NEW ISSUE—BOOK-ENTRY ONLY

RATINGS
Insured S&P: "AA-"
Underlying Moody's: "A1" (Negative Outlook)
See "RATINGS" herein.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California. The City has taken no action to cause, and does not intend, interest on the Bonds to be 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. See "TAX MATTERS" herein.

$34,340,000
CITY OF INDUSTRY
Senior Sales Tax Revenue Refunding Bonds
Series 2017 (Taxable)

Dated: Delivery Date **Due: January 1, as shown on the inside cover**

The City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable) (the "Bonds") are limited obligations of the City of Industry (the "City") payable from and secured by a pledge of Sales Tax Revenues. Sales Tax Revenues consist of all of the sales and use taxes levied by the City on taxable sales transactions within the City which are collected by the California State Board of Equalization and payable to the City periodically under Section 7204 of the Revenue and Taxation Code of the State of California, constituting the Bradley-Burns Uniform Local Sales and Use Tax Law. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2017 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and are being issued by the City to (i) refund all of the outstanding City of Industry, California 2010 Taxable Sales Tax Revenue Bonds, (ii) purchase a surety for the reserve account for the Bonds, (iii) purchase a municipal bond insurance policy for the Bonds, and (iv) pay certain costs of issuance of the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the Bonds is payable semiannually on January 1 and July 1 of each year commencing July 1, 2017. The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York. Ownership interests in the Bonds will be in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal and interest with respect to the Bonds will be paid by the Trustee to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The Bonds are not subject to redemption prior to their stated maturities. See "THE BONDS – No Redemption" herein.

THE OBLIGATION OF THE CITY TO PAY THE BONDS IS A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM SALES TAX REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE CITY) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES) OR FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES).

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the issuance of the Bonds by National Public Finance Guarantee Corporation. See "BOND INSURANCE" herein.

national
public finance
guarantee

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 making an informed investment decision with respect to the Bonds.

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of validity by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the City. Certain legal matters will be passed on for the City by Norton Rose Fulbright US LLP as Disclosure Counsel and for the City by Casso & Sparks, LLP as City Attorney. Certain legal matters will be passed on for the Underwriter by its counsel, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC in New York, New York, on or about April 26, 2017.

STIFEL

Dated: April 11, 2017

$34,340,000
CITY OF INDUSTRY
SENIOR SALES TAX REVENUE REFUNDING BONDS
SERIES 2017 (TAXABLE)

MATURITY SCHEDULE

Maturity Date (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base 45656R)
2018	$3,575,000	1.500%	1.630%	99.911	DR0
2019	3,085,000	2.000	2.030	99.949	DS8
2020	3,145,000	2.250	2.340	99.765	DT6
2021	3,215,000	2.500	2.610	99.614	DU3
2022	3,295,000	2.750	2.850	99.562	DV1
2023	3,390,000	3.000	3.080	99.583	DW9
2024	3,490,000	3.125	3.230	99.370	DX7
2025	3,595,000	3.250	3.370	99.190	DY5
2026	3,715,000	3.375	3.470	99.289	DZ2
2027	3,835,000	3.500	3.570	99.427	EA6

† 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. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriter, or the Financial Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, salesman or any other person has been authorized by the City of Industry, California (the "City") or the underwriter of the Bonds listed on the cover page hereof (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 City or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. 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 City and other sources believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries contained herein of the Indenture (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 City 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 responsibility 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.

National Public Finance Guarantee Corporation ("National") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, National has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National supplied by National and presented under the heading "BOND INSURANCE" and "APPENDIX G – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

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 OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") website. The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to forward-looking statements in any event.

CITY OF INDUSTRY

Mark D. Radecki, *Mayor*
Cory C. Moss, *Mayor Pro Tem*
Roy Haber III, *Council Member*
Newell W. Ruggles, *Council Member*
Abraham N. Cruz, *Council Member*

OFFICIALS OF THE CITY OF INDUSTRY

Paul Philips, *City Manager*
Phyllis Tucker, *Treasurer*
Alex Gonzalez, *Director of Development Services and Administration*
Susan Paragas, *Director of Finance*
Diane Schlichting, *Chief Deputy City Clerk*

SPECIAL SERVICES

Bond and Disclosure Counsel
Norton Rose Fulbright US LLP
Los Angeles, California

City Attorney
Casso & Sparks, LLP
Industry, California

Municipal Advisor
NHA Advisors, LLC
San Rafael, California

Trustee and Escrow Agent
U.S. Bank National Association
Los Angeles, California

Verification Agent
Causey Demgen & Moore P.C.
Denver, Colorado

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Series 2017 (Taxable)

