gordons Well Rd.	Overlay
Forrester Road (WJ)	I-8	Evan Hewes (2A23)	Overlay
Forrester Rd. (WJ)	Bannister Rd. (55)	Walker Rd. (58)	Overlay
Forrester Rd.	Evan Hewes Hwy		Traffic Signals
Gentry Rd. (WI)	Walker Rd. (58)	New River	Overlay
Harris Road (32)	Hwy 111	McConnell Road (EF)	Overlay
Harris Road (32)	McConnell Road (EF)	Alamo River Bridge	Overlay
Harris Rd. (32)	Holt Rd. (ER)	Hwy 115	Overlay/Widen
Hartshorn Rd. (29)	Webb Rd. (EX)	Highline Rd. (EZ)	Overlay
Hoskins Road (WO)	Andre Rd.	Westside Main Canal	Overlay/reconstruct
Hovley Rd. (WA)	Baughman Rd. (52)	Rutherford Rd. (54)	
Johnson Lane (WI)	Evan Hewes (2A23)	End	Construction
Kaiser Road (EQ)	Writ Road (65)	Albright Road (62)	Overlay
Kalin Road (WE)	Baughman Road (52)	2.8 miles North	Overlay
Kalin Road (WE)	New River	Vail Road (62)	Reconstruct
Kalin Rd. (WC)	Webster Rd.	Baughman Rd. (52)	Overlay/Reconstruct
Kershaw Rd. (EC)	Titworth Rd. (58)	Rutherford Rd. (54)	Overlay
Keystone Road (36)	Highway 86	Dogwood Road (00)	Overlay
Keystone Road (36)	Highway 86	Austin Rd. (WG)	Overlay
Keystone Road (36)	Poore Road (EY)	(EV)	Overlay/Widen

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kubler Rd. (6)	Brockman Rd. (WL)	Rockwood Rd. (WJ)	Reconstruct
McCabe Road (14)	Pitzer	Dogwood Road	Overlay/ Reconstruct/Widen
McConnell Road (EF)	Keystone Road (36)	Schartz Road (40)	Overlay
McConnell Road (EF)	Mead Road (42)	Schartz Road (40)	Overlay
McDonald Road (76)	Potter Road (EG)	Wiest Road (EJ)	Overlay
Miller Road (EAA)	Hunt Rd. (16)	Humberg Rd. (8)	Overlay/Widen
Montgomery Road (69)	Wiest Road (EJ)	Reed Road (EM)	Reconstruct
Murphy Road (28)	La Brucherie Road (WE)	West End	Overlay
Neighbors Blvd.	County Line	Bridge	Overlay
Nina Rd. (HE)	Hwy 86	.02 mile North	Rehabilitate
Ogilby Road (3M01)	Railroad	Highway 78	Overlay
Pitzer Rd. (EB)	McCabe Road (14)	Correll Road (12)	Reconstruct
Ross Road (18)	Austin Road (WG)	Forrester Road (WJ)	Overlay
Ruegger Road (61)	Reeves Road (WA)	Alamo River	Overlay
Rutherford Road (54)	Butters Road (ES)	1.0 Mile East	Overlay
Rutherford Road (54)	Highway 115	Hastain Road (EO)	Overlay
Rutherford Road (54)	Highway 111	Best Road (EC)	Overlay
Schartz Road (40)	Dogwood Road	Highway 111	Overlay/Reconstruct
Seybert Rd (EI)	Hwy 78	Sillman Rd. (45)	Overlay
Silsbee Rd. (WM)	Aten Rd. (24)	Hackelman Rd. (22)	Reconstruct
Silsbee Rd. (WM)	Hackelman Rd. (22)	Evan Hewes Rd (2A23)	Overlay
Slaton Road (ES)	9 <sup>th</sup> Street	Thiesen Road (22)	Overlay
Snyder Road (EW)	Highway 115	Norrish Road (25)	Overlay
Spa Road (9D08)	Hot Mineral Spa (9G02)	Coachella Canal (7G03)	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Underwood Road (7g01)	Holtville City Limits	Towland Road (ET)	Overlay
Various Road/Bridges			Maint. &/Or Misc
Various Road Locations			Misc. Sfty Project
Verde School Road (10)	Miller Road (EAA)	1.0Mile East	Overlay
Walker Road (58)	Brandt Road (WC)	Kalin Road (WG)	Overlay
Webb Road (EX)	Norrish Road (25)	Worthington Road (27)	Reconstruct
Wiest Road (EJ)	Merkley Road (73)	Road 75	Overlay
Wiest Road (EJ)	Wirt Road (65)	Montgomery Road (69)	Overlay
Willoughby/Dogwood Roads			Signals
Willoughby Road (8)	Ware Road (EA)	Kloke Road (EB)	Reconstruct
Wirt Road (65)	Wiest Road (EJ)	Kaiser Road (EQ)	Overlay
Worthington Road (27)	New River	Forrester Road (WJ)	Overlay
Worthington Road (27)	Highway 111	McConnell Road (EF)	Overlay
Yocum Road (63)	Highway 111	Kershaw Road (EC)	Overlay
Yourman Road (ED)	McCabe Road (14)	Highway 111	Overlay

See accountants' report

## **FINDINGS AND RECOMMENDATIONS**

## IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

### SCHEDULE OF FINDINGS AND RECOMMENDATIONS

June 30, 2010

We noted the following findings during our examination of the Imperial County Local Transportation Authority.

1. Finding – No documentation maintained of funds distributed by Board of Equalization to Local Transportation Authority

During our examination the administrator was unable to provide any sort of documentation that could be used to verify the amounts received by the authority each month as well as the actual costs charged by the Board of Equalization for performing the functions specified in Section 132304(b) of the Public Utilities Code.

Effect:

ICLTA board and administrators are not made aware of the total tax collected as part of this ordinance and what were the costs related with the distribution of these monies to the ICLTA in order for them to be distributed to its members and be used for their intended purpose.

Recommendation:

For ICLTA Administrators to request from the Board of Equalization a breakdown of the amount received by the ICLTA each month along with the costs incurred by the BOE in relation with the collection and distributions of the sales tax as part of the ordinance.

2. Finding – expenses being claimed as administrative expenses and subject to 1% limitation

During our examination we noticed some of the expenditures, such as advertisement, membership dues, consulting fees, legal and examination fees, being claimed as administrative expenses did not meet the definition provided by Section 8 of the ICLTA Retail Transactions and Use Tax Expenditure Plan.

Effect:

The responsibility of paying non-administrative related costs is placed on the ICLTA administrators who in turn are limited to a set amount they can charge each year as administrative expenses. In the event that all expenditures being claimed as administrative expenses surpasses the 1% limitation, then the ICLTA Administrators will be responsible of covering any expenditure that exceeds such limit.

Recommendation:

To come up with a solution to cover the non-administrative expenses generated by the ICLTA.

3. Finding – members not receiving a revenue projection as mentioned in Section 5 of the ICLTA Retail Transactions and Use Tax Expenditure Plan

While performing our compliance portion of this examination we became aware that the members were not receiving an annual or five year revenue projection.

Effect:

Each member agency needs a revenue projection so that they in turn can modify their five year road expenditure plan and be able to provide such updated plans back to the ICLTA Board and Administrators.

Recommendation:

For the ICLTA Administrator to provide a revenue projection to each member so that each member in turn can prepare and provide an updated Five Year Expenditure Plan as needed.

**CITY OF BRAWLEY  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF BRAWLEY  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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### **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Brawley, California

We have evaluated the City of Brawley's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Brawley was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Brawley has complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF BRAWLEY  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 53,913
Allocation due from ICLTA	340,780
Interest receivable	<u>70</u>

Total assets and other debits	<u><u>\$ 394,763</u></u>
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**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	<u>\$ 1,814</u>
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Total liabilities	1,814
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**Fund balance**

Unreserved-undesignated	<u>392,949</u>
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Total liabilities and fund balance	<u><u>\$ 394,763</u></u>
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The notes to the financial statements are an integral part of this statement

**CITY OF BRAWLEY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**For The Year Fiscal Year Ended June 30, 2010**

<b>Revenues</b>	
Taxes	\$ 1,829,101
Use of money and property	<u>1,414</u>
Total revenues	<u>1,830,515</u>
<b>Expenditures</b>	
Current	
Transportation	<u>713,309</u>
Total expenditures	<u>713,309</u>
Transfers out- infrastructure	<u>3,143,071</u>
Excess of expenditures and transfers out over revenues	<u>(2,025,865)</u>
Fund balance, beginning	2,821,287
Prior period adjustment	<u>(402,473)</u>
Fund balance, beginning adjusted	<u>2,418,814</u>
Fund balance, ending	<u><u>\$ 392,949</u></u>

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

**CITY OF BRAWLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE BUDGET AND ACTUAL**  
**For The Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>			
Taxes	\$ --	\$1,829,101	\$1,829,101
Use of money and property	<u>--</u>	<u>1,414</u>	<u>1,414</u>
Total revenues	<u>--</u>	<u>1,830,516</u>	<u>1,830,516</u>
<b>Expenditures</b>			
Current			
Transportation	--	713,309	713,309
Transfers out	<u>--</u>	<u>3,143,071</u>	<u>3,143,071</u>
Total expenditures and transfers out	<u>--</u>	<u>3,856,380</u>	<u>3,856,380</u>
Excess of expenditures over revenues	<u>--</u>	<u>(2,025,865)</u>	<u>(2,025,865)</u>
Fund balance, beginning	2,821,287	2,821,287	--
Prior period adjustment	<u>--</u>	<u>(402,473)</u>	<u>(402,473)</u>
Fund balance, beginning adjusted	<u>2,821,287</u>	<u>2,418,814</u>	<u>(402,473)</u>
Fund balance, ending	<u>\$ 2,821,287</u>	<u>\$ 392,949</u>	<u>\$(2,428,338)</u>

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

**CITY OF BRAWLEY  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

**CITY OF BRAWLEY  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

See accountants' report

**CITY OF BRAWLEY  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in the "Due From" and "Payable" accounts to agree to correct balances. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$402,473.

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
10 <sup>th</sup> Street	B Street	River Drive	Resurface
11 <sup>th</sup> Street	Malan Street	Leonard	Resurface
13 <sup>th</sup> Street	C Street	D Street	Resurface
14 <sup>th</sup> Street	Malan Street	K Street	Resurface
14 <sup>th</sup> Street	C Street	D Street	Resurface
1 <sup>st</sup> Street	A Street	N. End	Resurface
2 <sup>nd</sup> Street	Malan Street	G Street	Resurface
3 <sup>rd</sup> Street	A Street	End	Resurface
3 <sup>rd</sup> Street	Malan Street	End	Resurface
3 <sup>rd</sup> Street	K Street	G Street	Resurface
5 <sup>th</sup> Street	A Street	End	Resurface
5 <sup>th</sup> Street	South Plaza	Malan Street	Resurface
5 <sup>th</sup> Street	North Plaza	C Street	Resurface
8 <sup>th</sup> Street	Main Street	K Street	Resurface
9 <sup>th</sup> Street	Malan Street	B Street	Resurface
A Street	Magnolia	Western Ave.	Resurface
A Street	Eastern Ave.	Best Road	Resurface
Adams	Malan Street	Leonard	Resurface
Adler Street	Rio Vista Ave.	El Cerrito Dr.	Resurface
Adler Street	7 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
Adler Street	5 <sup>th</sup> Street	West End	Resurface
Allen Street	Marilyn Ave.	Rio Vista Ave.	Resurface
B Street	First Street	Imperial Ave.	Resurface
B Street	8 <sup>th</sup> Street	Palm Ave.	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Best Road	Highway 111	Northern City Limits	Resurface
C Street	First Street	10 <sup>th</sup> Street	Resurface
C Street	13 <sup>th</sup> Street	Best Road	Resurface
D Street	Imperial Ave.	8 <sup>th</sup> Street	Resurface
D Street	Pinner Drive	Rio Vista Ave.	Resurface
De Anza Place	Cattle Call Dr.	Allen St.	Resurface
Dogwood Road	Malan Street	S. City Limits	Resurface
Driftwood Place	Rio Vista Ave.	B Street	Resurface
E Street	Palm Ave.	Eastern Ave.	Resurface
E Street	5 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
E Street	Pinner Drive	Las Flores Drive	Resurface
Eastern Ave.	Jones Street	End	Resurface
El Cerrito Drive	B Street	River Drive	Resurface
El Cerrito Drive	Cattle Call Drive	Main Street	Resurface
Ell Street	Dogwood Road	3 <sup>rd</sup> Street	Resurface
G Street	5 <sup>th</sup> Street	Palm Ave.	Resurface
G Street	1 <sup>st</sup> Street	Plaza	Resurface
G Street	Rio Vista Ave.	West End	Resurface
Garrett Street	K Street	South End	Resurface
Gilmour Street	K Street	Malan Street	Resurface
H Street	9 <sup>th</sup> Street	Eastern Ave.	Resurface
H Street	El Cerrito Drive	West End	Resurface
I Street	1 <sup>st</sup> Street	Palm Ave.	Resurface
I Street	Eastern Ave.	Best Road	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial Ave.	Malan Street	A Street	Resurface
Ivy Street	9 <sup>th</sup> Street	End	Resurface
J Street	9 <sup>th</sup> Street	Palm Ave.	Resurface
J Street	Terrace Circle	Imperial Ave.	Resurface
K Street	Marilyn Ave.	East End	Resurface
K Street	Highway 86	9 <sup>th</sup> Street	Resurface
Las Flores Drive	H Street	D Street	Resurface
Legion Road	Highway 86	Evelyn	Resurface
Magnolia Street	Rio Vista Ave.	El Cerrito Drive	Resurface
Magnolia Street	Eastern Ave.	13 <sup>th</sup> Street	Resurface
Magnolia Street	10 <sup>th</sup> Street	Palm Ave.	Resurface
Magnolia Street	7 <sup>th</sup> Street	8 <sup>th</sup> Street	Resurface
Magnolia Street	5 <sup>th</sup> Street	West End	Resurface
Marjorie Ave.	H Street	Main Street	Resurface
Martin Place	9 <sup>th</sup> Street	East End	Resurface
Marilyn Ave.	Cattle Call Drive	K Street	Resurface
Pinner Drive	Las Flores Drive	D Street	Resurface
Plaza Ave.	North Imperial Ave.	South Imperial Ave.	Resurface
Rio Vista Ave.	Main Street	C Street	Resurface
Rio Vista Ave.	Magnolia Street	River Drive	Resurface
River Drive	10 <sup>th</sup> Street	Eastern Ave.	Resurface
Russell Road	K Street	South End	Resurface
Shank Road	Highway 111	Best Road	Resurface
Stanley Place	Malan Street	K Street	Resurface
Sycamore Drive	J Street	H Street	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Sycamore Drive	Cattle Call Drive	Allen Street	Resurface
Terrace Circle	J Street	H Street	Resurface
Vine Street	Malan Street	K Street	Resurface
Willard Ave.	Cattle Call Drive	H Street	Resurface
Wilson Road	I Street	End	Resurface
Malan Street	Highway 86	Best Road	Resurface
Cattle Call Drive	Highway 86	Area Cattle Call Park	Resurface
Julia Drive	Highway 86	Rodeo Drive	Resurface
Terrace Drive	Terrace Circle	West H Street	Resurface
Driftwood Place	N.Western Ave.	Boswell Court	Resurface
Boswell Court	Driftwood Place	West C Street	Resurface
Sunset Drive	A Street	River Drive	Resurface
First Street	A Street	River Drive	Resurface
Second Street	A Street	Magnolia Street	Resurface
N. Adams Street	Magnolia Street	River Drive	Resurface
Cortez Court	Magnolia Street	End of Court	Resurface
11 <sup>th</sup> Street	C Street	B Street	Resurface
Welcome Street	11 <sup>th</sup> Street	Palm Ave.	Resurface
Peach Street	11 <sup>th</sup> Street	Palm Ave.	Resurface
N. Ulloa Ave.	D Street	B Street	Resurface
Welcome Street	N. Eastern Ave.	End	Resurface
Palm Drive	H Street	I Street	Resurface
Norman Road	Highway 78	End	Resurface
Ivy Street	S. Palm Ave.	13 <sup>th</sup> Street	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Martin Street	S. Palm Ave.	13 <sup>th</sup> Street	Resurface
Leonard Street	11 <sup>th</sup> Street	S. Palm Ave.	Resurface
S. 13 <sup>th</sup> Street	Malan Street	K Street	Resurface
17 <sup>th</sup> Street	Malan Street	K Street	Resurface
18 <sup>th</sup> Street	Malan Street	K Street	Resurface
Magnolia Street	16 <sup>th</sup> Street	East End	Resurface
16 <sup>th</sup> Street	Magnolia Street	River Drive	Resurface
Jones Street	N. Eastern Ave.	East End	Resurface
A Street	8 <sup>th</sup> Street	Railroad Tracks	Resurface
D Street	10 <sup>th</sup> Street	Palm Ave.	Resurface
B Street	Palm Ave.	Eastern Ave.	Resurface
D Street	Palm Ave.	Eastern Ave.	Resurface
K Street	Highway 86	Rio Vista Ave.	Resurface
Cattle Call Drive	Highway 86	Willard Ave.	Resurface
Various Locations			Sidewalks, curbs, gutters and maintenance
Various Intersections			Sight Distance improvements
West Plaza/Main Street			Signalization
East Plaza/Main Street			Signalization
B Street/Highway 111			Signalization
Western Avenue/Main Street			Signalization
H Street	S. Imperial Ave.	8 <sup>th</sup> Street	Resurface
I Street	S. Palm Ave.	S. Eastern Ave.	Resurface
Palm Ave.	Highway 78	River Drive	Resurface
River Drive	N. Eastern Ave.	Best Road	Resurface

See accountants' report

**CITY OF BRAWLEY**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
3 <sup>rd</sup> Street	K Street	Malan Street	Resurface
6 <sup>th</sup> Street	H Street	D Street	Resurface
7 <sup>th</sup> Street	E Street	End	Resurface
11 <sup>th</sup> Street	Magnolia Street	River Drive	Resurface
Adams Street	B Street	Magnolia Street	Resurface
Bina Street	Magnolia Street	River Drive	Resurface
E Street	1 <sup>st</sup> Street	Plaza Drive	Resurface
E Street	Rio Vista Avenue	1 <sup>st</sup> Street	Resurface
Eastern Avenue	Main Street	Malan Street	Resurface
H Street	1 <sup>st</sup> Street	3 <sup>rd</sup> Street	Resurface
H Street	Rio Vista Avenue	End	Resurface
I Street	1 <sup>st</sup> Street	El Cerrito Drive	Resurface
K Street	Marilyn Avenue	Rio Vista Avenue	Resurface
River Drive	Rio Vista Avenue	El Cerrito Drive	Resurface
13 <sup>th</sup> Street	Malan Street	K Street	Resurface
Willard Avenue	Cattle Call Drive	Julia Drive	Resurface

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF BRAWLEY  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

We noted no findings during our examination of the Local Transportation Authority Funds of the City of Brawley.

**CITY OF CALEXICO  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF CALEXICO  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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### **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Calexico, California

We have evaluated the City of Calexico's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Calexico was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Calexico has complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF CALEXICO  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 4,431,602
Allocations due from ICLTA	390,003
Due from other funds	17,821
Interest receivable	1,615
Capital assets - Infrastructure	<u>640,000</u>
 Total assets and other debits	 <u><u>\$ 5,481,041</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ 613,616
Bond payable	640,000
Interest payable	<u>4,480</u>
 Total liabilities	 <u><u>1,258,096</u></u>

**Fund Balance**

Reserved for debt service	3,432
Unreserved - undesignated	<u>4,219,513</u>
	<u>4,222,945</u>
 Total liabilities and fund balance	 <u><u>\$ 5,481,041</u></u>

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

**CITY OF CALEXICO**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$ 2,268,407
Use of money and property	37,766
Debt service	<u>516,720</u>
Total revenues	<u>2,822,893</u>

**Expenditures**

Transportation	3,216,409
Interest	<u>33,440</u>
Total expenditures	<u>3,249,849</u>
Excess of expenditures over revenues	<u>(426,956)</u>
Fund balance, beginning	9,493,907
Prior period adjustment	<u>(4,844,406)</u>
Fund balance, beginning adjusted	<u>4,649,901</u>
Fund balance, ending	<u>\$ 4,222,945</u>

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

**CITY OF CALEXICO**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>			
Taxes	\$ 2,000,000	\$2,268,407	\$ 268,407
Use of money and property	--	37,766	37,766
Debt service	--	516,720	516,720
Total revenues	<u>2,000,000</u>	<u>2,822,893</u>	<u>822,893</u>
<b>Expenditures</b>			
Transportation	--	3,216,409	3,216,409
Public works	--	33,440	33,440
Total expenditures	<u>--</u>	<u>3,249,849</u>	<u>3,249,849</u>
Excess of expenditures over revenues	<u>2,000,000</u>	<u>(426,956)</u>	<u>(2,426,956)</u>
Fund balance, beginning	9,493,907	9,493,907	--
Prior period adjustment	--	(4,844,006)	(4,844,006)
Fund balance, beginning restated	<u>9,493,907</u>	<u>4,649,901</u>	<u>(4,844,006)</u>
Fund balance, ending	<u>\$11,493,907</u>	<u>\$ 4,222,945</u>	<u>\$(7,270,962)</u>

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

**CITY OF CALEXICO  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF CALEXICO**  
**LOCAL TRANSPORTATION AUTHORITY FUNDS**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**CITY OF CALEXICO  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized and restricted fund balance which represents a grant that was awarded to the City and swapped with the County of Imperial for cash to be used on an authorized LTA project.

**Note 2. BOND PAYABLE**

On November 1, 1998, the City issued \$6,420,000 of Revenue Bonds – Transportation Improvement Project Issue of 1998, which are secured by a pledge of Local Transportation Act sales tax revenue allocable to the city of Calexico. Interest on the bonds is payable semiannually on May 1 and November 1 with the rates ranging from 3.10% to 4.2% per annum. The annual principal requirements are from \$480,000 to \$640,000 with a final maturity on November 1, 2010. As of June 30, 2010, the outstanding balance is as follows:

<b>Balance</b>			<b>Balance</b>
<b>July 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2010</b>
<u>\$ 1,120,000</u>	<u>\$ - -</u>	<u>\$ 480,000</u>	<u>\$ 640,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 2010 are as follows:

<b>Year Ending</b>	
<b>June 30</b>	
2011	<u>\$ 640,000</u>
	<u>\$ 640,000</u>

See accountants' report

**CITY OF CALEXICO**  
**LOCAL TRANSPORTATION AUTHORITY FUNDS**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

**Note 3.      PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in part to removing a fund that was not related to LTA activities. The removal of that fund's activity resulted in an adjustment. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$4,844,006.

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kloke Avenue Bridge	All American Canal	All American Canal	Bridge
Highway 111	International Border	Cole Road	Corridor Traffic Study
Emerson Ave Phase II	Second Street	Highway 98	Reconstruction
Cole Road	Kloke Avenue	½ E/O Meadows Rd	Reconstruction
Highway 111			Various Improvements
Second Street	Calexico Int'l Airport	Cesar Chavez Blvd	Bridge & Reconstruction
Highway 98	West City Limits	East City Limits	Widening
California Court	Camacho Road	North/End	New Construction
Weakly Road	Estrada Blvd	Scaroni Road	New Construction
Various Locations			Surface Treatment
Various Locations			Payment Repair
Various Locations			Safety Improvements & Traffic Studies
Various Locations			Curb/Gutter, Sidewalks, Wheelchair ramps
Sunset	Robinson	Central Main Canal	New Construction
Cole Road	Fiesta Ave		Signalization
Cole Road	Highway 98		Signalization
Cole Road	Bowker Road		Bridges
Meadows Road	Cole Road	Jasper Road	Bridge/New Construction
Sunset Avenue	Central Main Canal	Jasper Road	Bridge & Road Const.
Imperial Ave East	Central Main Canal	Jasper Road	Reconstruction
Imperial Ave West	Central Main Canal	Jasper Road	Reconstruction
Sherman Street	Harold Avenue	Railroad Tracks	New Construction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Sherman Street	Pierce Avenue	Emilia Drive	New Construction
VV Williams Ave	Sam Ellis St	Cole Road	Reconstruction
De las Flores St	Eady Ave	Kloke Ave	New Construction
Sixth St	Emerson Ave	Railroad Tracks	New Construction
Third Street	Heber Avenue	Encinas Avenue	Reconstruction/Widening
Fourth St	Blair Avenue	Encinas Avenue	Reconstruction/Widening
Sixth St	Imperial Avenue	Heber Avenue	Reconstruction/Widening
Seventh St	Imperial Avenue	Blair Avenue	Reconstruction
Sherman St	Rockwood Ave	Blair Avenue	Reconstruction
Eighth Street	Imperial Avenue	Rockwood Ave	Reconstruction/Widening
Temple Court	Imperial Avenue	Rockwood Ave	Reconstruction/Widening
Rosemont St	Rockwood Ave	Blair Avenue	Reconstruction
Ninth Street	Imperial Avenue	Rockwood Avenue	Reconstruction/Widening
Ethel St	Heber Avenue	Blair Avenue	Reconstruction
Maiden Lane	Imperial Ave	Paulin Ave	Reconstruction/Widening
Tenth St	Imperial Ave	Rockwood Ave	Reconstruction/Widening
Pauline Avenue	Fifth Street	Highway 98	Reconstruction
Second Street	Calexico Int'l Airport	West City Limits & All American Canal	Bridge & Reconstruction
Beach Street	Elmer Belcher Street	Fifth Street	Reconstruction Phase 1
Beach Street	Fifth St	Second Street	Reconstruction Phase II
Encanto Drive	Elmer Belcher St	Eight Street	Reconstruction
Encanto Drive	Eight Street	Eight Street	Reconstruction
Encanto Terrace	Elmer Belcher St	Eight Street	Reconstruction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Dool Avenue	Elmer Belcher St	Fifth Street	Reconstruction Phase 1
Dool Avenue	Fifth Street	Second Street	Reconstruction Phase II
Fifth Street	Heber Avenue	Andrade Ave	Reconstruction Phase 1
Fifth Street	Heber Avenue	Imperial Ave.	Reconstruction Phase II
Sixth Street	Encinas Avenue	Andrade Avenue	Reconstruction
Seventh Street	Blair Avenue	Andrade Avenue	Reconstruction
Eight Street	Dool Avenue	Andrade Avenue	Reconstruction
Zapata Street	Granero Avenue	Meadows Road	Reconstruction
Meadows Road	Highway 98	All American Canal	Reconstruction
Rosas Street	East Cul-d-sac	Meadows Road	Reconstruction
Iris Avenue	Camila Street	Rosas Street	Reconstruction
Iris Avenue	Holdridge St	Saphire Street	Reconstruction
Holdridge Street	Meadows Road	E Hashem Ave	Reconstruction
Holdridge Street	E. Hashem Ave	Cul-d-sac East	Reconstruction
Holdridge Street	De Leon Avenue	Meadows Road	Reconstruction
Camilia Street	Meadows Road	Cul-d-sac East	Reconstruction
E. Hashem Avenue	100' North of Holdridge	Cul-d-sac South	Reconstruction
Margarita Street	E. Hashem Avenue	Cul-d-sac West	Reconstruction
Margarita Street	E. Hashem Avenue	Cul-d-sac East	Reconstruction
Jasmine Street	E. Hashem Avenue	Cul-d-sac West	Reconstruction
Jasmine Street	E. Hashem Avenue	Cul-d-sac East	Reconstruction
Obeliscos Street	Iris Avenue	Cul-d-sac West	Reconstruction
Obeliscos Street	Iris Avenue	Cul-d-sac- East	Reconstruction

See accountants' report

**CITY OF CALEXICO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kloke Road	Grant Street	Highway 98	Reconstruction
Paulin Avenue	Second Street	Fifth Avenue	Reconstruction
Emerson Avenue	Third Street	Highway 98	Reconstruction
Encinas Avenue	Second Street	Highway 98	Reconstruction
Belcher Street	Encinas Avenue	Andrade Ave	Reconstruction
Seventh St	Andrade Avenue	Paseo de su Alteza	Reconstruction
Paseo de su Alteza	Los Reyes	Seventh Street	Reconstruction
Paseo de su Alteza	Seventh Street	Fifth Street	Reconstruction
Paseo de su Alteza	Fifth Street	Camino del Rio	Reconstruction
Rancho Elegante	Paseo de su Alteza	Andrade Avenue	Reconstruction
Arroyo	Rancho Elegante	Second Street	Reconstruction
Camino Del Rio	Andrade Avenue	Paseo de su Alteza	Reconstruction
Milpitas	Paseo de su Alteza	Cul-d-sac West	Reconstruction
Rio Hondo	Milpitas	Camino del Rio	Reconstruction
Fifth Street	Paseo de su Alteza	Andrade Avenue	Reconstruction
Paseo Emperador	Seventh Street	Paseo de su Alteza	Reconstruction
Santiago Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Colorado Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Plata Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
Brave Drive	De Leon Avenue	Cul-d-sac East	Reconstruction
De Leon Avenue	Harrington Street	Cul-d-sac South	Reconstruction
Fiesta Avenue	Harrington Street	Holdridge Street	Reconstruction
Holdridge Street	Rancho Frontera	De Leon Avenue	Reconstruction
Rancho Frontera	Harrington Street	Highway 98	Reconstruction

See accountants' report

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF CALEXICO**  
**LOCAL TRANSPORTATION AUTHORITY FUNDS**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2010**

We noted no findings during our examination of the Local Transportation Authority Funds of the City of Calexico.

**CITY OF CALIPATRIA  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF CALIPATRIA  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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**HUTCHINSON and**  
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### **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Calipatria, California

We have evaluated the City of Calipatria's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Calipatria was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Calipatria has complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 475,487
Allocations due from ICLTA	74,853
Due from other funds	<u>110,242</u>
Total assets	<u>\$ 660,582</u>

**Fund Balance**

Unreserved - undesignated	<u>\$ 660,582</u>
Total fund balance	<u>\$ 660,582</u>

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

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$ 253,127
Use of money and property	<u>2,992</u>
Total revenues	256,119

**Expenditures**

Transportation	<u>--</u>
Excess of revenues over expenditures	<u>256,119</u>
Fund balance, beginning	407,692
Prior period adjustment	<u>(3,229)</u>
Fund balance, beginning adjusted	<u>404,463</u>
Fund balance, ending	<u>\$ 660,582</u>

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

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>			
Taxes	\$ --	\$ 253,127	\$ 253,127
Use of money and property	<u>--</u>	<u>2,992</u>	<u>2,992</u>
Total revenues	--	256,119	256,119
 <b>Expenditures</b>			
Transportation	<u>--</u>	<u>--</u>	<u>--</u>
 Excess of revenues over expenditures	<u>--</u>	<u>256,119</u>	<u>256,119</u>
 Fund balance, beginning	407,692	407,692	--
 Prior period adjustment	<u>--</u>	<u>(3,229)</u>	<u>(3,229)</u>
 Fund balance, beginning adjusted	<u>407,692</u>	<u>404,463</u>	<u>(3,229)</u>
 Fund balance, ending	<u>\$ 407,692</u>	<u>\$ 660,582</u>	<u>\$ 252,890</u>

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

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds. The City also maintains a separate account for Local Transportation Authority Funds, to account for funds received in the current fiscal year.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in the "Due From" and "Payable" accounts to agree to correct balances. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$3,229.

See accountants' report

**CITY OF CALIPATRIA**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Alamo	International	East	Maintenance
Alexandria	International	Brown	Maintenance
Barbara	International	Commercial	Maintenance
Bonita	International	East	Maintenance
Bonita P1	Brown	East	Maintenance
Brown	California	Freeman	Maintenance
Brown	SR115	Bowles	Maintenance
California	International	Railroad	Maintenance
California	Industrial	Commercial	Maintenance
Centro	SR115	Alamo	Rehabilitate
Centro	SR115	Alexandria	Rehabilitate
Church	International	Railroad	Maintenance
Church	Brown	East	Rehabilitate
Commercial	California	Freeman	Rehabilitate
Commercial	SR115	Church	Maintenance
Date	West terminus	Railroad	Maintenance
Delta	International	Lake	Rehabilitate
Delta	Lake	Railroad	Maintenance
Delta	Industrial	Commercial	Rehabilitate
East	Bonita PI	Bowles	Rehabilitate
East	SR115	Bonita PI	Maintenance
East	SR115	Young	Maintenance
Fern	International	SR115	Rehabilitate
Freeman	Brown	East	Rehabilitate

See accountants' report

**CITY OF CALIPATRIA**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial	SR115	Delta	Rehabilitate
Imperial	SR115	Date	Rehabilitate
Industrial	Alexandria	Young	Rehabilitate
Industrial	SR115	Church	Maintenance
International	Main	Delta	Rehabilitate
International	Main	Bowles	Maintenance
Lake	C Lateral	Fern	Rehabilitate
Lake	Fern	Delta	Maintenance
Mesa Verde	Ironwood	Terminus	Rehabilitate
Park	Fern	Delta	Maintenance
Railroad	SR115	Young	Maintenance
Railroad	SR115	Date	Rehabilitate
Laurel Lane	Fan Palm		Rehabilitate

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF CALIPATRIA  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

We noted no findings during our examination of the Local Transportation Authority Funds of the City of Calipatria.

**CITY OF EL CENTRO  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF EL CENTRO  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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## **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of El Centro, California

We have evaluated the City of El Centro's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of El Centro was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of El Centro has not complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010. See instance of noncompliance listed in the Schedule of Findings and Recommendations included in this report.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 7,197,693
Interest receivable	6,165
Other receivable	99,426
Due from ICLTA	<u>333,643</u>
Total assets	<u><u>\$ 7,636,927</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	<u>\$ 2,592</u>
Total liabilities	2,592

**Fund balance**

Reserve for Encumbrance	37,136
Unreserved - undesignated	<u>7,597,199</u>
Total liability and fund balance	<u><u>\$ 7,636,927</u></u>

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

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$ 1,927,786
Use of money and property	<u>35,956</u>
Total revenues	1,963,742

**Expenditures**

Public works	<u>2,491,153</u>
Total expenditures	<u>2,491,153</u>

Transfers out	<u>1,626,250</u>
---------------	------------------

Excess of expenditures and transfers out over revenues	<u>(2,153,661)</u>
--	--------------------

Fund balance, beginning	9,749,998
-------------------------	-----------

Prior period adjustment	<u>862</u>
-------------------------	------------

Fund balance, beginning adjusted	<u>9,750,860</u>
----------------------------------	------------------

Fund balance, ending	<u>\$ 7,597,199</u>
----------------------	---------------------

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

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2010**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<b>Variance Over (Under)</b>
<b>Revenues</b>			
Taxes	\$ 2,480,669	\$ 1,927,786	\$ (552,883)
Use of money and property	<u>37,950</u>	<u>35,956</u>	<u>(1,994)</u>
Total revenues	2,518,619	1,963,742	(554,877)
<b>Expenditures</b>			
Capital Outlay	<u>2,518,350</u>	<u>2,491,153</u>	<u>(27,197)</u>
Total expenditures	2,518,350	2,491,153	(27,197)
Transfer out	- -	1,626,250	1,626,250
Excess expenditures and transfers out over revenues	<u>269</u>	<u>(2,153,661)</u>	<u>(2,153,930)</u>
Fund balance, beginning	9,795,586	9,749,998	(45,588)
Prior period adjustment	<u>- -</u>	<u>862</u>	<u>862</u>
Fund balance, beginning adjusted	<u>9,795,586</u>	<u>9,750,860</u>	<u>(44,726)</u>
Fund balance, ending	<u>\$ 9,795,855</u>	<u>\$ 7,597,199</u>	<u>\$(2,198,656)</u>

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

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$862 represents tax revenues for the months of January 2009 to June 2009 that were not properly disbursed by the LTA Administrator, and the correction of an overpayment received by ICLTA on June 2009 and not disbursed to recipients.

See accountants' report

**CITY OF EL CENTRO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Streets/Overlay			Street repair, overlay and striping
Street Slurry Seal			Street slurry seal and striping
North Date Canal Under-grounding			Under-grounding of the canal along Villa Ave, between 17 <sup>th</sup> and 8 <sup>th</sup> St. City will pay 25% IID will pay 75%.
La Brucherie Widening			Right-of-way acquisition, widening and Shoulder improvements from Adams to Orange
Bike Path			80 ADA Ramps, striping and signage for bike routes.
Dogwood Road Widening			Widen Dogwood RD (I-8 to southern  City limits) and rehabilitation of Danenberg from Dogwood to 4 <sup>th</sup> St.
Dogwood Phase 1- Local Match- RSTP			Removal and reconstruction of two Lane Dogwood Ave between I-8 and State street (1.2 miles)
Dogwood Phase 2- Local Match- RSTP			Removal and reconstruction of existing Four-lane Dogwood Rd (0.2 miles) Between Commercial and State street.
Imperial Avenue Phase 3 – Local			Rehabilitation and overlay of Imperial Avenue from Orange to Adams (.5mi)
Orange Avenue Reconstruction- Local Match- RSTP			Overlay Orange Ave. two lanes, between Waterman and Labrucherie And install curb and gutter on south side of Orange, parking and drainage.
8 <sup>th</sup> & I-8 Bridge Widening			Widen 8 <sup>th</sup> Street to four lanes between Aurora and Wake. This will require the Bridge to be widened by approximately 33', Because this bridge adjoins Another bridge built in 1996 that strictly Serves pedestrian traffic on the west Side, the widening of the vehicular Bridge and approach roadway is limited to the east side.

See accountants' report

**CITY OF EL CENTRO**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Interim Dogwood Bridge Improvements			Widen west bound and east bound off-ramps at Dogwood Ave. on I-8 and all approaches of Dogwood Av. This also includes the design and installation of new traffic signals at the same on and off-ramp locations
Imperial Avenue Extension (I-8 South to Mc Cabe)			Median and south bound lane along west side for future extension of Imperial Ave. (south)
Bradshaw			Connect Bradshaw through to 8 <sup>th</sup> St. Two lanes.
Cruickshank			Connect Cruickshank through to 8th St. two lanes.
Wake Ave. SR86 NW Corner Radius West bound signal light Modification			Relocate NW signal light and install new curb return to allow trucks to adequately turn.

See accountants' report

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF EL CENTRO  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

1. Finding:

During the examination, we noted that the City of El Centro improperly allocated Local Transportation Authority funds to a project not approved under their "Five Year Plan".

Recommendation:

We recommend that the City review all invoices that they intend to allocate to Local Transportation Authority funds and determine if the invoices are for approved projects.

**CITY OF HOLTVILLE  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF HOLTVILLE  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
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### **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Holtville, California

We have evaluated the City of Holtville's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Holtville was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Holtville has complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF HOLTVILLE  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 422,734
Interest receivable	5,880
Allocation due from ICLTA	<u>91,678</u>
Total assets and other debits	<u><u>\$ 520,292</u></u>

**Fund Balance**

Unreserved-undesignated	<u>520,292</u>
Total fund balance	<u><u>\$ 520,292</u></u>

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

**CITY OF HOLTVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**For The Year Fiscal Year Ended June 30, 2010**

<b>Revenues</b>	
Taxes	\$ 789,078
Use of money and property	<u>5,880</u>
Total revenues	<u>794,958</u>
<b>Expenditures</b>	
Current	
Transportation	<u>831,068</u>
Total expenditures	<u>831,068</u>
Transfers out- infrastructure	<u>1,050,109</u>
Excess of expenditures and transfers out over revenues	<u>(1,086,219)</u>
Fund balance, beginning	1,716,968
Prior period adjustment	<u>(110,457)</u>
Fund balance, beginning adjusted	<u>1,606,511</u>
Fund balance, ending	<u><u>\$ 520,292</u></u>

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

**CITY OF HOLTVILLE**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
For The Year Fiscal Year Ended June 30, 2010**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<b>Variance Over (Under)</b>
<b>Revenues</b>			
Taxes	\$        - -	\$ 789,078	\$ 789,078
Use of money and property	<u>          - -</u>	<u>      5,880</u>	<u>      5,880</u>
Total revenues	<u>          - -</u>	<u>     794,958</u>	<u>     794,958</u>
<b>Expenditures</b>			
Current			
Transportation	- -	831,068	831,068
Transfers out	<u>          - -</u>	<u>     1,050,109</u>	<u>     1,050,109</u>
Total expenditures and transfers out	<u>          - -</u>	<u>     1,881,177</u>	<u>     1,881,177</u>
Excess of expenditures over revenues	<u>          - -</u>	<u>     (1,086,219)</u>	<u>     (1,086,219)</u>
Fund balance, beginning	1,716,968	1,716,968	- -
Prior period adjustment	<u>          - -</u>	<u>     (110,457)</u>	<u>     (110,457)</u>
Fund balance, beginning adjusted	<u>     1,716,968</u>	<u>     1,606,511</u>	<u>     (110,457)</u>
Fund balance, ending	<u><u>     \$ 1,716,968</u></u>	<u><u>     \$ 520,292</u></u>	<u><u>     \$(1,196,676)</u></u>

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

**CITY OF HOLTVILLE  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF HOLTVILLE  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

See accountants' report

**CITY OF HOLTVILLE  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in the "Due From" and "Payable" accounts to agree to correct balances. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$110,457.

See accountants' report

**CITY OF HOLTVILLE**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Fern Avenue	Fifth Street	Fourth Street	Reconstruct
Fern Avenue	Fifth Street	Sixth Street	Resurface
Various Streets			Maintenance & Restorative Seal
Artesia Avenue	Myrtle Avenue	Olive Avenue	Maintenance & Restorative Seal
Eighth Street	Melon	Olive Avenue	Maintenance & Restorative Seal
Fern Avenue	Sixth Street	Ninth Street	Maintenance & Restorative Seal
Orange Avenue	Fifth Street	Tenth Street	Maintenance & Restorative Seal
Walnut Avenue	237' S. of 3 <sup>rd</sup> St.	Tenth Street	Maintenance & Restorative Seal
Maple Avenue	Fourth Street	Ninth Street	Maintenance & Restorative Seal
Chestnut Avenue	Fourth Street	Ninth Street	Maintenance & Restorative Seal
Brentwood Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
Holt Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Sixth Street	Orange Avenue	350' East of Grape Grape Avenue	Maintenance & Restorative Seal
Grape Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Myrtle Avenue	Sixth Street	W. Seventh Street	Maintenance & Restorative Seal
South Half of 6 <sup>th</sup> St.	Tamarack	Melon Ave.	Maintenance & Restorative Seal
Fifth Street	Tamarack Avenue	Mesquite Avenue	Maintenance & Restorative Seal
Cedar Street	Fourth Street	Alamo Bridge	Maintenance & Restorative Seal
Holt Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Tenth Street	Holt Avenue	Orange Avenue	Maintenance & Restorative Seal
Cedar Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
Fourth Street	Highway 115	Holt Avenue	Maintenance & Restorative Seal

See accountants' report

# CITY OF HOLTVILLE

## 5-Year Program of Projects 2007/12

ROAD	FROM	TO	PROJECT DESCRIPTION
Fourth Street	Holt Avenue	Walnut Avenue	Maintenance & Restorative Seal
Fourth Street	Walnut Avenue	Grape Avenue	Maintenance & Restorative Seal
Pine Avenue	Fourth Street	Fifth Street	Maintenance & Restorative Seal
Pine Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Holt Avenue	Fourth Street	Fifth Street	Maintenance & Restorative Seal
Walnut Avenue	South County Line	237 ' S. of 3rd St.	Maintenance & Restorative Seal
Sixth Street	Holt Avenue	Orange Avenue	Maintenance & Restorative Seal
Tamarack Avenue	Fifth Street	Zenos Road (6 <sup>th</sup> St.)	Maintenance & Restorative Seal
Palo Verde Avenue	Fifth Street	Zenos Road (6 <sup>th</sup> St.)	Maintenance & Restorative Seal
Mesquite Avenue	Fifth Street	Zenos Road (6 <sup>th</sup> St.)	Maintenance & Restorative Seal
Sixth Street	Melon Avenue	Holt Avenue	Maintenance & Restorative Seal
Tenth Street	Orange Avenue	Figueroa Avenue	Maintenance & Restorative Seal
Figueroa Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Circle Drive	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Circle Drive	Eighth Street	Chestnut Avenue	Maintenance & Restorative Seal
Figueroa Avenue	Seventh Street	Eighth Street	Maintenance & Restorative Seal
Fig Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Maple Avenue	Third Street	Fourth Street	Maintenance & Restorative Seal
Third Street	Walnut Avenue	Grape Avenue	Maintenance & Restorative Seal
Chestnut Avenue	Third Street	Fourth Street	Maintenance & Restorative Seal
Ross Ave. East of Chestnut Ave.			Maintenance & Restorative Seal
Ninth Street	Beale Avenue	Towland Road	Maintenance & Restorative Seal
Seventh Street	Beale Avenue	Towland Road	Maintenance & Restorative Seal
Webb Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal

See accountants' report

# CITY OF HOLTVILLE

## 5-Year Program of Projects 2007/12

ROAD	FROM	TO	PROJECT DESCRIPTION
Ash Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Elm Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Oak Avenue	Eighth Street	Ninth Street	Maintenance & Restorative Seal
Eighth Street	Ash Avenue	Oak Avenue	Maintenance & Restorative Seal
Grape Avenue	Fourth Street	Fifth Street	Maintenance & Restorative Seal
Seventh Street	Myrtle Avenue	Beale Avenue	Maintenance & Restorative Seal
Eighth Street	Olive Avenue	Beale Avenue	Maintenance & Restorative Seal
Wooldridge Avenue	Melon Avenue	Olive Avenue	Maintenance & Restorative Seal
Ninth Street	Olive Avenue	Beale Avenue	Maintenance & Restorative Seal
Melon Avenue	Sixth Street	Ninth Street	Maintenance & Restorative Seal
Olive Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Palm Avenue	Fourth Street	Highway 115	Maintenance & Restorative Seal
Palm Avenue	Fifth Street	Ninth Street	Maintenance & Restorative Seal
Cedar Avenue	Fourth Street	Seventh Street	Maintenance & Restorative Seal
Orange Avenue	200' S. of Fifth Street		Maintenance & Restorative Seal
Beale Avenue	Seventh Street	Ninth Street	Maintenance & Restorative Seal
8 <sup>th</sup> Street	Maple	Walnut Ave	Maintenance & Restorative Seal
Figueroa Avenue	Fifth Street	Sixth Street	Maintenance & Restorative Seal
Olive Avenue	Ninth Street	Tenth Street	Maintenance & Restorative Seal
Ninth Street	Slaton	Brentwood	Maintenance & Restorative Seal
Grape Avenue	Fourth Street	Third Street	Construct Extension
Beale Avenue	Ninth Street	Tenth Street	Construct Extension
Willow Avenue	Ninth Street	Tenth Street	Construct Extension
Grape Court	East of Grape Avenue		Construct Extension

See accountants' report

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF HOLTVILLE  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

We noted no findings during our examination of the Local Transportation Authority Funds of the City of Holtville.

**CITY OF IMPERIAL  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF IMPERIAL  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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### **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Imperial, California

We have evaluated the City of Imperial's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Imperial was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Imperial has complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 2,206,540
Interest receivable	1,047
Due from ICLTA	<u>117,892</u>
Total assets	<u><u>\$ 2,325,479</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	<u>\$ 1,398</u>
Total liabilities	1,398

**Fund Balance**

Unreserved - undesignated	<u>2,324,081</u>
Total liabilities and fund balance	<u><u>\$ 2,325,479</u></u>

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

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$ 643,130
Use of money and property	<u>5,197</u>
Total revenue	<u>648,327</u>

**Expenditures**

Street Maintenance	<u>170,149</u>
Excess of revenues over expenditures	<u>478,178</u>
Fund balance, beginning	1,848,007
Prior period adjustment	<u>(2,104)</u>
Fund balance, beginning adjusted	<u>1,845,903</u>
Fund balance, ending	<u><u>\$ 2,324,081</u></u>

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

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>			
Taxes	\$ - -	\$ 643,130	\$ 643,130
Use of money and property	<u>- -</u>	<u>5,197</u>	<u>5,197</u>
Total revenue	<u>- -</u>	<u>648,327</u>	<u>648,327</u>
<b>Expenditures</b>			
Transportation	<u>- -</u>	<u>170,149</u>	<u>170,149</u>
Excess (deficiency) of revenues over expenditures	<u>- -</u>	<u>478,178</u>	<u>478,178</u>
Fund balance, beginning	- -	1,848,007	1,848,007
Prior period adjustment	<u>- -</u>	<u>(2,104)</u>	<u>(2,104)</u>
Fund balance, beginning adjusted	<u>- -</u>	<u>1,845,903</u>	<u>1,845,903</u>
Fund balance, ending	<u>\$ - -</u>	<u>\$ 2,324,081</u>	<u>\$ 2,324,081</u>

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

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents tax revenues for the months of January 2009 to June 2009 that were not properly disbursed by the LTA Administrator, and the correction of an overpayment received by ICLTA on June 2009 and not disbursed to recipients.

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Streets	Various Limits		Const/Rehab/Maintenance
Neckel	Hwy 86	Railroad	Rehab/Repair/ Maint.
Ralph	Hwy 86	Railroad	Rehab/Repair/Maint
Neckel/Hwy 86	Intersection		Improve & Signalize
Ralph/Hwy 86	Intersection		Improve & Signalize
Treshill/Hwy 86	Intersection		Construct & Signalize
1 <sup>st</sup> St	N St.	P St.	Construct
1 <sup>st</sup> St	D St	Imperial Ave	Repair/Maintenance
2 <sup>nd</sup> St	K St	P St	Const/Repair/Maint
3 <sup>rd</sup> St	C St	F St	Repair/Maintenance
3 <sup>rd</sup> St	G St	K St	Repair/Maintenance
3 <sup>rd</sup> St	N St	P St	Construct
4 <sup>th</sup> St	C St	F St	Repair/Maintenance
4 <sup>th</sup> St	N St	P St	Construct
5 <sup>th</sup> St	E St	Imperial Ave	Repair/Maintenance
5 <sup>th</sup> St	Hwy 86	K St	Repair/Maintenance
5 <sup>th</sup> St	N St	P St	Construct
6 <sup>th</sup> St	Hwy 86	K St	Repair/Maintenance
6 <sup>th</sup> St	D St	H St	Rehab/Repair/Maint
7 <sup>th</sup> St	D St	F St	Repair/Maintenance
7 <sup>th</sup> St	H St	Imperial Ave	Repair/Maintenance
Barioni Blvd	B St	P St	Repair/Maintenance
9 <sup>th</sup> St	F St	G St	Repair/Maintenance
9 <sup>th</sup> St	J St	K St	Repair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
9 <sup>th</sup> St	N St	P St	Construct
10 <sup>th</sup> St	F St	Imperial Ave	Repair/Maintenance
10 <sup>th</sup> St	N St	P St	Construct
11 <sup>th</sup> St	D St	Imperial Ave	Construct/Repair/Maint
11 <sup>th</sup> St	N St	P St	Construct
12 <sup>th</sup> St	J St	K St	Const/Repair/Maint
12 <sup>th</sup> St	N St	P St	Construct
14 <sup>th</sup> St	B St	D St	Repair/Const/Maint
14 <sup>th</sup> St	F St	Hwy 86	Rehab/Repair/Maint
15 <sup>th</sup> St	Hwy 86	M St	Repair/Maintenance
15 <sup>th</sup> St	La Brucherie	D St	Construct
C St	3 <sup>rd</sup> St	4 <sup>th</sup> St	Repair/Maintenance
C St	12 St	14 <sup>th</sup> St	Repair/Maintenance
D St	1 <sup>st</sup> St	3 <sup>rd</sup> St	Repair/Maintenance
D St	4 <sup>th</sup> St	5 <sup>th</sup> St	Repair/Maintenance
D St	11 <sup>th</sup> St	12 <sup>th</sup> St	Repair/Maintenance
E St	1 <sup>st</sup> St	3 <sup>rd</sup> St	Repair/Maintenance
E St	10 <sup>th</sup> St	12 <sup>th</sup> St	Repair/Maintenance
F St	1 <sup>st</sup> St	14 <sup>th</sup> St	Repair/Maintenance
F St	6 <sup>th</sup> St	13 <sup>th</sup> St	Repair/Maintenance
G St	2 <sup>nd</sup> St	10 <sup>th</sup> St	Rehab/Repair/Maint
G St	13 <sup>th</sup> St	14 <sup>th</sup> St	Rehab/Repair/Maint
H St	1 <sup>st</sup> St	Barioni Blvd	Rehab/Repair/Maint
H St	10 <sup>th</sup> St	11 <sup>th</sup> St	Rehab/Repair/Maint
Imperial Ave	Hwy 86	2 <sup>nd</sup> St	Repair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Imperial Ave	12 <sup>th</sup> St	15 <sup>th</sup> St	Repair/Maintenance
J St	Barioni Blvd	12 <sup>th</sup> St	Repair/Maintenance
K St	2 <sup>nd</sup> St	10 <sup>th</sup> St	Repair/Maintenance
L St	2 <sup>nd</sup> St	Barioni Blvd	Rehab/Repair/Maint
M St	Barioni Blvd	15 <sup>th</sup> St	Construct
N St	1 <sup>st</sup> St	Barioni Blvd	Rehab/Repair/Maint
O St	Barioni Blvd	13 <sup>th</sup> St	Const/Repair/Maint
P St	Barioni Blvd	Neckel Rd	Construct
Aten Blvd	Dogwood Rd	Austin Rd	Rehab/Repair/Maint
La Brucherie	Aten Blvd	Intersection	Const/Rehab/Maint/Sign
Preble Ave	Aten Rd	Treshill Rd	Rehab/Repair/ Maint
Treshill Blvd	Hwy 86	La Brucherie	Construct
Clark & Aten Rd	Intersection		Const/Rehab/Signal
Wall St	Hwy 86	La Brucherie	Const/Rehab
Myrtle Ave	Aten Blvd	Treshill St	Rehab/Repair/Maint
Bougainvillea Tr	Aten Blvd	Joshua Tree	Repair/Maintenance
Brushwood	Desert Willow	Joshua Tree	Repair/Maintenance
Morning Glory	Aten Blvd	Joshua Tree	Repair/Maintenance
Smokewood	Desert Willow	Joshua Tree	Repair/Maintenance
Joshua Tree	Desert Willow	Bougainvillea	Repair/Maintenance
Desert Willow	Brushwood	Smokewood	Repair/Maintenance
Baywood	Brushwood	Smokewood	Repair/Maintenance
Sequoia	Brushwood	Smokewood	Repair/Maintenance
Juniper	Brushwood	Smokewood	Repair/Maintenance
Cañon	Rodeo Dr	Neckel Ave	Repair/Maintenance
Lariat Ln	Rodeo Dr	Sage Ct	Repair/Maintenance

See accountants' report

**CITY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Winchester Ln	Rodeo Dr	Sage Ct	Repair/Maintenance
Sage Court	Lariat Ln	Winchester	Repair/Maintenance
Mustang Ln	Cañon Dr	End of Lane	Repair/Maintenance
Conestoga Ln	Cañon Dr	End of Lane	Repair/Maintenance
Roadrunner	Cañon Dr.	End of Lane	Repair/Maintenance

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

We noted no findings during our examination of the Local Transportation Authority Funds of the City of Imperial.

**COUNTY OF IMPERIAL  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**COUNTY OF IMPERIAL  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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## **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable Board of Supervisors  
County of Imperial, California

We have evaluated the County of Imperial's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the County of Imperial was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the County of Imperial has not complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010. See instances of noncompliance listed in the Schedule of Findings and Recommendations included in this report.

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the County's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**BALANCE SHEET  
June 30, 2010**

**Assets**

Cash and cash equivalents	\$ 269,580
Allocation due from ICLTA	<u>34,629</u>
Total assets	<u>\$ 304,209</u>

**Fund Balance**

Unreserved - undesignated	<u>304,209</u>
Total fund balance	<u>\$ 304,209</u>

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

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$2,908,628
Use of money and property	<u>4,655</u>

Total revenues	<u>2,913,283</u>
----------------	------------------

**Expenditures**

Transportation	<u>8,056,958</u>
----------------	------------------

Total expenses	<u>8,056,958</u>
----------------	------------------

Excess of expenditures over revenues	<u>(5,143,675)</u>
--------------------------------------	--------------------

Fund balance, beginning	5,446,504
-------------------------	-----------

Prior period adjustment	<u>1,380</u>
-------------------------	--------------

Fund balance, beginning adjusted	<u>5,447,884</u>
----------------------------------	------------------

Fund balance, ending	<u>\$ 304,209</u>
----------------------	-------------------

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

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
For The Year Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Over (Under)</b>
<b>Revenues</b>			
Taxes	\$ --	\$2,908,628	\$2,908,628
Use of money and property	<u>--</u>	<u>4,655</u>	<u>4,655</u>
Total revenues	<u>--</u>	<u>2,913,283</u>	<u>2,913,283</u>
<b>Expenditures</b>			
Transportation	<u>--</u>	<u>8,056,958</u>	<u>8,056,958</u>
	<u>--</u>	<u>8,056,958</u>	<u>8,056,958</u>
Excess of expenditures over revenues	<u>--</u>	<u>(5,143,675)</u>	<u>(5,143,675)</u>
Fund balance, beginning	--	5,446,504	5,446,504
Prior period adjustment	<u>--</u>	<u>1,380</u>	<u>1,380</u>
Fund balance, beginning adjusted	<u>--</u>	<u>5,447,884</u>	<u>5,447,884</u>
Fund balance, ending	<u>\$ --</u>	<u>\$ 304,209</u>	<u>\$ 304,209</u>

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

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The County accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the County are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**COUNTY OF IMPERIAL  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the County to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the County.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents adjustments made to prior balances in the "Due From" and "Payable" accounts to agree to correct balances. This adjustment has no effect on the current year's activities, the cumulated effect decreases fund balance by \$1,380.

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Various Roads in Bombay Beach			Overlay
Various Roads in Desert Shores			Overlay
Various Roads in Heber			Overlay
Various Roads in Niland			Overlay
Various Roads in Ocotillo			Overlay
Various Roads in Palo Verde			Overlay
Various Roads in Salton City			Overlay
Various Roads in Salton Sea Beach			Overlay
Various Roads in Seeley			Overlay
Various Roads in Winterhaven			Overlay
Diehl Road (13)	Drew Road (WR)	West 2 miles	Overlay
Wixom Road (12)	Drew Road (WR)	West to End	Overlay
Alamo Road (23.5)	Towland (ET)	Bridenstein Road ( EU)	Reconstruct
Araz ( A2N07)	I-8	Winterhaven Dr. (A2P06)	Overlay
Aten Road (24)	Forrester Road (WJ)	Gillette Road	Overlay
Austin Road (WG)	Evans Road (53)	Aten Road (24)	Overlay
Barbara Worth Road (EL)	Anza Road (2)	Jasper Road (8)	Overlay
Barbara Worth Road (EL)	I-8	McCabe Road (14)	Overlay
Baughman Road	Forrester Rd	Highway 86	Reconstruct
Belford Road (28.5)	Imperial Ave.	West End	Overlay
Blair Rd. (EE)	McDonald Rd. (76)	Pon Rd. (78)	Overlay
Boarts Road (53)	Highway 86	Kalin Road (WE)	Overlay
Bonds Corner Rd (EW)	Hwy 98	I-8	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Bowker Road (EH)	Cole Road (6)	Jasper Road	Overlay
Bowker Road (EH)	Highway 98	Anza Road (2)	Overlay
Boyd Rd (34)	Poore Rd (EY)	Highline Rd. (EZ)	Overlay/Widen
Brockman Road (WL)	Abatti Road (12)	McCabe Road (14)	Reconstruct
Brockman Road (WH)	Hwy 98	McCabe Road (14)	Overlay/Widen
Casey Rd. (EM)	Boyd Rd. (34)	Keystone Rd. (36)	Overlay
Chick Road (16)	Highway 111	1 ½ miles West	Overlay/Widen
Clark Road (WC)	Horne Road (16)	Wahl Road (10)	Overlay
Clark Road (WC)	El Centro City Limits	Atens Road (24)	Maintenance
Cole Road	Railroad Tracks	Kloke Road	Reconstruct
Correll/Dogwood			Signals
Cross Road	El Centro City Limits	Imperial City Limits	Maintenance
Drew Rd. (WR)	I-8	Evan Hewes Rd. (2A23)	Overlay
Drew Rd. (WR)	I-8	Lions Rd. (9)	Overlay
Drew Rd. (WR)	Lions Rd. (9)	Kubler Rd. (6)	Overlay
Drew Rd. (WR)	Kubler Rd. (9)	Hwy 98	Overlay
Dogwood Road (00)	State Highway 86		Signals/ Rechannelization
Dogwood Road (00)	Heber (SR86)	½ Mile South of Chick Rd	Overlay/ Widen/Signals
Eddins Road (65)	English Road (WA)	Brandt Road (EC)	Reconstruct
Eddins Road (65)	English Road (WA)	Calipatria City Limits	Overlay
Eddins Road (65)	Lyerly Road (EA)	English Road (WA)	Overlay
English Road (WA)	Montgomery Road (GE)	Sinclair Road (72)	Overlay
Evan Hewes (2A23)	Hwy 115	Hwy 111	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Evan Hewes (2A23)	Austin Rd. (WG)	Forrester Rd. (WJ)	Overlay
Evan Hewes (2A23)	Drew Rd. (WR)	Westmoreland Rd. (WX)	Overlay
Evan Hewes (2A23)	Imperial Hwy (2A02)	Plaster City	Overlay
Evan Hewes (2A23)	Westmorland Rd (WX)	Bennett Rd. (WP)	Overlay
Evan Hewes (2A23)	Hwy 115	Gordons Well Rd.	Overlay
Forrester Road (WJ)	I-8	Evan Hewes (2A23)	Overlay
Forrester Rd. (WJ)	Bannister Rd. (55)	Walker Rd. (58)	Overlay
Forrester Rd.	Evan Hewes Hwy		Traffic Signals
Gentry Rd. (WI)	Walker Rd. (58)	New River	Overlay
Harris Road (32)	Hwy 111	McConnell Road (EF)	Overlay
Harris Road (32)	McConnell Road (EF)	Alamo River Bridge	Overlay
Harris Rd. (32)	Holt Rd. (ER)	Hwy 115	Overlay/Widen
Hartshorn Rd. (29)	Webb Rd. (EX)	Highline Rd. (EZ)	Overlay
Hoskins Road (WO)	Andre Rd.	Westside Main Canal	Overlay/reconstruct
Hovley Rd. (WA)	Baughman Rd. (52)	Rutherford Rd. (54)	
Johnson Lane (WI)	Evan Hewes (2A23)	End	Construction
Kaiser Road (EQ)	Writ Road (65)	Albright Road (62)	Overlay
Kalin Road (WE)	Baughman Road (52)	2.8 miles North	Overlay
Kalin Road (WE)	New River	Vail Road (62)	Reconstruct
Kalin Rd. (WC)	Webster Rd.	Baughman Rd. (52)	Overlay/Reconstruct
Kershaw Rd. (EC)	Titworth Rd. (58)	Rutherford Rd. (54)	Overlay
Keystone Road (36)	Highway 86	Dogwood Road (00)	Overlay
Keystone Road (36)	Highway 86	Austin Rd. (WG)	Overlay
Keystone Road (36)	Poore Road (EY)	(EV)	Overlay/Widen

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Kubler Rd. (6)	Brockman Rd. (WL)	Rockwood Rd. (WJ)	Reconstruct
McCabe Road (14)	Pitzer	Dogwood Road	Overlay/ Reconstruct/Widen
McConnell Road (EF)	Keystone Road (36)	Schartz Road (40)	Overlay
McConnell Road (EF)	Mead Road (42)	Schartz Road (40)	Overlay
McDonald Road (76)	Potter Road (EG)	Wiest Road (EJ)	Overlay
Miller Road (EAA)	Hunt Rd. (16)	Humberg Rd. (8)	Overlay/Widen
Montgomery Road (69)	Wiest Road (EJ)	Reed Road (EM)	Reconstruct
Murphy Road (28)	La Brucherie Road (WE)	West End	Overlay
Neighbors Blvd.	County Line	Bridge	Overlay
Nina Rd. (HE)	Hwy 86	.02 mile North	Rehabilitate
Ogilby Road (3M01)	Railroad	Highway 78	Overlay
Pitzer Rd. (EB)	McCabe Road (14)	Correll Road (12)	Reconstruct
Ross Road (18)	Austin Road (WG)	Forrester Road (WJ)	Overlay
Ruegger Road (61)	Reeves Road (WA)	Alamo River	Overlay
Rutherford Road (54)	Butters Road (ES)	1.0 Mile East	Overlay
Rutherford Road (54)	Highway 115	Hastain Road (EO)	Overlay
Rutherford Road (54)	Highway 111	Best Road (EC)	Overlay
Schartz Road (40)	Dogwood Road	Highway 111	Overlay/Reconstruct
Seybert Rd (EI)	Hwy 78	Sillman Rd. (45)	Overlay
Silsbee Rd. (WM)	Aten Rd. (24)	Hackelman Rd. (22)	Reconstruct
Silsbee Rd. (WM)	Hackelman Rd. (22)	Evan Hewes Rd (2A23)	Overlay
Slaton Road (ES)	9 <sup>th</sup> Street	Thiesen Road (22)	Overlay
Snyder Road (EW)	Highway 115	Norrish Road (25)	Overlay
Spa Road (9D08)	Hot Mineral Spa (9G02)	Coachella Canal (7G03)	Overlay

See accountants' report

**COUNTY OF IMPERIAL**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Underwood Road (7g01)	Holtville City Limits	Towland Road (ET)	Overlay
Various Road/Bridges			Maint. &/Or Misc
Various Road Locations			Misc. Sfty Project
Verde School Road (10)	Miller Road (EAA)	1.0Mile East	Overlay
Walker Road (58)	Brandt Road (WC)	Kalin Road (WG)	Overlay
Webb Road (EX)	Norrish Road (25)	Worthington Road (27)	Reconstruct
Wiest Road (EJ)	Merkley Road (73)	Road 75	Overlay
Wiest Road (EJ)	Wirt Road (65)	Montgomery Road (69)	Overlay
Willoughby/Dogwood Roads			Signals
Willoughby Road (8)	Ware Road (EA)	Kloke Road (EB)	Reconstruct
Wirt Road (65)	Wiest Road (EJ)	Kaiser Road (EQ)	Overlay
Worthington Road (27)	New River	Forrester Road (WJ)	Overlay
Worthington Road (27)	Highway 111	McConnell Road (EF)	Overlay
Yocum Road (63)	Highway 111	Kershaw Road (EC)	Overlay
Yourman Road (ED)	McCabe Road (14)	Highway 111	Overlay

## **FINDINGS AND RECOMMENDATIONS**

**COUNTY OF IMPERIAL**  
**LOCAL TRANSPORTATION AUTHORITY FUNDS**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2010**

1. Finding:

During the examination, we noted that the County was not maintaining funds received from the Local Transportation Authority in a separate fund designated specifically for LTA activity.

Recommendation:

The County should maintain a separate fund with a self balancing set of accounts which will allow the County to be in compliance with the ICLTA ordinance 1-89, Expenditure Plan section IX.

2. Finding:

During the examination, we noted that the County was not allocating interest revenue generated by LTA funds received and not spent during the year.

Recommendation:

The County should maintain a separate fund with a self balancing set of accounts which will allow the County to allocate interest revenue and be in compliance with the ICLTA ordinance 1-89, Expenditure Plan section IX.

**CITY OF WESTMORLAND  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**CITY OF WESTMORLAND  
ANNUAL COMPLIANCE REPORT OF  
THE LOCAL TRANSPORTATION AUTHORITY FUNDS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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## **ACCOUNTANTS' COMPLIANCE REPORT**

To the Honorable City Council  
City of Westmorland, California

We have evaluated the City of Westmorland's compliance with the Imperial County Local Transportation Authority's Expenditure Plan ("the Plan") as adopted by the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance. Our evaluation, covering the year ended June 30, 2010, included such tests and procedures as we considered necessary to evaluate whether the City of Westmorland was in compliance with the regulations outlined in the Plan.

In our opinion, based on the tests and procedures applied, the City of Westmorland has not complied with the Imperial County Local Transportation Authority's Expenditure Plan for the year ended June 30, 2010. See instances of noncompliance listed in the Schedule of Findings and Recommendations included in this report

The accompanying financial information listed in the table of contents is presented for purposes of additional analysis. Such information has been gathered for the sole purpose of documenting, in the form of financial statements, the receipt and disbursement of the City's distributive share of funds issued under the Imperial County Local Transportation Authority Retail Transaction and Use Tax Ordinance, and has not been audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them. Accordingly, this information is not designed for those who are not informed about such matters.

*Hutchinson and Bloodgood LLP*

March 2, 2012

## **SUPPLEMENTARY INFORMATION**

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**BALANCE SHEET  
June 30, 2010**

**Assets and Other Debits**

Cash and cash equivalents	\$ 612,245
Due from ICLTA	65,061
Due from other funds	<u>29,514</u>
Total assets	<u>\$ 706,820</u>

**Liabilities and Fund Balance**

**Liabilities**

Due to other funds	\$ 68,805
Accounts payable	<u>30</u>
Total Liabilities	68,835

**Fund Balance**

Unreserved - undesignated	<u>637,985</u>
Total liabilities and fund balance	<u>\$ 706,820</u>

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

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For The Year Fiscal Year Ended June 30, 2010**

**Revenues**

Taxes	\$ 196,991
Total revenues	<u>196,991</u>

**Expenditures**

Salaries	16,496
Infrastructure maintenance	<u>342,041</u>
Total expenditures	<u>358,537</u>

Excess of expenditures over revenues	<u>(161,546)</u>
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Fund balance, beginning	802,994
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Prior period adjustment	<u>(3,463)</u>
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Fund balance, beginning adjusted	<u>799,531</u>
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Fund balance, ending	<u>\$ 637,985</u>
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The notes to the financial statements are an integral part of this statement

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY  
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>			
Taxes	\$       --	\$ 196,991	\$ 196,991
IVAG revenue	<u>          --</u>	<u>          --</u>	<u>          --</u>
Total revenues	--	196,991	196,991
 <b>Expenditures</b>			
Salaries	--	16,496	16,496
Transportation	<u>          --</u>	<u>342,041</u>	<u>342,041</u>
Total expenditures	--	358,537	358,537
 Excess of expenditures over revenues	<u>          --</u>	<u>(161,546)</u>	<u>(161,546)</u>
 Fund balance, beginning	--	802,994	802,994
 Prior period adjustment	<u>          --</u>	<u>(3,463)</u>	<u>(3,463)</u>
 Fund balance, beginning adjusted	<u>          --</u>	<u>799,531</u>	<u>799,531</u>
 Fund balance, ending	<u>\$       --</u>	<u>\$ 637,985</u>	<u>\$ 637,985</u>

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

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Imperial County Local Transportation Authority***

The Imperial County Local Transportation Authority (the "Authority") was created to implement the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance (the LTA "tax") as adopted by the electorate on November 7, 1989. The tax is imposed in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Division 19 of the Public Utilities Code (Code Section 180000). The primary purpose of this ordinance was to enact a one-half of one percent retail transactions and use tax for a period of twenty (20) years. The proceeds of this tax would be allocated to the County of Imperial and the cities in the County for local street and road purposes. Also, a small portion of the tax revenues would be used for administration and possibly state highway purposes.

The funds that are generated by implementation of the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance are intended to supplement and not to replace existing local revenues used for transportation purposes.

The Authority consists of the County of Imperial and the following seven cities (the "local member agencies"):

- 1) City of Brawley
- 2) City of Calexico
- 3) City of Calipatria
- 4) City of El Centro
- 5) City of Holtville
- 6) City of Imperial
- 7) City of Westmorland

The members of the Board of the Authority consist of one (1) member of the City Council of each incorporated city of the Imperial County and two (2) members of the Board of Supervisors. The members serve staggered terms with no term over a four year period. The chairman and vice-chairman of the Board of the Authority are elected annually in June.

***Compliance Requirements of the Imperial County Local Transportation Authority***

Each member agency is required to comply with 1) the "By-Laws of Imperial County Local Transportation Authority" (Attachment A of the LTA ordinance) and 2) the "Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan" (Attachment B of the LTA ordinance).

See accountants' report

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Accounting***

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The City accounts for the Local Transportation Authority funds in a separate special revenue fund and a separate capital projects fund. The general long-term debt account group is used to account for long-term liabilities expected to be financed from governmental funds.

***Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenue susceptible to accrual is interest revenue. Sales taxes held by the Authority at year end on behalf of the City are also recognized as revenue.

***Budgets***

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the governmental funds. All annual appropriations lapse at fiscal year end.

See accountants' report

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2010**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash is pooled with other cash of the City to maximize investment opportunity and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Local Transportation Authority Funds.

***Fixed Assets***

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, gutters, streets and sidewalks are not capitalized, as these assets are immovable and of value only to the City.

***Fund Balance***

The fund balance represents undesignated fund balances, restricted for LTA use for which these funds have been authorized.

**Note 2. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment represents tax revenues for the months of January 2009 to June 2009 that were not properly disbursed by the LTA Administrator, and the correction of an overpayment received by ICLTA on June 2009 and not disbursed to recipients.

See accountants' report

**CITY OF WESTMORLAND**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Center Street	Highway 86	Baughman Road	Reconstruct
Center Street	Highway 86	Eighth Street	Reconstruct
First Street	Center Street	F Street	Repair/Maintenance
First Street	Center Street	C Street	Repair/ Construct
First Street	H Street	G Street	Repair/Maintenance
Second Street	G Street	Center Street	Repair/Reconstruct
Third Street	F Street	Center Street	Repair/Maintenance
Fifth Street	G Street	C Street	Repair/Construct
Fifth Street	H Street	West end of Street	Repair/Maintenance
Sixth Street	F Street	Center Street	Reconstruct
Sixth Street	H Street	West end of Street	Repair/Maintenance
Seventh Street	J Street	Center Street	Reconstruct
Seventh Street	D Street	B Street	Reconstruct
Eighth Street	J Street	H Street	Construct
Eighth Street	Center Street	150' E. of D Street	Repair/Maintenance
B Street	Highway 86	Seventh Street	Reconstruct
C Street	Highway 86	Seventh Street	Repair/Maintenance
D Street	Seventh Street	Eighth Street	Repair/Maintenance
F Street	Third Street	7 <sup>th</sup> Street	Reconstruct
G Street	Highway 86	Third Street	Repair
G Street	Sixth Street	Seventh Street	Repair/Construct
H Street	First Street	Highway 86	Repair/Construct
H Street	Seventh Street	Eighth Street	Construct
J Street	Seventh Street	Eighth Street	Repair/Maintenance

See accountants' report

**CITY OF WESTMORLAND**

**5-Year Program of Projects 2007/12**

<b>ROAD</b>	<b>FROM</b>	<b>TO</b>	<b>PROJECT DESCRIPTION</b>
Jauregui Street	G Street	End of Cul-de-sac	Repair/Maintenance
Sundance	J Street	End of Cul-de-sac	Repair/Maintenance
Various Streets	Various Locations		Reconstruction/Repair

## **FINDINGS AND RECOMMENDATIONS**

**CITY OF WESTMORLAND  
LOCAL TRANSPORTATION AUTHORITY FUNDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
June 30, 2010**

1. Finding:

During the examination, we noted that the City deposited funds that were not Local Transportation Authority funds into their Local Transportation Authority Fund.

Recommendation:

The City should review all cash receipts before deciding which fund to allocate the cash receipt to.

2. Finding:

During the examination, we noted that the City has included an amount in Due to Other Funds that appears to be a carryover from previous fiscal periods.

Recommendation:

The City should review the Due to Other Funds account detail and make the appropriate adjustments to correct this account.

3. Finding:

During the examination, we noted that the City did not allocate interest to the LTA Revenue Fund.

Recommendation:

The City should review their funds for interest earned and allocate corresponding interest to LTA Fund Revenue.



March 2, 2012

Honorable Board Members  
Imperial County Local Transportation Authority  
El Centro, California

We have audited the general purpose financial statements of the Imperial County Local Transportation Authority for the year ended June 30, 2010, and have issued our report thereon dated March 2, 2012. Professional standards require that we provide you with the following information related to our audit.

**Findings and Recommendations**

During our examination we noted the following findings:

1. The Imperial County Local Transportation Authority did not maintain documentation on the funds received from the Board of Equalization. We recommend that the Authority request additional documentation from the Board of Equalization concerning the calculation of the monthly distribution to the Authority along with the total costs charged by the BOE for their services.
2. The Imperial County Local Transportation Authority is claiming certain expenditures as administrative expenses. We recommend that expenditures be segregated since only those classified as administrative are subject to the 1% limitation.
3. The Imperial County Local Transportation Authority is not providing member agencies with their annual revenue projections. We recommend that the current administration begin providing this information in order for the member agencies to provide the Authority with updated road expenditure plans.
4. The City of El Centro improperly allocated Local Transportation Authority Funds to a project not approved under the "Five Year Plan". We recommend that the City review all invoices that they intend to allocate to LTA funds and determine if the invoices are for approved projects.
5. The City of Westmorland has deposited funds that were not Local Transportation Authority funds into their Local Transportation Authority Fund. We recommend that the City review all cash receipts before deciding which fund to allocate them to.
6. The City of Westmorland continues to carry a Due to Other Funds on their statement that is a carryover from a prior period finding. We recommend that the City review the Due to Other Funds account detail and make the appropriate adjustments to correct this account.
7. The City of Westmorland did not allocate interest to the LTA Revenue Fund. We recommend that the City review their funds for interest earned and allocate corresponding interest to LTA Revenue Fund.
8. The County of Imperial is not maintaining funds received from the Local Transportation Authority in a separate fund designated specifically for LTA activity. We recommend that the County maintain a separate fund for their LTA activity so that they are in compliance with the ICLTA ordinance 1-89, Expenditure Plan section IX.

9. The County of Imperial did not allocate interest to their unspent LTA revenue. We recommend that the County review their funds for interest earned and allocate corresponding interest to their LTA Fund.

This report is intended solely for the information and use of Imperial County Local Transportation Authority, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

*Hutchinson and Bloodgood LLP*

## **APPENDIX B**

### **ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF IMPERIAL**

#### **General Information**

The County of Imperial (the “County”), located in Southern California, on the Mexican border, was established by an act of the State Legislature on August 7, 1907, forming the County from the eastern part of San Diego County. The County is a general law county divided in to five supervisorial districts on the basis of registered population. The county encompasses an area of over 4,597 miles and includes seven incorporated cities and a number of unincorporated communities. The county ranks as one of the top ten agricultural counties in California. Three-fourths of the area is desert sand and rugged mountains.

The County is one of the State’s major agricultural producers. Farming is concentrated in the Imperial Valley, an approximately one thousand square mile area that extends from the Mexican border north of the Salton Sea. Much of this farmland is owned by large farmers. Because the average annual rainfall in the County is less than three inches, an extensive irrigation system has been developed which provides adequate water from the Colorado River through the All America Canal and the Imperial Irrigation District (the “District”). Mean monthly temperatures range between 55 and 90 degrees and allow for a year-round growing season.

Power and water are supplied to the County through the District. Total available power of 513,400 kilowatts. The District maintains over 3,000 miles of canals and drains are used to transport water from the Colorado River to the County’s municipalities and cultivated areas.

The County has the largest known geothermal reserve in the nation which represents a power magnitude equal to an electrical potential of about 3,000 megawatts. Currently, the County has geothermal power facilities for a total of approximately 600 megawatts of geothermal power. Sixteen electrical generation plants are currently operating and additional plants are planned. According to a 2004 study, the County has a most-likely incremental capacity of 1,950 gross megawatts, representing 65% of the total State most-likely incremental capacity.

There are some minerals and metals located in the County. Gold is mined on the eastern border of the County and gypsum on the western border. There are also quantities of semiprecious stones such as emeralds and aquamarine.

Mesquite Landfill in the County will be Southern California’s first operating landfill that is permitted to receive waste by rail. The landfill is located next to the Mesquite Gold Mine, east of Glamis and near the Union Pacific Railroad mainline. The landfill will have a 600 million ton capacity and a project life of approximately 100 years.

As required by State and federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice (courts and jails) and for the maintenance of public records. The County also maintains roads and other public facilities and operates recreational and cultural facilities serving the unincorporated areas of the County.

## **County Government**

The County is governed by a five-member Board of Supervisors elected to four-year terms. The County Administrator, appointed by the Board of Supervisors, administers County affairs. Other elected officials include the Assessor, Auditor-Controller, County Clerk/Recorder, District Attorney, Public Administrator, Sheriff/Coroner, Tax Collector, and Treasurer. The amount of population in the unincorporated area is approximately equal to that of the county seat. The County provides a variety of services, which are mostly provided regionally with a few only for the benefit of the unincorporated area.

## **Community Services**

The County provides services in six broad categories: Public Protection, Public Ways and Facilities, Health and Sanitation, Public Assistance, Education and General Government. Public Protection is provided in five areas: judicial, police protection, detention and correction, fire protection, and protective inspection. Public ways and facilities include road and airport activities. Health services encompass a variety of services to protect public health as well as solid waste disposal, hazardous waste issues, and air pollution control.

The County does not have a county hospital but has an arrangement with the local hospitals for indigent care. Members of the Board of Supervisors serve as members of the Air Pollution Control District Board. Public Assistance is the costliest sector, providing social services, direct categorical assistance, job training, burial, park projects, economic development, aging programs, and other special projects. Education includes a County Library system, cooperative Agricultural Extension and tobacco education.

## **Transportation**

The County's location and transportation network have played a big part in the County's growth. The County is situated on the US-Mexican border with three strategic Ports of Entry: Calexico, Calexico East, and Algodones. The main east-west route is Interstate 8. The two north-south routes are Route 86 and Route 111, which are both part of the State's expressway system. These routes serve as the southwest NAFTA corridor, bringing goods from the industrial center of Baja, California to major markets on the west coast of the US and Canada. State Route 7 connects the Calexico East with Interstate 8.

Rail service includes feeder Union Pacific lines connecting Calexico-Mexicali to the southern mainline in Niland passing through Heber, El Centro, Imperial, Brawley, and Calipatria. A short portion of the SDIV line from Plaster City to El Centro is also operated by Union Pacific. There is no passenger rail service.

Imperial County Airport is located in the City of Imperial and provides passenger service to and from Los Angeles International Airport. There are four additional airports in the county that provide general aviation activities; Holtville Airport (operated by the County), Calexico International Airport, Brawley Municipal Airport and Calipatria Airport.

## **Population Characteristics**

As of January 1, 2011, the County's population was estimated at 176,258. In percentage terms, the County's population grew by 33.3% during the period from 2007 to 2011. The following table sets forth the County's population from 2007 through 2011.

**POPULATION OF IMPERIAL COUNTY  
AND INCORPORATED CITIES  
(As of January 1) <sup>(1)</sup>**

<b><u>Area</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Imperial County	132,241	137,349	140,705	174,244	176,258
Brawley	25,421	26,391	26,976	24,849	25,304
Calexico	37,151	38,558	39,380	38,461	39,077
Calipatria	7,736	7,757	8,111	7,833	7,665
El Centro	41,626	43,119	44,303	42,480	43,145
Holtville	6,232	6,437	6,521	5,922	6,015
Imperial	11,726	12,693	12,985	14,715	15,089
Westmorland	2,349	2,394	2,429	2,222	2,255
Unincorporated Communities	38,801	38,147	38,723	37,762	37,708

<sup>(1)</sup> Estimated.

Source: State of California, Department of Finance, Demographic Research Unit.

### **Employment**

During November 2011, the County's labor force was approximately 76,200, a decrease of 1.6% from November 2010. The unemployment rate in November 2011 decreased to 27.2% from 30.9% in November 2010. The following chart compares labor force, employment, civilian employment and the unemployment rate in the County, the State of California and the United States during the period from 2007 through November 2011.

**COUNTY OF IMPERIAL**  
**LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**Yearly Average for Years 2007 through 2011**

<u><b>Year and Area</b></u>	<u><b>Labor Force</b></u>	<u><b>Civilian Employment</b></u>	<u><b>Civilian Unemployment</b></u>	<u><b>Unemployment Rate (%)</b></u>
<u>2007</u>				
Imperial County	66,700	54,600	12,000	18.1
California	18,078,000	17,108,700	969,300	5.4
United States	142,314,000	134,055,000	8,300,000	5.8
<u>2008</u>				
Imperial County	73,500	56,700	16,800	22.9
California	18,391,800	17,059,600	1,332,300	7.2
United States	142,500,000	133,952,000	8,600,000	6.0
<u>2009</u>				
Imperial County	75,300	54,400	20,900	27.7
California	18,195,800	15,989,300	2,206,600	12.1
United States	153,059,000	137,792,000	15,267,000	10.0
<u>2010</u>				
Imperial County	82,700	59,800	22,900	27.6
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
<u>2011</u>				
Imperial County	77,600	54,500	23,000	29.7
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows employment by industry group in the County from 2007 through 2011.

**COUNTY OF IMPERIAL**  
**ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP**  
**For Years 2007 through 2011**

<b><u>Industry Group</u></b> <sup>(1)</sup>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Total Agricultural <sup>(2)</sup>	10,100	11,400	9,400	10,500	9,400
Non-Agricultural Goods:					
Mining and Construction <sup>(3)</sup>	1,900	1,700	1,500	1,300	1,300
Manufacturing	2,600	2,500	2,300	2,600	2,600
Non-Agricultural Services:					
Transportation and Public Utilities	11,100	11,300	10,500	10,500	10,500
Wholesale Trade	1,900	1,800	1,700	1,600	1,700
Retail Trade	7,500	7,600	7,000	6,800	6,900
Finance, Insurance and Real Estate	1,400	1,300	1,300	1,300	1,300
Services	10,300	11,000	10,700	10,100	10,300
Government <sup>(4)</sup>	18,100	18,500	18,800	18,400	18,200
Total Non-Agricultural	<u>45,900</u>	<u>46,800</u>	<u>45,500</u>	<u>44,400</u>	<u>44,500</u>
TOTAL ALL INDUSTRIES:	56,000	58,200	54,800	54,900	53,900

<sup>(1)</sup> Does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor management trade disputes. Detail may not add to totals due to independent rounding. Employment by place of work.

<sup>(2)</sup> Excludes farmers and unpaid family workers, veterinary, other animal, landscape and horticultural services.

<sup>(3)</sup> Includes employees of construction contractors and operative builders; does not include force account or government construction workers.

<sup>(4)</sup> Includes all civilian employees of federal, state and local governments regardless of the activity in which the employee is engaged.

Source: State of California Employment Development Department.

**COUNTY OF IMPERIAL**  
**MAJOR EMPLOYERS**

In 2011, the total number of employed persons in the County was 55,500. The County has a diverse employer base that includes health care, government services and retail. Some of the major employers in the area are Allstar Seed Co, Cal Energy Generation, Calipatria State Prison, Centinela State Prison, Central Union High School, Clinicas De Salud Del Pueblo, Costco, El Centro Naval Air Facility, El Centro Regional Medical Center, Imperial County Coroner, Imperial County Office of Education, Imperial Date Gardens, Imperial Valley Behavioral, Macy's, Maui Harvesting, National Beef Packing Co, LLC, Pioneers Memorial Hospital, Spreckels Sugar Co, Inc, Target, United States Gypsum Co, United States Border Patrol, Walmart Supercenter and Zinn Packing Co, Inc.

## Taxable Sales

The following tables show taxable transactions within the County from 2005 through 2010.

### COUNTY OF IMPERIAL TAXABLE SALES For Years 2005 through 2008

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Stores				
Apparel Stores	\$ 80,237	\$ 86,604	\$ 95,427	\$ 107,728 <sup>(1)</sup>
General Merchandise	396,770	442,713	456,201	427,442
Specialty Stores <sup>(1)</sup>	82,981	87,633	-	-
Food Stores	92,916	95,307	97,041	82,225
Eating and Drinking	134,891	147,863	152,502	151,342
Household	20,536	19,220	15,538	28,796
Building Materials	132,706	150,593	117,103	80,411
Automotive	404,315	441,664	258,392	209,247
Service Stations	-	-	188,136	190,187
Other Retail	<u>91,193</u>	<u>95,051</u>	<u>173,688</u>	<u>149,532</u>
Retail Stores Total	\$1,436,545	\$1,566,648	\$1,554,028	\$1,426,909
Business and Personal Services	69,023	67,335	93,077	73,275
All Other Outlets	<u>495,051</u>	<u>514,747</u>	<u>606,028</u>	<u>679,092</u>
Total All Outlets	\$2,000,619	\$2,148,730	\$2,253,133	\$2,179,276

<sup>(1)</sup> As of 2007, "Specialty Stores" is no longer a category, data from that group is incorporated in "All Other Retail Group."  
Source: California State Board of Equalization.

### COUNTY OF IMPERIAL TAXABLE SALES For Year 2009<sup>(1)</sup> and 2010

	<u>2009</u>	<u>2010</u>
Retail and Food Services		
Motor Vehicle and Parts Dealers	\$ 147,322	\$ 180,302
Furniture and Home Furnishings Stores	9,430	8,678
Electronics and Appliance Stores	32,716	35,855
Bldg. Matrl. and Garden Equip. and Supplies	81,773	86,092
Food and Beverage Stores	61,371	66,563
Health and Personal Care Stores	17,362	16,858
Gasoline Stations	173,254	202,287
Clothing and Clothing Accessories Stores	130,460	140,499
Sporting Goods, Hobby, Book and Music Stores	21,914	22,967
General Merchandise Stores	357,341	371,291
Miscellaneous Store Retailers	32,380	30,912
Nonstore Retailers	5,203	5,870
Food Services and Drinking Places	<u>145,897</u>	<u>145,624</u>
Total Retail and Food Services	\$1,216,423	\$ 1,317,759
All Other Outlets	<u>557,507</u>	<u>652,573</u>
Total All Outlets	\$1,773,930	\$1,970,332

<sup>(1)</sup> In 2009, the Board of Equalization revised the categories of business type. Accordingly, comparisons to past years may not be feasible without referencing the source data.  
Source: California State Board of Equalization.

## Construction Activity

The following table provides a building permit valuation summary for the County for 2007 through 2011.

### COUNTY OF IMPERIAL BUILDING PERMIT VALUATION For Years 2007 through 2011 (Dollars in Thousands)

<u>Permit Valuation</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential:					
New Single-Dwelling	\$101,220	\$40,193	\$32,435	\$18,872	\$ 7,970
New Multi-Dwelling	27,280	17,619	704	0	13,010
Additions/Alterations	<u>9,636</u>	<u>4,843</u>	<u>7,339</u>	<u>3,812</u>	<u>1,238</u>
Total Residential	\$138,136	\$62,655	\$40,478	\$22,684	\$22,218
Non Residential:					
New Commercial	57,281	23,841	4,456	13,461	6,785
New Industrial	6,440	3,744	0	0	0
Other	14,172	10,450	5,960	7,555	4,555
Additions/Alterations	<u>16,174</u>	<u>12,039</u>	<u>10,371</u>	<u>12,888</u>	<u>8,908</u>
Total Non Residential	\$94,067	\$50,074	\$20,787	\$33,904	\$20,248
New Dwelling Units:					
Single Family	670	233	183	113	47
Multiple Family	<u>409</u>	<u>231</u>	<u>12</u>	<u>0</u>	<u>128</u>
Total New Dwelling Units	1,079	464	195	113	175

<sup>(1)</sup> Date through November 2011.

Source: Construction Industry Research Board.

## Agricultural Production

The County Department of Agriculture estimates that agricultural production totaled \$1,598,534,000 in 2010. The following table provides an agricultural production summary from 2006 through 2010.

### COUNTY OF IMPERIAL TOTAL AGRICULTURAL PRODUCTION For Years 2006 through 2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Vegetable Crops	\$ 526,652,000	\$ 575,454,000	\$ 675,242,000	\$ 690,311,000	\$ 809,126,000
Fruit and Nut Crops	46,452,000	32,158,000	37,342,000	47,765,000	51,294,000
Nursery Products	72,351,000	56,205,000	86,789,000	55,577,000	52,952,000
Apiary	2,544,000	3,139,000	3,772,000	3,562,000	4,001,000
Livestock and Poultry	418,436,000	410,883,000	398,789,000	343,201,000	321,022,000
Field Crops	<u>298,933,000</u>	<u>308,745,000</u>	<u>482,588,000</u>	<u>312,544,000</u>	<u>360,139,000</u>
TOTAL	\$1,365,368,000	\$1,386,584,000	\$1,684,522,000	\$1,452,970,000	\$1,598,534,000

Source: Imperial County Department of Agriculture.

## APPENDIX C

### SUMMARY OF LEGAL DOCUMENTS

The following are brief summaries of certain provisions of the Indenture, dated as of May 1, 2012 (the “Indenture”), by and between the Imperial County Local Transportation Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). In addition, representative provisions of the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, each dated May 1, 2012 (collectively, the “Supplemental Indenture”), each by and between the Trustee and the Issuer. Such summaries are not intended to be complete or definitive, are supplemental to the summary of other provisions of the Indenture and the 2012 Supplemental Indenture contained elsewhere in this Official Statement, and are qualified in their entirety by reference to the full terms of the Indenture and the 2012 Supplemental Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Trust Agreement.

### DEFINITIONS

**Accreted Value** means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accreted thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value of any Capital Appreciation Bond at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

**Accreted Value Table** means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Indenture providing for Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

**Act** means the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 et seq.) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

**Allocable Sales Tax Revenues** means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to each Local Agency.

**Alternate Liquidity Facility** means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar credit or liquidity facility, issued by a commercial bank or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

**Annual Debt Service**, in respect of a Series of Bonds and of any Parity Obligation(s) in respect of such Series, means, for any Fiscal Year, the aggregate amount (without duplication) of principal of and interest on all Bonds of that Series or on such Parity Obligation(s) becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

**Assumed Debt Service**, in respect of a Series, means for any Fiscal Year the aggregate amount of principal and interest that would be payable on all Bonds of that Series if each Excluded Principal Payment were amortized on a substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Issuer, which date may be the final maturity date of such Series of Bonds, or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated based on a fixed interest rate equal to the rate at which fixed rate Bonds bearing the same terms and security as the Series could be sold, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

**Authorized Denomination**, with respect to any Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series.

**Authorized Representative** means the Chairperson of the Board, the Executive Director, or such other person as may be designated to act on behalf of the Issuer by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative.

**Beneficial Owner** means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

**Board** means the Board of Directors of the Issuer.

**Bonds** means any of the Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time Outstanding under, the Indenture.

**Bond Obligation** means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

**Bond Reserve Fund** means any fund by that name established with respect to one or more Series pursuant to the Supplemental Indenture establishing the terms and provisions of such Series.

**Bond Reserve Requirement** with respect to a Series issued pursuant to a Supplemental Indenture under which a Bond Reserve Fund has been established has the meaning specified in that Supplemental Indenture.

**Business Day** means, except as is otherwise provided in the Supplemental Indenture establishing the terms and provisions of a Series of Bonds, any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or supported by a Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the

Credit Enhancement Provider or the Liquidity Facility Provider, as applicable, at which demands for payment under the Credit Enhancement or Liquidity Facility, as applicable, are to be presented are authorized or obligated by law or executive order to be closed, and (3) a day on which the New York Stock Exchange is closed.

**Capital Appreciation Bonds** means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture establishing the terms and provisions of such Series and on which interest is compounded and paid at maturity or on prior redemption.

**Certificate, Statement, Request, Requisition or Order** of the Issuer means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

**Code** means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

**Continuing Disclosure Agreement** means, with respect to a Series requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series, executed by the Issuer and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

**Corporate Trust Office or corporate trust office** means the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, California 90017, or such other or additional offices as may be designated by the Trustee from time to time; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is then conducted.

**Costs of Issuance**, in respect of a Series, means all items of expense directly or indirectly payable by or reimbursable to the Issuer and allocable to the authorization, execution, sale and delivery of that Series, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of the Series or any Parity Obligation in respect thereof.

**Costs of Issuance Fund**, in respect of a Series, means a fund by that name established pursuant to the provisions of the respective Supplemental Indenture to pay Costs of Issuance with respect to that Series.

**Counterparty** means a Person that has entered into an Interest Rate Swap Agreement with the Issuer.

**County** means the County of Imperial, California.

**Credit Enhancement** means, with respect to a Series, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, that secures or guarantees the payment of principal of and interest on that Series, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms.

**Credit Enhancement Provider** means, with respect to a Series, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series.

**Current Interest Bond** means a Bond of any Series designated as Current Interest Bonds in the respective Supplemental Indenture and on which interest is paid to the Owners thereof on a periodic basis no less frequently than annually prior to maturity.

**Debt Service**, when used with respect to any Series, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on Bonds of that Series during such Fiscal Year and (2) the principal of or Mandatory Sinking Account Payments required with respect to Bonds of that Series becoming due during such Fiscal Year; computed on the assumption that no portion of any Bond of that Series will be retired during that Fiscal Year other than by reason of the application of such scheduled payments; provided, however, that for purposes of the calculation:

(a) Excluded Principal Payments (and any interest related thereto payable from the same source as the Excluded Principal Payments) is excluded from the calculation and, in lieu thereof, Assumed Debt Service is included in the calculation;

(b) unless a different subsection of this definition applies for purposes of determining principal maturities or amortization, in determining the principal amount due in each Fiscal Year, payment is assumed to be made in accordance with any amortization schedule established for that Series, including any Mandatory Sinking Account Payment and any scheduled redemption or payment of any Capital Appreciation Bond on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of that Capital Appreciation Bond;

(c) if twenty percent (20%) or more of the principal of the Bonds of such Series is not due until the Maturity Date of the Bonds of such Series, principal and interest on such Bonds may, at the option of the Issuer, be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of the Bonds of such Series;

(d) if any Bond of a Series bears, or if any Bond proposed to be issued on a parity with Bonds of such Series will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on that Bond is excluded or

expected to be excluded from gross income for federal income tax purposes, the interest rate on that Bond is assumed to be the interest rate listed in The Bond Buyer “25 Revenue Bond Index” published on a date selected by the Issuer, which date shall be no earlier than the first day of the calendar month preceding the date of sale of that Bond and no later than the date of sale of that Bond, plus twenty-five (25) basis points or if such index is not published on the date of sale of that Bond, at the interest rate listed in such index published immediately prior to the date of sale of such Bonds of a Series plus twenty-five (25) basis points (provided, however, that if such index is no longer published, the interest rate on that Bond is assumed to be a rate determined based upon an index to be designated by the Issuer in writing to the Trustee);

(e) if any Bond of a Series bears, or if any Bond proposed to be issued on a parity with Bonds of that Series will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on that Bond is included or expected to be included in gross income for federal income tax purposes, the interest rate on that Bonds is assumed to be equal to 110% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of that Bond (provided, however, that if the One Month USD LIBOR Rate is no longer available, the interest rate on the Bond is assumed to be a rate designated by the Issuer in writing to the Trustee;

(f) with respect to any Bond bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on that Bond, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such Bond, are expected to produce a synthetic fixed rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on the Bond), the Bond is assumed to bear interest at the synthetic fixed rate for the duration of the Interest Rate Swap Agreement;

(g) if any Bond of a Series bears, or are expected to bear, a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to that Bond, if (i) the interest rate on such fixed interest rate Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such fixed interest rate Bond, are expected to produce a synthetic variable rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate Bond), the fixed interest rate Bond is assumed to bear interest at that synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as provided in subparagraph (c) or subparagraph (d), as applicable, above; and

(h) interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Bonds of the Series held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest, and principal and interest payments on Bonds of the Series are excluded to the extent those payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor or are to be paid from Pledged Allocable Sales Tax Revenues then held on deposit by the Trustee.

**Dissemination Agent** means, with respect to each Series requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with that Series, or any successor dissemination agent designated in writing by the Issuer and that has entered into a Continuing Disclosure Agreement with the Issuer.

**Event of Default** means any of the events specified in the Indenture.

**Excess Pledged Allocable Sales Tax Revenues** means Pledged Allocable Sales Tax Revenues in excess of the amount required to be transferred to the Funds and Accounts established pursuant to a Supplemental Indenture for the repayment of a Series of Bonds.

**Excluded Principal Payments** means each payment of principal of Bonds of a Series that the Issuer determines (in the Supplemental Indenture) that the Issuer intends to pay not from Pledged Allocable Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Issuer, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Issuer, upon which determination of the Issuer the Trustee may conclusively rely. No such determination shall affect the security for the Bonds of the Series or the obligation of the Issuer to make such payments from Pledged Allocable Sales Tax Revenues. No payment of principal of any Bond may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

**Expenditure Plan** means The Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan attached as an exhibit to the Ordinance, and incorporated therein, as supplemented and amended from time to time.

**Expenditure Plan Program Allocations** means amounts allocated from the Measure D Sales Tax Revenues to administrative expenses of the Issuer, state highway improvements within the County and transit projects prior to the allocation of Measure D Sales Tax Revenues to each Local Agency pursuant to the Expenditure Plan.

**Fees and Expenses Fund** means the fund by that name established pursuant to the Indenture.

**Fiscal Year** means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Issuer, which designation shall be provided to the Trustee in a Certificate delivered by the Issuer.

**Fitch** means Fitch Ratings, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “Fitch” means any other nationally recognized securities rating agency selected by the Issuer.

**Indenture** means the Indenture, dated as of May 1, 2012, between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

**Insurance**, with respect to a Series, means any financial guaranty insurance policy or municipal bond insurance policy issued by an Insurer insuring the payment when due of principal of and interest on that Series as provided in such financial guaranty insurance policy or municipal bond insurance policy.

**Insurer** means any provider of Insurance with respect to a Series.

**Interest Fund** means the fund by that name established pursuant to the Indenture.

**Interest Payment Date**, with respect to a Series, has the meaning specified in the respective Supplemental Indenture.

**Interest Rate Swap Agreement**, in respect of one or more Bonds of a Series, means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Issuer and a Counterparty, in connection with or incidental to, the issuance or carrying of the Bonds, including, without limitation, such a hedging agreement, arrangement or security whether entered into in advance of, upon or following the issuance of the Bonds.

**Investment Securities** means any of the following:

- The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:
  - Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
  - Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
  - Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including
    - Export-Import Bank
    - Farm Credit System Financial Assistance Corporation
    - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
    - General Services Administration
    - U.S. Maritime Administration
    - Small Business Administration
    - Government National Mortgage Association (GNMA)
    - U.S. Department of Housing & Urban Development (PHA's)
    - Federal Housing Administration
    - Federal Financing Bank; and

- Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
  - Obligations of the Resolution Funding Corporation (REFCORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit Enhancement or Liquidity Provider then providing a Liquidity Facility for a Series of Bonds.
- The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:
  - 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 (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than three hundred sixty (360) days after the date of purchase;
  - Commercial paper which is rated at the time of purchase in the single highest classification, “A-1” by Standard & Poor’s or “P-1” by Moody’s and which matures not more than two hundred seventy (270) days after the date of purchase;
  - Investments in a money market fund rated “AAAm” or “AAAm-G” or better by Standard & Poor’s including funds for which the Trustee or an affiliate provides investment advice or other services;
  - 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
    - (i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Standard & Poor’s and Moody’s or any successors thereto; or
    - (ii) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the

specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment 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;

- General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and Standard & Poor’s;
- Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody’s and Standard & Poor’s;
- The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;
- Shares in a common law trust, commonly referred to as CAMP, established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;
- The commingled investment fund of the County of Imperial, California, which is administered in accordance with the investment policy of the County as established by the County Auditor-Controller-Treasurer-Tax Collector, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said County Auditor-Controller-Treasurer-Tax Collector;
- Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds; and
- Any other investments which meet the criteria established by applicable published investment guidelines issued by a Rating Agency then rating the applicable Series of Bonds.

**Issuer** means the Imperial County Local Transportation Authority, a local transportation authority duly established and existing under the laws of the State.

**Liquidity Facility** means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, which secures or guarantees the payment of purchase price of a Series of Bonds, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the

Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

**Liquidity Facility Bond** means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bond no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

**Liquidity Facility Provider** means, with respect to a Series, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to that Series.

**Liquidity Facility Rate** means, with respect to a Liquidity Facility Bond of a Series, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with that Series.

**Local Agency** means any or each of the City of Brawley, the City of Calexico, the City of Calipatria, the City of El Centro, the City of Holtville, the City of Imperial, the City of Westmorland or the County.

**Mandatory Sinking Account Payment** means, with respect to Term Bonds of a maturity of a Series, the amount required under the respective Supplemental Indenture to be deposited by the Issuer in a Sinking Account for the redemption of those Term Bonds.

**Maintenance of Effort** means the amount, as required by Section 6 of the Expenditure Plan, that each Local Agency must budget for and expend in each fiscal year for street and road purposes.

**Maturity Date** means, with respect to a Series of Bonds, the date of maturity or maturities specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Maximum Annual Debt Service**, with respect to a Series, means the maximum amount of Annual Debt Service becoming due and payable on all Bonds Outstanding of that Series and all Parity Obligations in respect of that Series outstanding during the period from the date of such calculation through the final maturity date of such Bonds and Parity Obligations, calculated utilizing the assumptions set forth under the definition of Debt Service.

**Maximum Rate** means (a) the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time and (b) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

**Measure D Sales Tax** means the retail transactions and use tax applicable in the incorporated and unincorporated territory of the County in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, at the rate of one-half of one percent for a period not to exceed forty (40) years, commencing on April 1, 2010, and expiring on March 31, 2050, pursuant to the Ordinance.

**Measure D Sales Tax Revenues** means the amounts available for distribution to the Issuer after the date of issuance of the Bonds on account of the Measure D Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the Measure D Sales Tax imposed pursuant to Section 180201 of the Act and the Ordinance. Measure D Sales Tax Revenues do not include any funds or assets of the Issuer except Measure D Sales Tax Revenues; provided, however, that in accordance with the provisions set forth in the Indenture, the Issuer by Supplemental Indenture may provide for additional revenues or assets of the Issuer to be included in the definition of Measure D Sales Tax Revenues hereunder.

**Measure D Sales Tax Revenue Fund** means the fund by that name established by the Trustee pursuant to the Indenture.

**Monthly Allocation Certificate** means a certificate of the Issuer provided to the Trustee, in substantially the form attached to the Indenture, identifying the Expenditure Plan Program Allocations, the Non-Pledged Measure D Sales Tax Revenues to be released to the Authority for distribution to the Non-Participating Agencies, the Pledged Allocable Sales Tax Revenues to be transferred from the Measure D Sales Tax Revenue Fund to the Funds and Accounts established under the Indenture and each Supplemental Indenture, and the Excess Pledged Allocable Sales Tax Revenues to be released by the Authority to the Participating Agencies.

**Moody's** means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term "Moody's" means any other nationally recognized securities rating agency selected by the Issuer.

**Non-Participating Agency** means each Local Agency not pledging and assigning its Allocable Sales Tax Revenues to a Series of Bonds under the Indenture.

**Non-Pledged Measure D Sales Tax Revenues** means the Expenditure Plan Program Allocation and the Measure D Sales Tax Revenues attributable to each Non-Participating Agency pursuant to the Expenditure Plan.

**Notice of Receipt** means the written notice provided by the Trustee to the Issuer of receipt of Measure D Sales Tax Revenues substantially in the form attached to the Indenture.

**Notice Parties** means, as and to the extent applicable, the Issuer, the Trustee, and, if the notice being given relates to Bonds of a Series, each of the Credit Enhancement Provider, if any, the auction agent, if any, the broker-dealer, if any, the Liquidity Facility Provider, if any, the Reserve Facility Provider, if any, and the remarketing agent, if any, for those Bonds.

**One Month USD LIBOR Rate** means the British Banker's Association average of interbank offered rates in the London market for deposits in U. S. dollars for a one month period as reported in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the Issuer.

**Opinion of Bond Counsel** means a written opinion of a law firm of national standing in the field of public finance selected by the Issuer.

**Ordinance** means that certain ordinance No. 2008-1, adopted by the Board on July 28, 2008, pursuant to the provisions of Section 180000 through Section 180264, inclusive, of the Act, as now in effect and as it may from time to time hereafter be amended or supplemented pursuant to its terms.

**Outstanding**, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds of a Series theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture and a Supplemental Indenture except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) referred to in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that if the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider or Liquidity Facility Provider pursuant to the Credit Enhancement or Liquidity Facility issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of Pledged Allocable Sales Tax Revenues and all covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of such Credit Enhancement Provider or Liquidity Facility and such Credit Enhancement Provider or Liquidity Facility Provider shall be subrogated to the rights of such Owners.

**Owner** whenever used herein with respect to a Bond, means the person in whose name the Bond is registered pursuant to the Indenture.

**Participating Agency** means each Local Agency that has pledged its Sales Tax Revenues in connection with the issuance of a Series of Bonds under the Indenture.

**Participating Agency Fees and Expense Account** with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Participating Agency Interest Account** with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Participating Agency Principal Account** with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Participating Agency Sales Tax Revenue Account** with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Participating Underwriter** means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

**Parity Obligations** means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or (ii) any Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured by a lien and charge on the Pledged Allocable Sales Tax Revenues of a Participating Agency subordinate to the lien and charge upon the Pledged Allocable Sales Tax Revenues which secures the respective Bonds of a Series, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture and having an equal lien and charge upon the Pledged Allocable Sales Tax Revenues of such Participating Agency and therefore payable on a parity with the respective Bonds of a Series (whether or not any respective Bonds of a Series are Outstanding).

**Person** means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**Pledged Allocable Sales Tax Revenues** means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to the applicable Participating Agency pledged pursuant to a Supplemental Indenture to the repayment of a Series of Bonds.

**Pledged Allocable Sales Tax Revenue Fund** means the fund by that name established by the Trustee pursuant to the Indenture.

**Principal Fund** means the fund by that name established pursuant to the Indenture.

**Project**, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

**Project Fund** means, with respect to any Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the portion of the Project being financed with the proceeds of such Series of Bonds.

**Purchase Fund** means, with respect to a Series of Bonds, a fund by that name established pursuant to the provisions of a Supplemental Indenture to hold funds to be applied to pay the purchase price of such Series of Bonds.

**Rating Agency** means, as and to the extent applicable to a Series of Bonds, each of Fitch, Moody's and Standard & Poor's then maintaining a rating on such Bonds at the request of the Issuer.

**Rating Category** means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of

letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Rebate Fund** means that fund by that name established pursuant to the Indenture.

**Rebate Instructions** means, with respect to any Series of Bonds, those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate delivered in connection with such Series of Bonds.

**Rebate Requirement** means, with respect to any Series of Bonds, the Rebate Requirement determined in accordance with the Tax Certificate delivered in connection with such Series of Bonds.

**Record Date**, with respect to each Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

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

**Redemption Price** means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond, the Indenture and the related Supplemental Indenture.

**Refunding Bonds** means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in the Indenture.

**Repositories** means the public or private entity or entities designated as a repository or repositories in a Continuing Disclosure Agreement entered into in connection with a Series of Bonds.

**Reserve Facility** means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture hereof, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

**Reserve Facility Provider** means any issuer of a Reserve Facility.

**Revenue Fund** means the Sales Tax Revenue Fund established pursuant to the Indenture.

**Rule 15c2-12** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as supplemented and amended from time to time.

**Securities Depository** means The Depository Trust Company, New York, New York, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Issuer may designate in a request of the Issuer delivered to the Trustee.

**Serial Bonds** means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

**Series**, whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

**Sinking Account**, in respect of a Series, means an account by that name established in the Principal Fund pursuant to the Indenture for the payment of Term Bonds of that Series.

**Standard & Poor's or S&P** means Standard & Poor's Financial Services LLC, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term "Standard & Poor's" or "S&P" means any other nationally recognized securities rating agency selected by the Issuer.

**State** means the State of California.

**State Board of Equalization** means the California State Board of Equalization.

**Subordinate Obligations** means any obligations issued or incurred in accordance with the Indenture.

**Subordinate Obligations Fund** means the fund by that name established pursuant to the Indenture.

**Supplemental Indenture** means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is specifically authorized hereunder.

**Tax Certificate**, in respect of a Series, means a certificate of that name delivered by the Issuer at the time of issuance and delivery of that Series, as the same may be amended or supplemented in accordance with its terms.

**Tax Expiration Date** means March 31, 2050 or such later date to which the levy of the Measure D Sales Tax is extended in accordance with the Act.

**Term Bonds** means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

**Trustee** means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized under the laws of the United States of America, or its successor, as Trustee, as provided in the Indenture.

**Variable Rate Indebtedness** means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

## **THE INDENTURE**

### **Pledge of Pledged Allocable Sales Tax Revenues; Measure D Sales Tax Revenue Fund; Pledged Allocable Sales Tax Revenue Fund.**

Each Series and Parity Obligations with respect thereto shall be secured by Pledged Allocable Sales Tax Revenues of a Participating Agency and as otherwise provided in the applicable Supplemental Indenture under which such Series is issued, subject to the terms and conditions set forth herein. The Pledged Allocable Sales Tax Revenues pledged to the payment of such Series and Parity Obligations shall be applied without priority or distinction of one over the other. The Pledged Allocable Sales Tax Revenues shall constitute a trust fund for the security and payment of such Series and Parity Obligations.

As long as any Bond is Outstanding or any Parity Obligation remains unpaid, the Issuer assigns and shall cause Measure D Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall deposit in a fund, designated as the "Measure D Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all Measure D Sales Tax Revenues, when and as received by the Trustee. So long as any Bonds are Outstanding, the Trustee shall each month (or as soon as possible following receipt of Measure D Sales Tax Revenues) deposit the Pledged Allocable Sales Tax Revenues in the applicable funds established under the Indenture. Non-Pledged Measure D Sales Tax Revenues shall remain in the Measure D Sales Tax Revenue Fund and shall not be subject to the lien created hereunder.

Within one Business Day of receipt of the Measure D Sales Tax Revenues, the Trustee shall provide the Issuer with the Notice of Receipt. Within two Business Days of receiving the Notice of Receipt, the Issuer shall submit the Monthly Allocation Certificate, and shall instruct the Trustee to deposit such amounts in a trust fund, designated as the "Pledged Allocable Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all Pledged Allocable Sales Tax Revenues, when and as received by the Trustee. Within one Business Day of receiving the Monthly Allocation Certificate, the Trustee shall deposit the Pledged Allocable Sales Tax Revenues into the Pledged Allocable Sales Tax Revenue Fund in accordance with the Monthly Allocation Certificate, and on, the same Business Day, shall transfer the Pledged Allocable Sales Tax Revenues of each Participating Agency into the applicable Participating Agency Sales Tax Revenue Account of that Participating Agency.

If within five Business Days following the transmission of the Notice of Receipt by the Trustee to the Issuer, the Trustee has not received the Monthly Allocation Certificate, the Trustee shall deposit from the Measure D Sales Tax Revenue Fund to the Pledged Allocable Sales Tax Revenue Fund an amount sufficient to make the deposits into the respective Participating Agency Sales Tax Revenue Account of each Participating Agency as required under the Supplemental Indenture or Supplemental Indentures associated with the relevant Series of Bonds Outstanding to the payment of which such Allocable Sales Tax Revenues are pledged. Not later than five Business Days following the transmission of the Notice of Receipt by the Trustee, all

Non-Pledged Measure D Sales Tax Revenues and all Excess Pledged Allocable Sales Tax Revenues not required for deposit under a Supplemental Indenture for the repayment of the any Bonds will be transferred to the Treasurer-Tax Collector of the County, where it shall be distributed to the Local Agencies in accordance with the Ordinance as directed by the Issuer. Following the determination by the Trustee that the Pledged Allocable Sales Tax Revenues were sufficient to make the required deposits identified in the Monthly Allocation Certificate, the Trustee shall confirm in writing, in substantially the form attached to the Indenture, that such amounts were sufficient and that such deposits and transfers have been made.

The Pledged Allocable Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the respective Series of Bonds and Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on Pledged Allocable Sales Tax Revenues of any Participating Agency held by the Trustee hereunder (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, are provided in a Supplemental Indenture), shall also be deposited in the respective Participating Agency Sales Tax Revenue Account. All moneys at any time held in a Participating Agency Sales Tax Revenue Account shall be held in trust for the benefit of the Owners of the applicable Bonds and the holders of applicable Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and the applicable Supplemental Indenture. All Pledged Allocable Sales Tax Revenues released to the Issuer or any Local Agency shall no longer be pledged for the repayment of the Bonds and shall be released from and no longer subject to the lien created hereunder.

The Bonds of any Series are limited obligations of the Issuer and are payable as to principal of, premium, if any, and interest thereof, exclusively from the Pledged Allocable Sales Tax Revenues for such Series of Bonds and any other funds pledged therefor under a Supplemental Indenture. Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than the Issuer, to the extent of the pledge of Pledged Allocable Sales Tax Revenues and other amounts held under the Indenture, is pledged to the payment of the principal of, redemption price or interest on the Bonds.

#### **Allocation of Pledged Allocable Sales Tax Revenues.**

So long as any Bond is Outstanding, the Trustee shall each month (or as soon as possible following receipt of Allocable Sales Tax Revenues) deposit such Allocable Sales Tax Revenues in the applicable Participating Agency Sales Tax Revenue Account. The Trustee shall establish, maintain and hold in trust for the benefit of Owners of the applicable Series of Bonds the respective funds and accounts described in the Indenture.

***Interest Fund.*** The Interest Fund, and within the Interest Fund a Participating Agency Interest Account in respect of each Series, are created. Following deposit of the Pledged Allocable Sales Tax Revenues of a Participating Agency into the applicable Participating Agency Sales Tax Revenue Account, the Trustee shall transfer therefrom to and deposit into the Participating Agency Interest Account in respect of each Series of that Participating Agency as soon as practicable an amount equal to (a) one-fourth of the aggregate half-yearly amount of

interest becoming due and payable on the Outstanding Bonds of each Series that are Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in that Participating Agency Interest Account and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest becoming due and payable on all such Outstanding Current Interest Bonds of that Series (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such account; plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Issuer, or if the Issuer has not specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points (provided, however, that the amount of that deposit into that Participating Agency Interest Account for any month may be reduced by the amount by which the deposit therein in the prior month by reason of this clause (b) exceeded the actual amount of interest accrued and paid during that month on such Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into that Interest Account for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on such Outstanding Variable Rate Indebtedness); provided further, that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account to permit the Trustee to make the full monthly deposit required by the Indenture, the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which sufficient Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit.

No deposit need be made into any Participating Agency Interest Account if the amount contained therein is at least equal to the interest to become due and payable therefrom on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds of the applicable Series then Outstanding and on June 1 of each year any excess amounts in the respective Participating Agency Interest Account not needed to pay interest on such date (and not held to pay interest on the applicable Bonds having Interest Payment Dates other than June 1 and December 1) shall be released to the Participating Agency (but excluding, in each case, any moneys on deposit in the Participating Agency Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

***Principal Fund; Participating Agency Principal Accounts; Participating Agency Sinking Accounts.*** The Principal Fund, and within the Principal Fund a Participating Agency Principal Account and a Participating Agency Sinking Account in respect of each Series, are created under the Indenture. Following deposit of the Pledged Allocable Sales Tax Revenues into the applicable Participating Agency Sales Tax Revenue Account, the Trustee shall transfer therefrom to and deposit in the applicable Participating Agency Principal Account as soon as practicable in such month an amount equal to at least (a) one-eighth of the aggregate yearly amount of Bond Obligation becoming due and payable on such Bonds that are Serial Bonds having annual maturity dates within the next twelve (12) months until the requisite amount for the next payment is on deposit in each Principal Account and Sinking Account, as applicable,

plus (b) one-eighth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Bonds that are Term Bonds of a Series secured on a parity by such Pledged Allocable Sales Tax Revenues for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided, that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account for the Trustee to make the full monthly deposit required by the Indenture, the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which sufficient Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit. With respect to a Series of Bonds secured on a parity by such Pledged Allocable Sales Tax Revenues, all of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

If the Pledged Allocable Sales Tax Revenues are not sufficient to permit the Trustee to make the required deposits so that moneys in the applicable Participating Agency Principal Account on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Bonds of a Series that are Serial Bonds secured on a parity from such Pledged Allocable Sales Tax Revenues plus the Bond Obligation amount of and redemption premium on the applicable Outstanding Bonds that are Term Bonds of the same Series required to be redeemed or paid at maturity on such date, then such moneys shall be applied by the Trustee by lot in inverse order of maturity, after first deducting for such purposes from Term Bonds any of such Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If the Pledged Allocable Sales Tax Revenues are not sufficient to permit the Trustee to deposit in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts for Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues, then payments into all such Sinking Accounts shall be made by the Trustee by lot in inverse order of maturity, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period for such Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues.

No deposit need be made into a Participating Agency Principal Account or Participating Agency Sinking Account so long as there are in such account (i) moneys sufficient to pay the Bond Obligations of all Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues that are Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the applicable Participating Agency Principal Account during such 12-month period and theretofore paid from the respective Participating Agency Principal Account to redeem or purchase Term Bonds of a Series during such 12-month

period. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee shall request a Certificate of the Issuer setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter, any excess amounts in the applicable Participating Agency Principal Account not needed to pay principal on such date (and not held to pay principal on the Bonds of a Series having principal payment dates other than June 1) shall be released to the Participating Agency.

***Bond Reserve Fund.*** Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

***Subordinate Obligations Fund.*** Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the “Subordinate Obligations Fund.” Upon the establishment of the Subordinate Obligations Fund at the direction of the Issuer, after the transfers described above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Issuer shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

***Fees and Expenses Fund.*** Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” Within such fund, there shall be established a Fees and Expenses Account for each Participating Agency, as shall be further established pursuant to a Supplemental Indenture. Upon the establishment of a Participating Agency Fees and Expenses account at the direction of the Issuer, after the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements) and (ii) amounts necessary for the payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with Subordinate Obligations. The Issuer shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

Any Pledged Allocable Sales Tax Revenues remaining in a Participating Agency Sales Tax Revenue Account after the foregoing transfers described above, except as the Issuer shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Participating Agency on the same Business Day as the transfers provided for in the Indenture or as soon as practicable thereafter. The Issuer shall distribute all such remaining portions of the excess amounts of Pledged Allocable Sales Tax Revenues when received by it to the applicable Participating Agency.

If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the applicable Participating Agency Interest Account, the applicable Participating Agency Principal Account, including the Sinking Accounts therein,

and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Issuer, in writing, of such deficiency and direct that the Issuer transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Issuer hereby covenants and agrees to transfer to the Trustee from any available Pledged Allocable Sales Tax Revenues of the applicable Participating Agency in its possession the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.

### **Establishment and Application of Funds; Reserve Funds.**

***Interest Fund.*** All amounts in a Participating Agency Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds of the applicable Series as it shall become due and payable (including accrued interest on any such Bonds purchased or redeemed prior to maturity pursuant to the Indenture) and making periodic payments on Interest Rate Swap Agreements, as provided in the Indenture.

***Principal Fund.*** All amounts in a Participating Agency Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds of the applicable Series when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds of the applicable Series, as provided herein.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Participating Agency Sales Tax Revenue Account to the applicable Participating Agency Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and 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 Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period immediately preceding such Mandatory Sinking Account Payment date, except for the period beginning on May 2, 2012 and ending on May 31, 2013, which shall be a 13-month period, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during such period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds of such Series and maturity with

the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to such Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Issuer to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending May 31, except for the period beginning on May 2, 2012 and ending on May 31, 2013, which shall be a 13-month period, and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

***Funding and Application of Bond Reserve Funds.*** The Issuer may at its sole discretion at the time of issuance of any Series of Bonds, or at any time thereafter by Supplemental Indenture, provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements set forth in the Indenture.

In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a bank or other financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's or Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in the Indenture, then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in the Indenture. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with

which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of the Indenture. Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the existing letter of credit), the Trustee shall draw on the existing letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

In lieu of making a Bond Reserve Requirement deposit in cash or in replacement of moneys then on deposit in a Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer) or in substitution of any Reserve Facility comprising part of a Bond Reserve Requirement for any Bonds, the Issuer may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount which, together with moneys, Investment Securities, or other Reserve Facilities then on deposit in a Bond Reserve Fund, is no less than the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated at the time of delivery in one of the two highest Rating Categories of Moody's or Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds in connection with which such surety bond or insurance policy is obtained. If such surety bond or insurance policy for any reason lapses or expires, the Issuer shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to such Bond Reserve Fund.

Subject to the Indenture, all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Account or the Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment of all of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates; provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates; the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there

is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall, on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. If the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to, and provided that the terms of the Reserve Facility, if any, securing the Bonds of such Series so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility to pay to such Owners the principal of and interest so recovered.

The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the respective Participating Agency Interest Account or the respective Participating Agency Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to the Indenture and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Issuer shall instruct the Trustee to commence setting aside in each month following receipt of Pledged Allocable Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-eighth (1/8th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation pursuant to the Indenture and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates, an amount equal to one-eighth (1/8th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Pledged Allocable Sales Tax Revenues each month, commencing with the month following the Issuer's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates.

Unless the Issuer shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the respective Interest Account relating to such Series of Bonds on the Business Day following June 1 of each year; provided, that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. Upon the direction of the Issuer, amounts on deposit in any Bond Reserve Fund may be applied to the partial defeasance or redemption of the Series of Bonds to which such Bond Reserve Fund relates; provided, however, that if any such amounts are so applied, the amount on deposit in the Bond Reserve Fund

immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of all Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with the Indenture.

***Application of Subordinate Obligations Fund.*** All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with, and upon the written directions of, the Issuer.

***Application of Fees and Expenses Fund.*** All amounts in a Participating Agency Fees and Expenses account shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Issuer in connection with Bonds of the applicable Series or any Parity Obligations (excluding termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

***Establishment and Application of Redemption Fund.*** The Trustee shall establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” In the Redemption Fund, the Trustee shall establish an account for each Participating Agency as provided in a Supplemental Indenture for a Series of Bonds. All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the applicable Participating Agency Redemption Account. All amounts deposited in a Participating Agency Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the respective Participating Agency Interest Account) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

***Rebate Fund.*** Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Credit

Enhancement Provider, nor any Liquidity Facility Provider nor any Owner nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificates. The Issuer covenants to comply with the directions contained in each Tax Certificate and the Trustee covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture if it follows such instructions of the Issuer, and the Trustee shall have no liability or responsibility to enforce compliance by the Issuer with the terms of any Tax Certificate nor to make computations in connection therewith.

Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Issuer so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Issuer to the Trustee in accordance with the applicable Tax Certificate.

The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Issuer, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in the paragraph below.

Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Issuer in accordance with a Request of the Issuer.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of the Indenture and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

#### **Payment Provisions Applicable to Interest Rate Swap Agreements.**

If the Issuer shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Issuer, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Issuer so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Issuer so designates in a Certificate of the Issuer delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all

cases be payable from, and secured by, Pledged Allocable Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal and interest and fees and expenses on Subordinate Obligations, unless otherwise provided in a Supplemental Indenture) shall constitute Parity Obligations under the Indenture, and, in such event, the Issuer shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

### **Investment in Funds and Accounts.**

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Issuer, solely in Investment Securities. All Investment Securities shall, as directed by the Issuer in writing, be acquired subject to the limitations set forth in the Indenture, the limitations as to maturities hereinafter in the Indenture set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Issuer. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (C)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a direction in writing from the Issuer specifying a specific money market fund and, if no such direction in writing from the Issuer is so received, the Trustee shall hold such moneys uninvested.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided herein. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in a Participating Agency Interest Account representing accrued interest or capitalized interest shall be retained in such Participating Agency Interest Account; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Interest Account established in connection with the Series of Bonds to which such Bond Reserve Fund relates; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the applicable Participating Agency Interest Account; (iv)

all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund or applicable Interest Account; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be released to the relevant Participating Agency; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

All Investment Securities credited to any Bond Reserve Fund shall be valued (at market value) as of June 1 of each year (or the next succeeding Business Day if such day is not a Business Day), such market value to be determined by the Trustee in the manner then currently employed by the Trustee or in any other manner consistent with corporate trust industry standards. Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer, may impose its customary charge therefor. The Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the then Indenture.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

#### **Requirements for Issuance of Additional Series of a Participating Agency.**

Subsequent to the issuance of a Series of a Participating Agency, the Issuer may in accordance with the terms of the Supplemental Indenture establish one or more additional Series of that Participating Agency, payable by the Issuer from and secured by the pledge of the Allocable Sales Tax Revenues of that Participating Agency equally and ratably with any other

Series of Bonds payable from and secured by the same Pledged Allocable Sales Tax Revenues, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of such additional Series so established, in such principal amount as shall be determined by the Issuer upon compliance by the Issuer with the following provisions of the Indenture and any additional requirements set forth in any applicable Supplemental Indenture and subject to the specific conditions set forth below, each of which is made a condition precedent to the issuance of any such additional Series of Bonds:

(i) No Event of Default relating to any Series payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series shall have occurred and then be continuing.

(ii) Subject to the provisions of the Indenture, if the Supplemental Indenture providing for the issuance of the additional Series so requires, either (i) a Bond Reserve Fund is established to provide additional security for that Series of Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Series secured by that Bond Reserve Fund and then Outstanding, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Such deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series and may be made from the proceeds of the sale of such additional Series or from other funds and may be satisfied in whole or in part through the provision of a Reserve Facility as provided in the Indenture.

(iii) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the amount of Pledged Allocable Sales Tax Revenues of the Participating Agency for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series will become Outstanding would have been at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued that are payable from such Pledged Allocable Sales Tax Revenues, which Certificate shall also set forth the computations upon which such Certificate is based; provided, however, that for purposes of calculation of Maximum Annual Debt Service, Interest Rate Swap Agreements that constitute Parity Obligations shall not be included in such calculation.

Principal payments of each additional Series of Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Issuer with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent desired by the Issuer with regard to the type of Bond to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Issuer through a Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the

Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

If additional assets or revenues are included within the definition of “Measure D Sales Tax Revenues” by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided above as if such additional assets or revenues had always been included in “Measure D Sales Tax Revenues,” but only to the extent such amounts are allocable to the Pledged Allocable Sales Tax Revenues.

### **Proceedings for Issuance of Additional Bonds.**

Subsequent to the issuance of the first Series of a Participating Agency, before any additional Series of that Participating Agency may be issued and delivered, the Issuer shall have filed each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series have been satisfied).

- (i) A Supplemental Indenture authorizing such Series executed by the Issuer;
- (ii) A Certificate of the Issuer certifying: (i) that no Event of Default with respect to any Outstanding Bonds payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series of Bonds has occurred and is then continuing; and (ii) that the requirements specified in the Indenture have been satisfied by the Issuer;
- (iii) A Certificate of the Issuer certifying (on the basis of computations made no later than the date of sale of such additional Series) that the requirement of the Indenture is satisfied; and
- (iv) An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with the Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

### **Issuance of Refunding Bonds.**

Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of the Indenture; provided, that Maximum Annual Debt Service on all Outstanding Bonds and outstanding Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds and outstanding Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

- (a) the principal or Redemption Price of the Outstanding Bonds or outstanding Parity Obligations to be refunded;

(b) all expenses incident to the calling, retiring or paying of such Outstanding Bonds or outstanding Parity Obligations and the Costs of Issuance of such Refunding Bonds;

(c) interest on all respective Outstanding Bonds or outstanding Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity;

(d) interest on the Refunding Bonds from the date thereof to the date of payment or redemption of the Outstanding Bonds or outstanding Parity Obligations to be refunded; and

(e) funding a Bond Reserve Fund for the Refunding Bonds, if required.

Before such Series of Refunding Bonds shall be issued and delivered pursuant to the Indenture, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied):

A Supplemental Indenture authorizing such Series of Refunding Bonds executed by the Issuer.

A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be Outstanding following the issuance of such Series of Refunding Bonds secured by the same Pledged Allocable Sales Tax Revenues is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues Outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of the Indenture hereof are satisfied.

An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with the Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the written direction of the Issuer to the retirement of the respective Outstanding Bonds or Parity Obligations for the refunding of which the Refunding Bonds are issued. All Bonds or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be canceled and shall not be reissued.

**Limitations on the Issuance of Obligations Payable from Pledged Allocable Sales Tax Revenues; Parity Obligations; Subordinate Obligations.**

The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Pledged Allocable Sales Tax Revenues except as set forth below.

(a) Bonds authorized pursuant to the Indenture.

(b) Refunding Bonds authorized pursuant to the Indenture.

(c) Parity Obligations, provided that the following conditions to the issuance or incurrence of such Parity Obligations are satisfied:

(d) Such Parity Obligations have been duly and legally authorized;

(e) No Event of Default with respect to Bonds secured by the same Pledged Allocable Sales Tax Revenues used to pay such Parity Obligations shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(f) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements set forth in the Indenture relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based; and

(g) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Parity Obligations and the Issuer shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Notwithstanding any other provision of the Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions set forth in the Indenture.

Subordinate Obligations are payable as to principal of, premium, if any, interest and reserve fund requirements, if any, only out of Pledged Allocable Sales Tax Revenues after the prior payment of all amounts then required to be paid hereunder from Pledged Allocable Sales Tax Revenues for principal of, premium, if any, interest and reserve fund requirements, if any, for all Outstanding Bonds and Parity Obligations secured or payable from such Pledged Allocable Sales Tax Revenues, as the same become due and payable and at the times and in the manner as required in the Indenture and in the instrument or instruments pursuant to which any Subordinate Obligations were issued or incurred.

Termination payments and fees and expenses on Interest Rate Swap Agreements, Credit Enhancement fees and expenses, Liquidity Facility fees and expenses and other obligations shall be secured by a lien and charge on Pledged Allocable Sales Tax Revenues are subordinate to the lien and charge on such Pledged Allocable Sales Tax Revenues securing Bonds, Parity Obligations and payment of principal of, premium, if any, and interest on Subordinate Obligations unless otherwise provided by the Supplemental Indenture.

An Opinion of Bond Counsel to the effect that execution of the agreement entered into in connection with the Subordinate Obligations has been duly authorized by the Issuer and that such

Subordinate Obligations, when duly executed by the Issuer, will be valid and binding obligations of the Issuer.

### **Calculation of Maximum Annual Debt Service with Respect to Parity Obligations.**

For purposes of the Indenture, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service.

### **Certain Covenants of Issuer**

***Punctual Payments.*** The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Allocable Sales Tax Revenues and the other assets pledged for such Bonds or Mandatory Sinking Account Payments as provided in the Indenture.

***Against Encumbrances.*** The Issuer will not create any pledge, lien or charge upon any of the Pledged Allocable Sales Tax Revenues having priority over or having parity with the lien of the applicable Bonds of a Series except only as permitted in the Indenture.

***Accounting Records.*** The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Measure D Sales Tax Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

***Collection of Measure D Sales Tax Revenues.*** The Issuer covenants and agrees that it has duly levied the Measure D Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Such Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Measure D Sales Tax Revenues, and the Issuer will continue to levy and collect the Measure D Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of the Measure D Sales Tax and will transmit Measure D Sales Tax Revenues directly to the Trustee. Such agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Issuer will receive and hold in trust for (and remit immediately to) the Trustee any Pledged Allocable Sales Tax Revenues paid to the Issuer by the State Board of Equalization.

Pledged Allocable Sales Tax Revenues received by the Trustee shall be allocated pursuant to the Indenture and shall be transmitted to the Issuer in accordance with the Indenture; provided that, during the continuance of an Event of Default, any Pledged Allocable Sales Tax Revenues received by the Trustee for the affected Series of Bonds shall be applied first to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and to

the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture and the Supplemental Indenture, which fees, costs and expenses shall be paid from the applicable Participating Agency Sales Tax Revenue Account, and second, to deposit into the applicable Participating Agency Interest Account and applicable Participating Agency Principal Account and to the payment of Parity Obligations as more fully set forth in the Indenture.

The Issuer covenants and agrees to separately account for all Pledged Allocable Sales Tax Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The Issuer covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the Act or the Ordinance which would materially and adversely affect the rights of Owners.

***Tax Covenants.*** The Issuer covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Issuer may exclude the application of the covenants contained in the Indenture to such Series of Bonds. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the Issuer will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. If at any time the Issuer is of the opinion that for purposes of the Indenture it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Issuer shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Issuer agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Issuer specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of the Indenture and a Tax Certificate, if the Issuer shall receive an Opinion of Bond Counsel to the effect that any action required under the Indenture or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Notwithstanding any provisions of the Indenture, the covenants and obligations set forth in the Indenture shall survive the defeasance of the Bonds.

***Allocation for State Highway Improvements.*** The Issuer covenants that, so long as any Bonds remain Outstanding, the Issuer shall not increase the amount of Measure D Sales Tax Revenues allocated to state highway improvement projects in an amount that would result in the estimated Pledged Allocable Sales Tax Revenues for the next succeeding Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

***Allocation for Transit Improvements.*** The Issuer covenants that, so long as any Bonds remain Outstanding, the Issuer shall not increase the amount of Measure D Sales Tax Revenues allocated to transit projects above the two percent (2%) allocation required by the Ordinance to an amount that would result in the estimated Pledged Allocable Sales Tax Revenues for the upcoming Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

***Maintenance of Effort.*** The Issuer covenants, that so long as any Bonds remain Outstanding, the Issuer will cause the certified public accounting firm contracted to prepare its annual audit to calculate the respective Maintenance of Effort amount for each Local Agency for the next succeeding Fiscal Year. Such accounting firm will certify as to whether such Local Agency has both budgeted and expended its required Maintenance of Effort amount for the immediately prior Fiscal Year.

## **Events of Default and Remedies**

***Events of Default.*** The following events shall be Events of Default in respect of any Series of Bonds:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond of such Series when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds of such Series in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond of such Series when and as such interest installment shall become due and payable;

(c) failure of the Issuer to observe or perform any covenant, condition, agreement or provision in the Indenture, as modified by any Supplemental Indenture in respect of such Series, on its part to be observed or performed in respect of such Series, other than as referred to in the Indenture, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider or Liquidity Facility Provider in respect of that Series; except that, if such failure can be remedied but not within such sixty (60) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently

proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) the occurrence of any payment default under any agreement governing any Parity Obligation in respect of any Bond of such Series continues beyond the grace period, if any, provided for with respect to such default;

(e) the filing by the Issuer of a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the Issuer for the benefit of creditors, or the admission by the Issuer in writing to its insolvency or inability to pay debts as they mature or the consent by the Issuer in writing to the appointment of a trustee or receiver for itself;

(f) the entry by a court of competent jurisdiction of an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(g) under the provisions of any other law for the relief or aid of debtors, the assumption by any court of competent jurisdiction of custody or control of the Issuer or of Pledged Allocable Sales Tax Revenues in respect of such Series, which custody or control is not terminated within sixty (60) days from the date of assumption of such custody or control; or

(h) the repeal or amendment of all or any portion of the provisions of the Act relating to the Measure D Sales Tax, being Sections 180250 to 180264, inclusive, of the Act unless the Issuer has determined that such repeal or amendment does not materially and adversely affect the rights of Owners of Bonds of such Series.

#### **Application of Pledged Allocable Sales Tax Revenues and Other Funds After Default.**

If an Event of Default occurs and is continuing in respect of any Series of Bonds, the Issuer shall immediately transfer to the Trustee all Pledged Allocable Sales Tax Revenues securing that Series of Bonds to which the Event of Default relates held by it and the Trustee shall apply all Pledged Allocable Sales Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture and the Supplemental Indenture in respect of such Series (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in the Indenture) as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of such Series and Parity Obligations in respect thereof, including the costs and expenses of the Trustee and the Owners in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture and the Supplemental Indenture;

(b) to the payment of the whole amount of Bond Obligation and accrued interest then due on the Bonds and Parity Obligations of such Series (upon presentation of such Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation and accrued interest, at the rate or rates of interest borne by the applicable Bonds and on Parity Obligations;

(c) to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which has become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the applicable Bonds and Parity Obligations, and, if the amount available is not sufficient to pay in full all the applicable Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

#### **Trustee to Represent Owners.**

The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement or Liquidity Facility has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement or the Liquidity Facility Provider providing such Liquidity Facility, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement or if such Liquidity Facility Provider is then failing to meet its obligations established pursuant to such Liquidity Facility, upon the written request of the Owners of not less than a majority in aggregate amount of Bond Obligation 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 herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act 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 applicable Pledged Allocable Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement or Liquidity Facility has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement or the Liquidity Facility Provider providing such Liquidity Facility. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of

any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

### **Owners' Direction of Proceedings.**

Notwithstanding anything in the Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider or Liquidity Facility Provider to direct proceedings for a respective Series of Bonds as set forth in the Indenture), the Owners of a majority in aggregate amount of Bond Obligation of the Bonds of a Series then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder in respect of such Series, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Owners or holders of Parity Obligations of or in respect of such Series that are not parties to such direction.

### **Limitation on Owners' Right to Sue.**

No Owner of any Bond of a Series has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) that Owner has given to the Trustee written notice of the occurrence of an Event of Default with respect to such Bond; (2) the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding with respect to such Series have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request was received by, and said tender of indemnity was made to, the Trustee; provided further, however, that no Owner shall have any right to institute any such suit, action or proceeding at law or in equity unless each Credit Enhancement Provider providing a Credit Enhancement and each Liquidity Provider providing a Liquidity Facility with respect to that Series of Bonds, which Credit Enhancement or Liquidity Facility is in full force and effect and under which the Credit Enhancement Provider providing such Credit Enhancement or Liquidity Facility Provider providing such Liquidity Facility is not then failing to make a payment as required in connection therewith, has first provided its written consent to such action.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder 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 Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

### **Modification or Amendment of the Indenture**

The Indenture and the rights and obligations of the Issuer, the Owners of the Bonds (or of any Series) and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into with the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement or Liquidity Facility Provider then providing a Liquidity Facility for any Series of Bonds; provided, that the Credit Enhancement provided by such Credit Enhancement Provider or the Liquidity Facility provided by such Liquidity Provider is in full force and effect and the Credit Enhancement Provider or the Liquidity Provider is not then failing to make a payment as required in connection therewith; or (ii) the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture; and provided further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement or Liquidity Facility Provider then providing such Liquidity Facility is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider or Liquidity Facility Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any redemption premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the applicable Pledged Allocable Sales Tax Revenues and other assets pledged under the Indenture for such Series of Bonds prior to or on a parity with the lien created by the Indenture, or deprive the Owners of such Bonds of the lien created by the Indenture on such Pledged Allocable Sales Tax Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding relating to such Series. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture pursuant to the Indenture, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any

failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Issuer, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Owners, Credit Enhancement Provider or Liquidity Facility Provider, but only to the extent permitted by law and only for any one or more of the following purposes:

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

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners;

(d) to provide for the issuance of an additional Series of Bonds pursuant to the provisions of the Indenture;

(e) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions of the Indenture;

(f) to make modifications or adjustments necessary, appropriate or desirable to provide for change from one interest rate mode to another in connection with any Series of Bonds;

(g) to make modifications or adjustments necessary, appropriate or desirable to accommodate Credit Enhancements, Liquidity Facilities and Reserve Facilities;

(h) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(i) to modify the auction provisions applicable to any Series of Bonds in accordance with the terms and provisions set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds;

(j) to provide for any additional covenants or agreements necessary to maintain the tax-exempt status of interest on any Series of Bonds;

(k) if the Issuer agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(l) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for any Series of Bonds;

(m) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in the Indenture, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Owners of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(n) for any other purpose that does not materially and adversely affect the interests of the Owners.

Any Supplemental Indenture entered into pursuant to the Indenture shall be deemed not to materially adversely affect the interest of the Owners of a Series of Bonds so long as (i) all Bonds in such Series of Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider or Liquidity Facility Provider shall have given its written consent to such Supplemental Indenture as provided in the Indenture. The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

### **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, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Owners of Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and as to each such Bond all the terms and conditions of each Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

## **Defeasance**

***Defeasance.*** Bonds of any Series or a portion thereof may be paid and defeased by the Issuer in any of the following ways:

- (a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds of a Series; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds of a Series.

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

***Discharge of Liability on a Bond.*** Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged; provided that if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as in the Indenture provided or provision satisfactory to the Trustee has made for the giving of such notice, and provided further that the Owner of such Bond shall thereafter be entitled to the payment of the principal of, premium, if any, and interest on such Bond, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee for their payment.

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

Notwithstanding anything in the Indenture to the contrary, if the Bond Obligation of or interest on a Series of Bonds shall be paid by a Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Issuer shall not be deemed to be satisfied or considered paid by the Issuer by virtue of such payments, and the right, title and interest of the Issuer herein and the obligations of the Issuer hereunder shall not be discharged and shall continue to exist and to run to the benefit of such Credit Enhancement Provider, and such Credit Enhancement Provider shall be subrogated to the rights of the Owners of the Bonds of such Series.

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

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

(b) Investment Securities described in clause (a) of the definition thereof the principal of and interest on which when due will, together with any cash on deposit therein, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on that Bond as each payment of such principal, Redemption Price or interest becomes due; provided that, in the case of any Bond that is to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture, or provision satisfactory to the Trustee has been made for the giving of such notice; provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

***Payment of Bonds After Discharge of Indenture.*** Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of moneys for the payment of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the

Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or redemption premium on any Bond, whether at redemption or maturity, shall be held in trust for the account of the Owner thereof and the Trustee shall not be required to pay Owner any interest on, or be liable to the Owner or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the applicable Participating Agency and shall be deposited upon receipt by the Trustee into the applicable Participating Agency Sales Tax Revenue Account.

## **2012 SUPPLEMENTAL INDENTURE**

### **Funds and Accounts**

***Establishment and Application of the Series 2012\_ Project Fund.*** (a) There is hereby established and maintained with the Trustee a fund designated as the “Series 2012\_ Project Fund.” The moneys in the Series 2012\_ Project Fund shall be used and withdrawn to pay costs of the Series 2012\_ Project.

(b) Before any payment from the Series 2012\_ Project Fund shall be made by the Trustee, the Issuer shall file or cause to be filed with the Trustee a Requisition of the [Participating Agency] and the Issuer, executed by an Authorized Representative of the [Participating Agency] and the Issuer such Requisition to be in substantially such form as is set forth in the 2012 Supplemental Indenture. Each such Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) When the Issuer determines that the Series 2012\_ Project has been completed, a Certificate of the Issuer shall be delivered to the Trustee by the Issuer stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Series 2012\_ Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the Series 2012B Project Fund, less the amount of any such retention, to the Series 2012\_ Bond Reserve Fund, to the extent of any deficiency therein, and to the applicable account or subaccount within the Rebate Fund or for any lawful purpose as directed by the [Participating Agency] as approved by Bond Counsel.

***Investment of Funds; Investment Earnings.*** The Trustee shall invest funds on deposit in the Series 2012\_ Bond Reserve Fund, the Series 2012\_ Costs of Issuance Fund and the Series 2012\_ Project Fund and in accordance with the provisions set forth in the Indenture. Investment earnings on each such Fund shall be applied by the Trustee in accordance with the provisions set forth in the Indenture.

***Pledge of [Participating Agency] Sales Tax Revenues.*** Pursuant to the Indenture, as security for the payment of all amounts owing on the Series 2012\_ Bonds, there are irrevocably

pledged to the Trustee, all (i) [Participating Agency] Sales Tax Revenues and (ii) all amounts, including proceeds of the Series 2012\_ Bonds, held on deposit in the funds and accounts established hereunder and under the Indenture relating to the Series 2012\_ Bonds (except for amounts held in the Rebate Fund), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The [Participating Agency] Sales Tax Revenues and the amounts held pursuant to the preceding sentence shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Issuer and the Participating Agency and all others asserting the rights therein, to the extent set forth, and in accordance with, the 2012 Supplemental Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act.

***Establishment of the Participating Agency Sales Tax Revenue Account; Application of Participating Agency Sales Tax Revenues.*** There is established and maintained with the Trustee separate accounts for the Pledged Allocable Sales Tax Revenues of each Participating Agency to be established under the Sales Tax Revenue Fund and shall be administered by the Trustee pursuant to the Indenture. Such Pledged Allocable Sales Tax Revenues shall be allocated and applied pursuant to the terms of the Indenture.

***Establishment of the Series 2012\_ Interest Account and Application of the Series 2012\_ Interest Account.*** There is established and maintained with the Trustee an account to be designated as the “Series 2012\_ Interest Account” established under the Interest Fund that shall be administered by the Trustee pursuant to the Indenture. Amounts in the Series 2012\_ Interest Account shall be applied pursuant to the Indenture.

***Establishment of the Series 2012\_ Principal Account.*** There is hereby established and maintained with the Trustee an account to be designated as the “Series 2012\_ Principal Account” established under the Principal Fund that shall be administered by the Trustee pursuant to the Indenture. Amounts in the Series 2012\_ Principal Account shall be applied pursuant to the Indenture.

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Imperial County Local Transportation Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$53,975,000 Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012 (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of May 1, 2012 (the “Master Indenture”), as supplemented by each Supplemental Indenture thereto, each dated as of May 1, 2012 (the Master Indenture, as so supplemented and as it may hereafter be further supplemented and amended, the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement 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 Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Audited Financial Statements” means the audited financial results of the Authority for the applicable fiscal year.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Business Day” shall mean a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Disclosure Representative” shall mean the Executive Director of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent (if other than the Authority) from time to time.

“Dissemination Agent” means an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, until otherwise designated by the SEC, EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

“SEC” shall mean the Securities and Exchange Commission.

### Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than March 15 after the end of each fiscal year, commencing with March 15, 2012, provide to the Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Authority shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the Authority is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Authority shall send a notice to the Repository or to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The Authority Annual Report shall contain or include by reference the following:

(a) The Audited Financial Statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the 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 financial statements contained in the final Official Statement, dated 19, 2012 relating to the Bonds (the “Official Statement”) and the Audited Financial Statements shall be filed in the same manner as the Annual Report when such Audited Financial Statements become available.

(b) The debt service schedule for the Bonds, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service on any additional parity bonds issued, in each case during the prior Fiscal Year.

(c) The actual Pledged Allocable Sales Tax Revenues for the prior Fiscal Year consistent with the information concerning Pledged Allocable Sales Tax Revenues set forth in the Official Statement in the second paragraph under the caption “The Measure D Sales Tax - Authorization, Application and Collection of the Measure D Sales Tax.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

- (1) principal and interest payment delinquencies;
- (2) defeasances;
- (3) tender offers;
- (4) rating changes;

(5) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax- status of the Bonds or other material events affecting the tax status of the Bonds;

- (6) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (7) unscheduled draws on credit enhancements reflecting financial difficulties;
- (8) substitution of credit or liquidity providers or their failure to perform; or
- (9) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the obligated persons, 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;

(2) appointment of a successor or additional trustee or the change of the name of a trustee;

(3) non-payment related defaults;

(4) modifications to the rights of Owners;

(5) optional, unscheduled or contingent Bond calls; or

(6) release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Authority shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the Authority determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Authority shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to the Repository in a timely manner not more than ten (10) Business Days after occurrence of the Listed Event.

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

Section 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement 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 Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Authority 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 Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any Owner 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 Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article 8 of the Master Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Master Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or Notice of Listed Event. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority 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 or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Imperial County Local Transportation Authority 1405 N. Imperial Avenue, Suite 1 El Centro, California 92243 Attention: Executive Director Telephone: (760) 592-4494 Facsimile: (760) 592-4497
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To the Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, 4 <sup>th</sup> Floor Los Angeles, California 90071 Telephone: (213) 630-6249 Facsimile: (213) 630-6480
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Any notice or communication may also be sent by electronic mail, receipt of which shall be confirmed.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 2, 2012

IMPERIAL COUNTY LOCAL TRANSPORTATION  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

**Exhibit A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Imperial County Local Transportation Authority (the “Authority”)  
Name of Issue: Imperial County Local Transportation Authority Sales Tax Revenue Bonds  
(Limited Tax Bonds), Series 2012A, Series 2012B, Series 2012C, Series 2012D  
and Series 2012E  
Date of Issuance: May 2, 2012

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.09 of the Indenture, dated as of May 1, 2012, as supplemented and amended, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee. [The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated:\_\_\_\_\_

The Bank of New York Mellon Trust Company, N.A.,  
as dissemination agent

cc: Imperial County Local Transportation Authority

## APPENDIX E

### BOOK-ENTRY SYSTEM

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS DEFINED HEREIN).

The Depository Trust Company ("DTC"), New York, NY, 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 Bond will be issued for each maturity of the Bonds of each Series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC's 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). The information on such website is not incorporated herein by reference.

Purchases of Series 2012Bonds 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 Series 2012 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 Series 2012 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 Series 2012 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 Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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 an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority (or the Trustee on behalf thereof) 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2012 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 Authority 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 nor its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of such principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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 Series 2012 Bonds at any time by giving reasonable notice to the Authority 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 as described in the Indenture.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

## **APPENDIX F**

### **FORMS OF OPINIONS OF BOND COUNSEL**

[Closing Date]

Imperial County Local Transportation Authority  
1405 North Imperial Avenue  
El Centro, California 92243

\$8,155,000  
Imperial County Local Transportation Authority  
Sales Tax Revenue Bonds (Limited Tax Bonds)  
Series 2012A  
(City of Brawley)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Imperial County Local Transportation Authority ("ICLTA") of \$8,155,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012A (City of Brawley) (the "Series 2012A Bonds"). On July 28, 2008, ICLTA adopted its Ordinance No. 2008-1, the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan (the "Ordinance"), which provides for the levy of a county-wide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the "Measure D Sales Tax." The Series 2012A Bonds are issued pursuant to the Indenture, dated as of May 1, 2012 (the "Master Indenture"), by and between ICLTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a First Supplemental Indenture, dated as of May 1, 2012 (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"), by and between ICLTA and the Trustee. The Series 2012A Bonds are being issued to provide funds to finance certain transportation projects of the City of Brawley, California (the "Participating Agency") and other purposes.

As bond counsel, we have reviewed the Ordinance, the Master Indenture, the First Supplemental Indenture, certifications of ICLTA, the Trustee and others, opinions of counsel to ICLTA and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012A Bonds constitute valid and binding special, limited obligations of ICLTA and are payable exclusively from and are secured by a pledge of the Brawley Sales Tax Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by ICLTA and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding

obligation of ICLTA, enforceable against ICLTA in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012A Bonds, of the Brawley Sales Tax Revenues and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2012A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2012A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on 2012A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Series 2012A Bond is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2012A Bonds. Pursuant to the Indenture and in each of the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Issuer and the Series 2012A Participating Agency Certificate being delivered by the Participating Agency in connection with the issuance of the Series 2012A Bonds, each of the ICLTA and the Participating Agency, respectively, is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2012A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the ICLTA and the Participating Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2012A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012A Bonds, or the interest thereon, if any action is taken with respect to the Series 2012A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012A Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012A Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012A Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[Closing Date]

Imperial County Local Transportation Authority  
1405 North Imperial Avenue  
El Centro, California 92243

\$15,410,000  
Imperial County Local Transportation Authority  
Sales Tax Revenue Bonds (Limited Tax Bonds)  
Series 2012B  
(City of Calexico)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Imperial County Local Transportation Authority (“ICLTA”) of \$15,410,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012B (City of Calexico) (the “Series 2012B Bonds”). On July 28, 2008, ICLTA adopted its Ordinance No. 2008-1, the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan (the “Ordinance”), which provides for the levy of a county-wide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the “Measure D Sales Tax.” The Series 2012B Bonds are issued pursuant to the Indenture, dated as of May 1, 2012 (the “Master Indenture”), by and between ICLTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a Second Supplemental Indenture, dated as of May 1, 2012 (the “Second Supplemental Indenture,” and together with the Master Indenture, the “Indenture”), by and between ICLTA and the Trustee. The Series 2012B Bonds are being issued to provide funds to finance certain transportation projects of the City of Calexico, California (the “Participating Agency”) and other purposes.

As bond counsel, we have reviewed the Ordinance, the Master Indenture, the Second Supplemental Indenture, certifications of ICLTA, the Trustee and others, opinions of counsel to ICLTA and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012B Bonds constitute valid and binding special, limited obligations of ICLTA and are payable exclusively from and are secured by a pledge of the Calexico Sales Tax Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by ICLTA and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of ICLTA, enforceable against ICLTA in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012B Bonds, of the Calexico Sales Tax Revenues and certain other amounts held by the Trustee in

certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2012B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2012B Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on 2012B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Series 2012B Bond is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2012B Bonds. Pursuant to the Indenture and in each of the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Issuer and the Series 2012B Participating Agency Certificate being delivered by the Participating Agency in connection with the issuance of the Series 2012B Bonds, each of the ICLTA and the Participating Agency, respectively, is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2012B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the ICLTA and the Participating Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2012B Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012B Bonds, or the interest thereon, if any action is taken with respect to the Series 2012B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012B Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012B Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012B Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[Closing Date]

Imperial County Local Transportation Authority  
1405 North Imperial Avenue  
El Centro, California 92243

\$2,305,000  
Imperial County Local Transportation Authority  
Sales Tax Revenue Bonds (Limited Tax Bonds)  
Series 2012C  
(City of Calipatria)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Imperial County Local Transportation Authority ("ICLTA") of \$2,305,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012C (City of Calipatria) (the "Series 2012C Bonds"). On July 28, 2008, ICLTA adopted its Ordinance No. 2008-1, the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan (the "Ordinance"), which provides for the levy of a county-wide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the "Measure D Sales Tax." The Series 2012C Bonds are issued pursuant to the Indenture, dated as of May 1, 2012 (the "Master Indenture"), by and between ICLTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a Third Supplemental Indenture, dated as of May 1, 2012 (the "Third Supplemental Indenture," and together with the Master Indenture, the "Indenture"), by and between ICLTA and the Trustee. The Series 2012C Bonds are being issued to provide funds to finance certain transportation projects of the City of Calipatria, California (the "Participating Agency") and other purposes.

As bond counsel, we have reviewed the Ordinance, the Master Indenture, the Third Supplemental Indenture, certifications of ICLTA, the Trustee and others, opinions of counsel to ICLTA and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012C Bonds constitute valid and binding special, limited obligations of ICLTA and are payable exclusively from and are secured by a pledge of the Calipatria Sales Tax Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by ICLTA and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of ICLTA, enforceable against ICLTA in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012C Bonds, of the Calipatria Sales Tax Revenues and certain other amounts held by the Trustee in

certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2012C Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2012C Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012C Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on 2012B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Series 2012C Bond is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012C Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012C Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2012C Bonds. Pursuant to the Indenture and in each of the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Issuer and the Series 2012C Participating Agency Certificate being delivered by the Participating Agency in connection with the issuance of the Series 2012C Bonds, each of the ICLTA and the Participating Agency, respectively, is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2012C Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the ICLTA and the Participating Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2012C Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012C Bonds, or the interest thereon, if any action is taken with respect to the Series 2012C Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012C Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012C Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012C Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[Closing Date]

Imperial County Local Transportation Authority  
1405 North Imperial Avenue  
El Centro, California 92243

\$6,170,000  
Imperial County Local Transportation Authority  
Sales Tax Revenue Bonds (Limited Tax Bonds)  
Series 2012D  
(City of Imperial)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Imperial County Local Transportation Authority (“ICLTA”) of \$6,170,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012D (City of Imperial) (the “Series 2012D Bonds”). On July 28, 2008, ICLTA adopted its Ordinance No. 2008-1, the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan (the “Ordinance”), which provides for the levy of a county-wide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the “Measure D Sales Tax.” The Series 2012D Bonds are issued pursuant to the Indenture, dated as of May 1, 2012 (the “Master Indenture”), by and between ICLTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a Fourth Supplemental Indenture, dated as of May 1, 2012 (the “Fourth Supplemental Indenture,” and together with the Master Indenture, the “Indenture”), by and between ICLTA and the Trustee. The Series 2012D Bonds are being issued to provide funds to finance certain transportation projects of the City of Imperial, California (the “Participating Agency”) and other purposes.

As bond counsel, we have reviewed the Ordinance, the Master Indenture, the Fourth Supplemental Indenture, certifications of ICLTA, the Trustee and others, opinions of counsel to ICLTA and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012D Bonds constitute valid and binding special, limited obligations of ICLTA and are payable exclusively from and are secured by a pledge of the Imperial Sales Tax Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by ICLTA and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of ICLTA, enforceable against ICLTA in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012D Bonds, of the Imperial Sales Tax Revenues and certain other amounts held by the Trustee in

certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2012D Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2012D Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012D Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on 2012B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Series 2012D Bond is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012D Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012D Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2012D Bonds. Pursuant to the Indenture and in each of the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Issuer and the Series 2012D Participating Agency Certificate being delivered by the Participating Agency in connection with the issuance of the Series 2012D Bonds, each of the ICLTA and the Participating Agency, respectively, is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2012D Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the ICLTA and the Participating Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2012D Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012D Bonds, or the interest thereon, if any action is taken with respect to the Series 2012D Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012D Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012D Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012D Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[Closing Date]

Imperial County Local Transportation Authority  
1405 North Imperial Avenue  
El Centro, California 92243

\$21,935,000  
Imperial County Local Transportation Authority  
Sales Tax Revenue Bonds (Limited Tax Bonds)  
Series 2012E  
(County of Imperial)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Imperial County Local Transportation Authority (“ICLTA”) of \$21,935,000 aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012E (County of Imperial) (the “Series 2012E Bonds”). On July 28, 2008, ICLTA adopted its Ordinance No. 2008-1, the Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan (the “Ordinance”), which provides for the levy of a county-wide retail and transactions and use tax of one-half of 1% for transportation purposes, known as the “Measure D Sales Tax.” The Series 2012E Bonds are issued pursuant to the Indenture, dated as of May 1, 2012 (the “Master Indenture”), by and between ICLTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a Fifth Supplemental Indenture, dated as of May 1, 2012 (the “Fifth Supplemental Indenture,” and together with the Master Indenture, the “Indenture”), by and between ICLTA and the Trustee. The Series 2012E Bonds are being issued to provide funds to finance certain transportation projects of the County of Imperial, California (the “Participating Agency”) and other purposes.

As bond counsel, we have reviewed the Ordinance, the Master Indenture, the Fifth Supplemental Indenture, certifications of ICLTA, the Trustee and others, opinions of counsel to ICLTA and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Series 2012E Bonds constitute valid and binding special, limited obligations of ICLTA and are payable exclusively from and are secured by a pledge of the County Sales Tax Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.
2. The Indenture has been duly and validly authorized, executed and delivered by ICLTA and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of ICLTA, enforceable against ICLTA in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series 2012E Bonds, of the County Sales Tax Revenues and certain other amounts held by the Trustee in

certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2012E Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2012E Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2012E Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on 2012B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Series 2012E Bond is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012E Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2012E Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2012E Bonds. Pursuant to the Indenture and in each of the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Issuer and the Series 2012E Participating Agency Certificate being delivered by the Participating Agency in connection with the issuance of the Series 2012E Bonds, each of the ICLTA and the Participating Agency, respectively, is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2012E Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the ICLTA and the Participating Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2012E Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012E Bonds, or the interest thereon, if any action is taken with respect to the Series 2012E Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Series 2012E Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. Further, the enforceability of the Series 2012E Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012E Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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## **APPENDIX G**

### **THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND EXPENDITURE PLAN**

Ordinance No. 1-2008

**THE IMPERIAL COUNTY LOCAL TRANSPORTATION  
AUTHORITY RETAIL TRANSACTIONS AND  
USE TAX ORDINANCE AND EXPENDITURE PLAN**

The Imperial County Local Transportation Authority hereby ordains as follows:

**SECTION 1. Title.** This ordinance shall be known as the Imperial County Retail Transactions and Use Tax Ordinance and continues in effect the existing retail transactions and use tax adopted pursuant to Ordinance 1-90 for an additional forty (40) years. This ordinance shall be applicable in the incorporated and unincorporated territory of the County of Imperial, which territory shall be referred to as "County."

**SECTION 2. Effective and Operative Date.** This ordinance shall take effect immediately upon passing by the requisite percentage of voters provided by law when voting on the ordinance takes place. Such voting is to be within Imperial County in a special election called for that purpose by the Imperial County Board of Supervisors and the ordinance shall become operative on April 1, 2010.

**SECTION 3. Purpose.** This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. This ordinance provides for the continuation of a retail transaction and use tax of one-half of one percent (0.5%), the authority to issue limited tax bonds, the administration of the tax proceeds, a County transportation expenditure plan, the establishment of a Local Taxpayer Supervising Committee, hereinafter "LTSC," and the establishment of an appropriation limit, and is enacted pursuant to the provisions of Division 19 of the Public Utilities Code and limited to eligible expenditures for transportation within Imperial County.

B. To continue to impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 180204 of the Public Utilities Code which authorizes the Authority to adopt this tax ordinance which shall be operative if a two-thirds majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

C. To adopt the continuation of a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

D. To adopt the continuation of a retail transactions and use tax ordinance that imposes a tax and provides a measure therefor that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

E. To adopt a continuation of a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

**SECTION 4. Definitions.** The following definitions shall apply in this ordinance:

A. "Expenditure Plan" means the Imperial County Local Transportation Authority Expenditure Plan, attached and adopted as part of this ordinance, including any future amendments thereto.

B. "County" means both the unincorporated and incorporated territory of the County of Imperial.

C. "Authority" means the Imperial County Local Transportation Authority, a public agency subject to the Ralph M. Brown Act and any amendments thereto.

D. "Local streets and roads eligible expenditures" means all purposes necessary and convenient to the maintenance, operation, and construction of local streets and roads and shall include all purposes allowable under Art. XIX, Section 1(a) of the State Constitution.

E. "Transportation" means local streets, roads, and highways, and transit projects and facilities.

F. "Total population" excludes residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.

**SECTION 5. Imposition of Retail Transactions and Use Tax.** In addition to any other taxes authorized by law, there is hereby imposed, in the incorporated and unincorporated territory of the County of Imperial, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated and unincorporated territory of the County at the rate of one-half of one percent (0.50%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance. An excise tax is hereby imposed on the storage, use or other consumption in the County of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one half of one percent (0.50%) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

The retail transactions and use tax, referred to as the "tax," at the rate of one-half of one percent (0.5%) shall be imposed for a period of forty (40) years. The tax shall be in addition to any other taxes authorized by law including any existing or future state or local sales tax or transactions and use tax. If, during this time period, additional state or federal funds become available which would fund the projects contained in the Expenditure Plan, then the tax may be reduced by action of the Authority. The Authority shall give written notice of the rate reduction to the Board of Equalization not less than 110 days prior to the operative date of the reduction which shall be at the end of a calendar quarter.

**SECTION 6. Place Of Sale.** For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

**SECTION 7. Bonding Authority.** Upon voter approval of the measure, the Authority shall have the authority to issue bonds payable from proceeds of the tax to accelerate the

construction of needed transportation facility improvements. The Authority, in allocating the annual revenues from the measure, shall meet all debt service requirements prior to allocating funds for other projects. The maximum bonded indebtedness which may be outstanding at any one time shall be an amount equal to the sum of the principal of, and interest on, the bonds, but not to exceed the estimated proceeds of the tax, as determined by the plan. The amount of bonds outstanding at any one time does not include the amount of bonds, refunding bonds, or bond anticipation notes for which funds necessary for the payment thereof have been set aside for that purpose in a trust or escrow account.

**SECTION 8. Amendments.** Subsequent to the effective date of this ordinance all amendments to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

**SECTION 9. Severability.** If any tax or provision of this ordinance is for any reason held invalid or unenforceable by a court of competent jurisdiction that holding shall not affect the validity or enforceability of the remaining taxes or provisions and the Authority declares that it would have passed each part of this Ordinance, irrespective of the validity of any other part.

**SECTION 10. Appropriations Limit.** Pursuant to Section 4, Art. XIII B of the California Constitution, an annual appropriations limit for certain governmental agencies must be established. The maximum annual appropriations limit for the Authority has been established as \$15,000,000 (Fifteen million dollars). The appropriations limit shall be subject to adjustment as provided by law. All expenditures of the retail and use tax revenues imposed in Section 5 are subject to the appropriations limit of the Authority.

**SECTION 11. Implementing Ordinances.** Upon approval of this measure by the voters, the Authority shall, in addition to the local rules required to be provided pursuant to this ordinance, adopt implementing ordinances and rules and take such other actions as may be necessary and appropriate to carry out its responsibilities.

**SECTION 12. Composition, Duties and Responsibilities of the Local Taxpayer Supervising Committee.**

A. LTSC Goals and Functions. Voter adoption of this transportation sales tax ordinance shall result in creation of the LTSC as follows: The LTSC shall review the fiscal performance of the sales tax transportation program through an annual audit to ensure that all transportation sales tax funds are spent by the Local Transportation Authority (hereafter referred to as the Authority) in accordance with all provisions of the voter-approved Expenditure Plan and ordinance. The LTSC'S other mission is to provide positive, constructive advice to the Authority on how to improve implementation over the forty-year course of the program for the benefit of Imperial County residents and businesses, and to study and report on other issues related to the current or future use of transportation sales tax funds that may be expressly authorized by the Authority.

B. Audit Requirement. The LTSC shall supervise annual fiscal, program and periodic performance audits which shall be performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States and based on performance standards adopted by the Authority Board for each program or project funded in whole or in part with sales tax funds. The initial set of performance standards shall be adopted not later than July 1, 2009 and shall be updated every 5 years thereafter.

C. Role of Financial and Performance Audits. The LTSC shall, under the competitive procurement rules of the Authority, and with the active involvement of the Authority Executive Director, the concurrence and the approval of the Authority, select a professional auditor to conduct the fiscal and performance audits of expenditure(s) of all sales tax funds, report findings based on the audits to the Authority and to the public, and recommend any additional audits that the LTSC believes may improve the financial operation and integrity of program implementation, while meeting all voter mandates. No professional audit firm shall conduct more than three consecutive fiscal audits during the course of the 40 year sales tax extension.

The Authority, with the direct participation of the LTSC, shall hold publicly noticed meetings, which may or may not be part of a regularly scheduled Board meeting, to consider the findings and recommendations of the audits. A report of the findings and recommendations of each audit by the LTSC shall be made available to the public in print and on the Authority's electronic website.

D. Membership and Selection Process. The Authority shall develop an open selection process that actively advertises for potential members and select three committee members who are all residents of Imperial County and possess the following professional and/or community credentials:

One member who is a professional, --active or retired-- in the field of municipal audit, finance and/or budgeting with at least five years in a relevant and senior decision-making position in the public or private sector.

One member who is a licensed civil engineer or trained transportation planner --active or retired-- with at least five years of demonstrated experience in the field of transportation in government and/or the private sector.

One member who is a current or retired manager of major public and/or privately financed development or construction projects, who by training and experience would understand the complexity, costs and implementation issues involved in building large scale infrastructure improvements.

The Chair of the Authority Governing Board, the Executive Director of the Authority, and the County Auditor-Controller shall serve as ex-officio, non-voting, members of the LTSC.

E. Terms and Conditions for Committee.

- Members shall serve staggered four-year terms. In no case shall any voting committee member serve more than two terms years on the LTSC. A member who is appointed to fill a partial term that is less than 2 years shall be allowed to serve for 2 full terms in addition to the time served during the partial term.
- Members shall serve without compensation, except they shall be reimbursed for authorized travel and other expenses directly related to the work of the LTSC.
- Members cannot be current locally elected officials in the county or a full time or part time staff member of any city, the county government, local transit operator, or state transportation agency.
- If and when vacancies on the LTSC occur on the part of voting committee members, the Authority shall appoint an appropriate replacement within 90 days of the vacancy to fill the remainder of the term.

F. Sales Tax Local Taxpayer Supervising Committee Operation Protocols. Given the forty-year duration of the sales tax extension, the LTSC shall be appointed 120 days after the

effective date of the sales tax extension and continue as long as sales tax funds from the current voter authorization are made available. The Authority Board and its staff shall fully cooperate with and provide necessary financial and staff support to ensure that the LTSC effectively carries out its duties and obligations. The annual cost of the audits of the LTSC shall not exceed \$150,000, adjusted for inflation.

G. Conflict of Interest. LTSC voting members are prohibited from acting in any commercial activity directly or indirectly involving the Authority, such as being a consultant or vendor to the Authority during their tenure on the LTSC. LTSC voting members shall not have a direct commercial interest or employment with any public or private entity that receives transportation sales tax funds authorized by the voters in this ordinance.

**SECTION 13. Contract With State.** Prior to the operative date, the Authority shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the Authority shall not have contracted with the State Board of Equalization prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

**SECTION 14. Adoption Of Provisions Of State Law.** Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

**SECTION 15. Limitations On Adoption Of State Law And Collection Of Use Taxes.**  
In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this Authority shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this Authority or any agency, officer, or employee thereof rather than by or against the State

Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "County" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

**SECTION 16. Permit Not Required.** If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

**SECTION 17. Enjoining Collection Forbidden.** No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the Authority, or against any officer of the State or the Authority, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

**SECTION 18. Exemptions And Exclusions.**

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the District which is shipped to a point outside the District, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the District shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-District address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-District and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this District of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the District shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the District or participates within the District in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the district or through any representative, agent, canvasser, solicitor, subsidiary, or person in the District under the authority of the retailer.

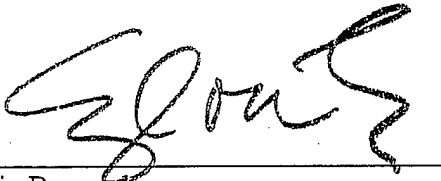
7. "A retailer engaged in business in the District" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section

21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the District.


D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property, the storage, use or other consumption of which is subject to the use tax.

**PASSED, ADOPTED AND APPROVED** by the Imperial County Local Transportation Authority this 27<sup>th</sup> day of July, 2008, by the following votes:

Ayes: 6                Noes: 0                Abstains: 0                Absent: 3



Sylvia Bermudez,  
Clerk of the Board of the  
Imperial County Local Transportation Authority

  
\_\_\_\_\_  
Larry Grogan, Chairman  
Imperial County Local Transportation Authority

**THE IMPERIAL COUNTY  
LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS  
AND USE TAX EXPENDITURE PLAN**

**SECTION 1. Title.** This Expenditure Plan shall be known as the Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan.

**SECTION 2. Retail Transactions and Use Tax Revenue.** This is a ballot measure before the voters of Imperial County. The Measure, if passed by the requisite percentage of voters at the time voting on the ordinance takes place, will continue the current sales tax in Imperial County at one-half of one percent (0.5%) for a period of forty (40) years. The revenue generated will provide funding for transportation improvements during the forty year period.

**SECTION 3. Authority.** The Imperial County Local Transportation Authority was created by the Board of Supervisors of the County of Imperial in 1989, with the representation approved by a majority of the cities of Imperial County representing a majority of the population, to administer the local option sales tax. The membership is comprised of a city council member from each incorporated city within Imperial County and two members of the Imperial County Board of Supervisors. The Imperial County Local Transportation Authority is referred to as the "Authority" herein.

**SECTION 4. Purpose.** The purpose of the Expenditure Plan is to identify and program transportation improvements utilizing revenues from the proposed renewal of the sales tax and to ensure that the revenue generated by the sales tax is spent in the most efficient and effective manner.

A. The revenues received by the Authority pursuant to the adoption of this Measure, after deduction of required Board of Equalization costs for performing the functions specified in Section 132304(b) of the Public Utilities Code, shall be used to improve transportation and transit, e.g., senior transit, facilities county-wide as set forth in this Expenditure Plan.

B. After the deduction of the administrative expenses of the Authority of a maximum of one percent (1%), the balance of the revenue shall be allocated as follows:

1. Up to five percent (5%) for state highway improvements within Imperial County; and except that the Authority, with the affirmative vote of at least two-thirds (2/3) of its members, may allocate funds in excess of the five

percent (5%) limitation herein for state highway improvement projects if that action would result in the allocation of state or federal matching funds in an amount equal to or greater than the amount allocated under this section by the Authority.

2. A minimum of two percent (2%) of each member agency's share of the annual Measure's half-cent sales tax revenue shall be set aside for transit projects. The minimum two percent (2%) set aside requirement is not intended to prohibit expenditure of a larger percentage for transit projects that may be proposed by the individual agencies or by a combination of agencies. Expenditures should be compatible and coordinated with the regions' transit planning process, programs and services.

3. The balance for local street and road improvements.

C. To ensure the lowest possible cost to taxpayers and maximize accountability, any contract or public project undertaken by a local agency using tax sales resulting from this ordinance shall be subject to contract and/or bid provisions contained in current state and/or federal law.

D. The revenues available for local street and road purposes shall be allocated and expended pursuant to the following distribution formula and priorities:

1. Each Local Agency, including the County of Imperial and each incorporated City within the County of Imperial, shall receive an annual base sum of \$150,000, adjusted annually for inflation as described in the Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average, "All Items", using the "Annual" column.
2. The remaining revenues after distribution of the base sum shall be distributed to each Local Agency on the following basis:
  - i. Eighty percent (80%) based on total population using the most recent Department of Finance population estimates and as calculated as of January 1 of each year and used to calculate the succeeding fiscal year's appropriation limit.

- ii. Twenty percent (20%) based on maintained street and road mileage as certified and/or submitted to the California Department of Transportation (CALTRANS) by each Local Agency annually.
- 3. Any new incorporations or annexations which take place shall be incorporated into the formula beginning with the subsequent fiscal year.
- 4. Funds shall be expended in accordance with the following priorities:
  - i. to repair and rehabilitate existing roadways;
  - ii. to reduce congestion and improve safety;
  - iii. to provide for the construction of needed facilities.

E. The revenues available for highway purposes shall be allocated only to those state highways within Imperial County and in accordance with the Expenditure Plan, subject to the following provision:

- 1. No revenues as provided for in this section shall be allocated for any state highway projects until the Authority has certified that Imperial County is receiving at a minimum its fair share of highway funds from the state. The determination of fair share shall consider all relevant factors including the degree to which Imperial County is receiving its statutory county minimum funding for all budgeted, expended, and programmed state and federal highway funds. The policies and project approval actions of the California Transportation Commission and CALTRANS will also be reviewed to insure that Imperial County is receiving full consideration in the allocation of any additional uncommitted state and federal highway funding. Part of the certification shall include a finding that the state has not reduced any state highway fund allocation to Imperial County as a result of the addition of any local revenues as provided herein. The certification shall be made annually in the Regional Transportation Improvement Program.
- 2. If, prior to the start of any fiscal year, the Authority does not make the certification finding required herein, then, except for previous commitments of this revenue by the Authority, the Authority may redistribute remaining revenues for local street and road purposes.

3. Once any state highway facility or usable portion thereof is constructed to at least minimum acceptable state standards, the state shall be responsible for the maintenance and operation thereof.
4. All state highway improvements which require funds from revenues as provided in this Measure, including project development and overall project management, shall be a joint responsibility of CALTRANS and the Authority. All major project approval actions including the project concept, the project location, and any subsequent change in project scope shall be jointly agreed upon by CALTRANS and the Authority and, where appropriate, by the Federal Highway Administration and/or the California Transportation Commission.

**SECTION 5. Project Programming and Monitoring.**

A. The Authority will provide each agency with an annual estimate of revenues for the succeeding five years. Each Local Agency shall annually then develop a five-year list of projects to be funded with revenues made available under Section 4. Each Local Agency shall annually notify the Authority of its policy body's official action approving its five-year list of projects.

B. The Authority shall annually approve a five-year list of projects for each Local Agency based on each Local Agency's submittals to be funded during the succeeding fiscal year. Other than editorial changes, any change proposed by the Authority in the Local Agency's submittals of projects shall require concurrence by a majority of the incorporated cities representing a majority of population. The Local Agency that is the subject of the proposed change by the Authority shall be one of the concurring agencies.

At the request of a Local Agency, the Authority may amend the portion of the program of projects to address the Local Agency's unforeseen emergencies or circumstances arising during the year in accordance with Section 10, Amendments.

A public hearing will be held prior to approval of the annual program of projects. No major projects shall be funded with the revenues made available under this Measure unless the projects are in the approved program of projects.

C. Each Local Agency shall annually prepare a report detailing the expenditure, by project, of any and all sales tax receipts from this measure for the prior fiscal year. Other funds

expended on those projects shall also be listed in order to demonstrate the additional benefit gained by utilizing the other funds to maximize the use of the sales tax receipts. The annual report shall include a detailed description and the amount spent of the sales tax receipts for each project. Contractors performing work shall be listed and the amount of tax funds paid to the individual contractors shall be provided in the report. The annual report shall be provided to the Local Taxpayer Supervising Committee by November 1st of each year.

**SECTION 6. Maintenance of Effort.** It is the intent of the Legislature and the Authority that revenues provided from this measure be used to supplement existing local revenues being used for the purposes set forth in Section 4 herein. Each Local Agency receiving revenues pursuant to Section 4 shall annually maintain as a minimum the same level of local discretionary funds expended for street and road purposes as was reported in the State Controller's Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006. If any Local Agency had extraordinary local discretionary fund expenditures during FY 2005-2006, it may use, as a base for determining the minimum level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year period FY 2002-2003 through 2005-2006. The use of a three-year average for the base period shall be subject to Authority approval. If any Local Agency foresees an undue hardship in complying with this annual Maintenance of Effort requirement, it may submit a plan describing the situation and demonstrating compliance with the requirement over a multi-year period for approval by the Authority in advance of the fiscal year(s) in question. LTSC shall review the plan and provide a recommendation to the Authority on the proposed alternative compliance plan.

The minimum Maintenance of Effort shall be annually adjusted for inflation as described in the Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average, "All Items", using the "Annual" column. The Authority may waive such annual adjustment upon application if it determines it is warranted due to hardship. The Authority shall not allocate any revenues pursuant to Section 4 to any eligible agency in any fiscal year until that agency has certified to the Authority the extent to which the Maintenance of Effort requirement shall be included in its budget. Any Local Agency which does not certify that it will meet its entire Maintenance of Effort requirement in any given year shall have its funding under Section 4 reduced that year by the amount by which the agency will not meet its level of Maintenance of Effort requirement.

If any audit indicates that any Local Agency does not meet its certified level of Maintenance of Effort in any given year, or over a multi-year period based on a plan approved by the Authority, it shall have its funding under Section 4 reduced in the following year by the amount by which the agency did not meet its certified level of Maintenance of Effort.

Any local street and road revenues not allocated pursuant to the Maintenance of Effort requirement shall be redistributed to the remaining eligible agencies according to the formula described in Section 4.

**SECTION 7. Private Sector Funding.** Revenues provided from this Measure shall not be used to replace private developer funding which has been or will be committed for any project.

**SECTION 8. Administrative Expenses.** Revenues may be expended by the Authority for salaries, wages, benefits, overhead, and those services including contractual services necessary to administer the Ordinance; however, in no case shall such expenditures exceed one percent (1%) of the annual revenues provided by the Measure. Cost of performing or contracting for project related work shall be paid from the revenues allocated to the appropriate purpose as set forth in Section 4 herein.

**SECTION 9. Establishment of Separate Accounts.** Each agency receiving funds pursuant to Section 4 shall deposit said funds in a separate Transportation Improvement Account. Interest earned on funds allocated pursuant to this Ordinance shall be expended only for those purposes for which the funds were allocated.

**SECTION 10. Amendments.** With the exception of Sections 4(A) and 4(B) which require a majority vote by the Imperial County Board of Supervisors and a majority of the incorporated cities representing a majority of population to amend, this Expenditure Plan may be amended to further its purposes by ordinance or resolution, passed by roll call vote entered in the minutes, with two-thirds of the Authority concurring.

**SECTION 11. Program of Projects.** The following program of projects includes candidate projects for maintenance and new facility construction on local streets and roads and state highways. These projects will be completed as estimated revenues become available. The actual delivery of these projects is subject to the actual amount of revenues received by the Authority. After revenues are distributed to each Local Agency, the amounts programmed for either maintenance or new facility construction will vary according to the needs of each agency.

## **APPENDIX H**

### **FORM OF PLEDGE AGREEMENT**

THIS PLEDGE AGREEMENT, dated as of May 1, 2012 (this “Agreement”), by and between the IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY, a local transportation authority duly established and existing under the law of the State of California (the “Authority”), and the [Participating Agency], as set forth herein,

#### **WITNESSETH:**

**WHEREAS**, in 1989 the Imperial County Local Transportation Authority (the “Authority”) adopted LTA Ordinance No. 1-89, the Imperial County Retail Transactions and Use Tax Ordinance (the “1989 Ordinance”), which, following voter approval of a ballot measure, authorized the implementation of a half-cent transactions and use tax within the County of Imperial (the “Measure D Sales Tax”); and

**WHEREAS**, in 1990, the Authority adopted Ordinance No. 1-90 (the “1990 Ordinance”), which detailed those transactions and uses that would be subject to the Measure D Sales Tax; and

**WHEREAS**, on July 28, 2008, the Authority adopted Ordinance No. 1-2008 (the “2008 Ordinance”), which extended the Measure D Sales Tax for a period not to exceed forty (40) years from April 1, 2010;

**WHEREAS**, under the 2008 Ordinance, the City is entitled to receive from the Authority a portion of Measure D Sales Tax revenues allocable to the City (the “Imperial Sales Tax Revenues”) as specified in an allocation formula set forth in 2008 Ordinance; and

**WHEREAS**, the Authority now intends to finance certain transportation projects for the City described in the County of Imperial Retail Transactions and Use Tax Expenditure Plan (the “Project”) by issuing its Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012 in one or more series, which shall be payable only from the Imperial Sales Tax Revenues and shall have a series designation distinct from other bonds issued by the Authority (the “Series 2012\_ Bonds”);

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

Section 1.01. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Indenture, dated as of May 1, 2012, as amended

and supplemented by a [\_\_\_\_] Supplemental Indenture, dated as of May 1, 2012 (collectively, the “Indenture”), each by and between the Authority and a trustee named therein (the “Trustee”).

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

- (a) Words importing the singular number shall include the plural number and vice versa.
- (b) Words importing the feminine, masculine and neuter genders shall each include correlative words of the other genders.
- (c) All approvals, consents and acceptances required to be given or made by any person or party hereunder shall be at the sole discretion of the person or party whose approval, consent or acceptance is required.
- (d) All references herein to particular articles or sections are references to articles or sections of this Agreement.
- (e) The captions and headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
- (f) References to any document, agreement, certificate or other instrument shall refer to the provisions of such instrument, as the same may be amended and supplemented from time to time.
- (g) Words permitting discretion shall mean that the Person having such discretion may take such action but is not obligated to do so.

## **ARTICLE II**

### **PLEDGE OF REVENUES**

Section 2.01. Pledge of Revenues. The [Participating Agency] hereby pledges and assigns all [Participating Agency] Sales Tax Revenues unconditionally and irrevocably on a first priority basis to the Trustee for the payment of debt service on the Series 2012\_ Bonds.

Section 2.02. Application of [Participating Agency] Sales Tax Revenues and Remittance to the [Participating Agency]. The Authority agrees that after application of the [Participating Agency] Sales Tax Revenues to pay the debt service on the Series 2012\_ Bonds to make all other deposits required under the Indenture and to reimburse the Authority for payments previously made with respect to the Series 2012\_ Bonds (and all past due amounts relating thereto), the Authority shall cause the remainder of the Imperial Sales Tax Revenues received to be remitted to the [Participating Agency] for uses consistent with the 2008 Ordinance.

Section 2.03. [Participating Agency] to Pay Authority Costs. The [Participating Agency] hereby agrees to pay the reasonable out-of-pocket costs and expenses of the Authority directly related to the [Participating Agency]’s allocable share of costs of issuance for the Series 2012\_ Bonds. The payment of such costs and expenses shall not be a general fund obligation of the [Participating

Agency] and shall be payable from the [Participating Agency] Sales Tax Revenues and/or the proceeds of the Series 2012\_ Bonds.

### **ARTICLE III**

#### **REMEDIES**

Section 3.01. Remedies. Each of the parties hereto may take whatever action at law or in equity may appear necessary or desirable to exercise its rights or enforce the obligations of the other parties hereunder.

### **ARTICLE IV**

#### **TERM**

Section 4.01. Term. The pledge granted by the [Participating Agency] in accordance with Section 2.01 hereof shall continue irrevocably, in full force and effect, until the payment or defeasance in full of all outstanding Series 2012\_ Bonds.

### **ARTICLE V**

#### **REPRESENTATIONS AND COVENANTS**

Section 5.01. Maintenance of Effort. The [Participating Agency] hereby represents that it has maintained, as a minimum, the same level of local discretionary funds expended for street and road purposes as was reported in the State Controller's Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006, as adjusted annually for inflation, as is required pursuant to Section 6 of the Expenditures Plan. The [Participating Agency] hereby covenants to include in each annual budget amounts sufficient to satisfy the annual Maintenance of Effort requirement and shall certify, in a form substantially similar to the certificate appended as Appendix A hereto, to the Authority prior to each Fiscal Year that such amounts have been included in its annual budget. The [Participating Agency] further covenants to spend at least the amount included in the certification to the Authority during the then-current Fiscal Year and shall certify, in a form substantially similar to the certificate appended as Appendix B hereto, to the Authority that the [Participating Agency] satisfied its annual Maintenance of Effort requirement for such Fiscal Year.

Section 5.02. Expenditure on Approved Projects. The [Participating Agency] hereby covenants to use proceeds of the Series 2012\_ Bonds and any [Participating Agency] Sales Tax Revenues received by the City only on projects appearing on the most recently approved five-year list of projects and shall certify, in a form substantially similar to the certificate appended as Appendix B hereto, that such proceeds of the Series 2012\_ Bonds and any [Participating Agency] Sales Tax Revenues were spent on projects appearing on the approved five-year list of projects for the then-current Fiscal Year . If proceeds of the Series 2012\_ Bonds or any [Participating Agency] Sales Tax Revenues are expended on projects not appearing on the most recently approved five-year list of projects, the [Participating Agency] further covenants to replenish the [Participating Agency] Sales Tax Revenue Account established pursuant to the Indenture in an amount equal to the Series 2012\_ Bonds proceeds or [Participating Agency] Sales Tax Revenues expended on projects not appearing on the most recently approved five-year list of projects.

Section 5.03. Compliance with Tax Covenants. In addition to the covenants set forth herein, the [Participating Agency] covenants to assist the Authority in complying with all covenants of the

Authority set forth in Section 6.08 of the Indenture and the Tax Certificate, which are hereby incorporated by reference as though fully set forth herein and to comply with all covenants in the Tax Certificate applicable to the [Participating Agency]. On the delivery date of the Series 2012\_ Bonds, the [Participating Agency] will provide a Certificate of the Director of Public Works substantially in the form attached as Appendix C hereto.

Section 5.04. Annual Expenditure Report. The [Participating Agency] hereby covenants to prepare an annual report detailing the expenditure, by project, of any and all Imperial Sales Tax Revenues for the prior Fiscal Year. Other funds expended on those projects shall also be listed in order to demonstrate the additional benefit gained utilizing the other funds to maximize the use of sales tax receipts. The annual report shall include a detailed description and the amount spent of the sales tax receipts for each project. Contractors performing work shall be listed and the amount of sales tax receipts paid to the individual contractors shall be provided in the report.

## **ARTICLE VI**

### **MISCELLANEOUS**

Section 6.01. Severability. In case any one or more of the provisions of this Agreement shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 6.02. No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member, agent, or employee of the Authority or the [Participating Agency] nor any official executing this Agreement shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 6.03. Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given, and shall be deemed given, when received by hand or by first class mail, postage prepaid, addressed as follows:

(a) Authority:

1405 N. Imperial Avenue, Suite 1  
El Centro, California 92243  
Attention: Executive Director

(b) [Participating Agency]:

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 6.04. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 6.05. Owners as Third-Party Beneficiaries. Owners of the Series 2012\_ Bonds are hereby recognized as third-party beneficiaries and Owners of a majority in aggregate amount of Bond Obligation of the Series 2012\_ Bonds then Outstanding may enforce any right, remedy or claim conferred, given or granted to the Authority hereunder.

Section 6.06. Effective Date. This Agreement shall become effective upon its execution by each of the parties hereto.

Section 6.07. Counterparts. This Agreement may be executed in several counterparts, all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority and the [Participating Agency] have caused this Agreement to be executed and delivered, all as of the date first above written.

IMPERIAL COUNTY LOCAL  
TRANSPORTATION AUTHORITY

By \_\_\_\_\_  
Executive Director

[Participating Agency]

By \_\_\_\_\_

## **APPENDIX A**

### **FORM OF CERTIFICATE OF THE [PARTICIPATING AGENCY] REGARDING MAINTENANCE OF EFFORT REQUIREMENT**

I, \_\_\_\_, an Authorized Officer of the [Participating Agency] (the “[Participating Agency]”), DO HEREBY CERTIFY that, as required pursuant to Ordinance No. 1-2008 of the Imperial County Local Transportation Authority (the “Ordinance”) and the Pledge Agreement, dated as of \_\_\_\_, 2012, by and between the [Participating Agency] and the Imperial County Local Transportation Authority, the [Participating Agency] has included in its budget for the Fiscal Year \_\_\_\_, an amount equal to the Maintenance of Effort requirement for such Fiscal Year \_\_\_\_.

Capitalized terms used and not defined herein shall have the meanings ascribed to such term in the Indenture and the Pledge Agreement.

**IN WITNESS WHEREOF**, I have hereunto set my hand this \_\_\_\_, 20\_\_.

[Participating Agency]

By: \_\_\_\_\_  
Authorized Officer

## APPENDIX B

### FORM OF CERTIFICATE OF THE [PARTICIPATING AGENCY] REGARDING EXPENDITURE OF MAINTENANCE OF EFFORT REQUIREMENT AND EXPENDITURE ON QUALIFIED PROJECTS

I, \_\_\_\_\_, an Authorized Officer of the [Participating Agency] (the “[Participating Agency]”), DO  
HEREBY CERTIFY as follows

1) that, as required pursuant to a Pledge Agreement, dated as of \_\_\_, 2012 (the “Pledge Agreement”), by and between the [Participating Agency] and the Imperial County Local Transportation Authority (the “Authority”), the [Participating Agency] has expended the Maintenance of Effort requirement in the amount of \$\_\_\_\_\_ as was certified to the Authority, for the Fiscal Year \_\_\_; and

2) that, as required pursuant to the Pledge Agreement, the [Participating Agency] has expended Imperial Sales Tax Revenues only on projects appearing in the five-year list of projects approved for the Fiscal year \_\_\_, and such projects and such expenditures are identified in the report accompanying this certificate.

Capitalized terms used and not defined herein shall have the meanings ascribed to such term in the Indenture and the Pledge Agreement.

**IN WITNESS WHEREOF**, I have hereunto set my hand this \_\_\_, 20\_\_.

[Participating Agency]

By: \_\_\_\_\_  
Authorized Officer

## APPENDIX C

\$ \_\_\_\_\_  
**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**SALES TAX REVENUE BONDS (LIMITED TAX BONDS)**  
**SERIES 2012\_**

### CERTIFICATE OF PROFESSIONAL ENGINEER

This certificate is being provided to Fulbright & Jaworski L.L.P., as Bond Counsel to the Imperial County Local Transportation Authority (the “*ICLTA*”), on behalf of the [Participating Agency] (the “*Participating Agency*”). This certificate is being delivered in connection with the issuance and delivery of the above-captioned series of revenue bonds (the “*Bonds*”), which were sold for the purpose of financing a portion of the costs of certain transportation projects (each, a “*Project*”) described in the *Tax Certificate Pertaining to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the “*Tax Certificate*”) being delivered by the ICLTA. This certificate shall be an attachment to the Tax Certificate.

I, \_\_\_\_\_, am the Director of the Department of Public Works (the “*Director*”) of the Participating Agency, and I hereby certify that:

- i) I am a Professional Engineer;
- ii) I am employed by the Participating Agency and am providing this certificate in connection with the Project(s), the major components of which are described on Exhibit A hereto, being financed with the proceeds of the Bonds;
- iii) I am aware that, and intend that, the ICLTA and the Participating Agency will rely in part upon this certificate in demonstrating that its expectations set forth in the Tax Certificate with regard to the weighted average economic life of the Project(s) are reasonable, and am aware that, and intend that, Fulbright & Jaworski L.L.P., as Bond Counsel to the ICLTA, will rely upon the Participating Agency’s representations on that question in reaching its opinion that interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes, all as more particularly described in the Tax Certificate;
- iv) I have reviewed the Tax Certificate and related attachments, and am familiar with each of the Projects. In my capacity as the Director, I have been and will be involved in the design, planning, budgeting, acquiring and implementing of each of the Projects. I am personally familiar with the types of road, highway or other improvements comprised by each of the Projects; and
- v) On Exhibit A for each Project I have set forth a description of that Project, and for each major component thereof I have set forth: (i) my understanding of the presently estimated amount of proceeds of the Bonds to be allocated to capital expenditures for that component; (ii) if the component has not yet been placed in service, then the date on which I reasonably expect that the component will be placed in service; and (iii) the economic life of the component that, in my professional opinion, is reasonably expected

(in each case measured from the later of the date hereof or the expected in service date of that component). In reaching my opinion as to economic lives, I have considered my experience with the acquisition and construction of comparable facilities owned and operated by the Participating Agency, and my knowledge of the maintenance procedures customarily followed by the Participating Agency with respect to such facilities, and I have assumed that the Participating Agency will acquire, construct and maintain the component in accordance with those historic practices. I have no reason to believe that these assumptions are not reasonable.

Based upon the foregoing, it is my professional opinion that the average economic life of the improvements comprised by the Project(s) (weighted in accordance with the amount of proceeds of the Bonds that I expect will be allocated to such improvements, and in each case measured from the later of the date of issuance of the Bonds or the date on which I reasonably expect such improvement will be placed in service) is not less than \_\_\_\_ years.

IN WITNESS WHEREOF, I have hereunto set my hand on [Closing Date], 2012.

[Participating Agency]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Director of Public Works

## EXHIBIT A TO CERTIFICATE OF PROFESSIONAL ENGINEER

### PROJECT DESCRIPTIONS

Description of Projects:

*(textual description of project, including accounting, [Participating Agency] authorization or other identifying information, location, purpose, major components and other material information):*

<u>Description of Project Component</u>	Aggregate Amount of Component Capital Expenditures to be <u>Financed</u>	Expected <u>In-Service Date</u>	Expected <u>Economic Life</u>
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