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, table of contents and appendices hereto, is provided to furnish information in connection with the sale by the City of Industry, California (the "City") of its $34,340,000 aggregate principal amount of Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable) (the "Bonds"). The Bonds are being issued by the City to (i) refund all of the outstanding City of Industry, California 2010 Taxable Sales Tax Revenue Bonds (the "Refunded Bonds"), currently outstanding in the aggregate principal amount of $32,355,000, (ii) purchase a surety for the reserve account for the Bonds; (iii) purchase a municipal bond insurance policy for the Bonds and (iv) pay certain costs of issuance of the Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Recent Developments

In 2017, the City entered into an amendment to its agreement with the State Board of Equalization (the "Board of Equalization") relating to the collection and transmission of sales and use taxes (as amended, the "SBOE Agreement"). Under the SBOE Agreement, the City has instructed the Board of Equalization to pay Sales Tax Revenues (as hereinafter defined), after deducting its costs and expenses, directly to the Trustee. The Sales Tax Revenues received by the Trustee will be deposited into the Sales Tax Revenues Fund and applied to the City obligations under the Indenture and the indentures for the 2015A Bonds (as hereinafter defined) and any Parity Debt. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sales Tax Revenues" herein. A copy of the SBOE Agreement is provided as APPENDIX H.

Authority for Issuance of the Bonds

The Bonds are being issued under (i) the powers reserved to the City under Sections 3, 5 and 7 of Article XI of the Constitution of the State of California (the "State"); (ii) the Charter of the City (the "Charter"); (iii) the City of Industry Sales and Use Tax Financing Law, constituting Chapter 3.60 of Title 3 of the Industry Municipal Code (the "Bond Law"); (iv) a vote of more than two-thirds of the voters of the City at an election held for that purpose on September 26, 2000 authorizing the issuance of up to $500 million of bonds (the "Authorization"); and (v) a resolution adopted by the City Council on July 28, 2016 (the "Resolution"). In addition, the Bonds are being issued pursuant to an Indenture of Trust dated as of April 1, 2017 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

The Bonds

Interest on the Bonds is payable on July 1, 2017, and semiannually thereafter on each January 1 and July 1. The Bonds will be issued in denominations of $5,000, or any integral multiple thereof (each an "Authorized Denomination"). The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the Registered Owner of the Bonds, references to the Bondholders or Registered Owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the beneficial owners. See "THE BONDS" herein and APPENDIX E – "BOOK-ENTRY SYSTEM."

The Bonds are not subject to redemption, as described under the caption "THE BONDS — No Redemption" herein.

Security and Sources of Payment for the Bonds

The Bonds are limited obligations of the City payable from and secured by a pledge of "Sales Tax Revenues." Sales Tax Revenues are defined as all sales and use taxes levied by the City on taxable sales transactions within the City collected by the Board of Equalization and payable to the City periodically under Section 7204 of the Bradley-Burns Uniform Local Sales and Use Tax Law, commencing with Section 7200 and following of the California Revenue and Taxation Code (the "Sales Tax Law"). Collection of the sales and use taxes is administered by the Board of Equalization pursuant to the SBOE Agreement. The City has instructed the Board of Equalization pursuant to the SBOE Agreement to pay Sales Tax Revenues, after deducting its costs and expenses, directly to the Trustee. Upon receipt by the Trustee of the Sales Tax Revenues, the Trustee is required to deposit and apply the Sales Tax Revenues as provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sales Tax Revenues" herein.

The City has previously issued the Refunded Bonds and its 2015A Taxable Sales Tax Revenue Bonds (the "2015A Bonds") under the Bond Law. The Refunded Bonds are currently outstanding in the aggregate principal amount of $32,355,000. The 2015A Bonds are currently outstanding in the aggregate principal amount of $335,970,000. The Refunded Bonds will be refunded with proceeds of the Bonds. Following the redemption of the Refunded Bonds, the Bonds will be secured on a parity with only the 2015A Bonds.

The City has previously issued $51,460,000 aggregate principal amount of Subordinate Sales Tax Revenue Bonds (Taxable) (the "Subordinate Bonds"). The Subordinate Bonds were sold to the City of Industry Public Facilities Authority. The Subordinate Bonds are payable from Sales Tax Revenues on a subordinate basis to the Bonds and the 2015A Bonds. The City has no remaining authorization to issue additional bonds under the Authorization.

In the event that the City determines to issue additional bonds pursuant to the Bond Law and the authorization to issue such bonds is approved by a vote of more than two-thirds of the voters of the City, then the City would be permitted to issue additional bonds payable from Sales Tax Revenues. Such bonds may be issued on a parity basis with the Bonds and the 2015A Bonds.

Reserve Account

The Indenture establishes a Reserve Account for the Bonds to be held by the Trustee for the benefit of the Owners of the Bonds (the "Reserve Account"). Amounts in the Reserve Account will be used to make payments of principal and interest on the Bonds to the extent amounts in the Interest Account or Principal Account are not sufficient to pay in full the principal or interest due. The Reserve Account shall be funded in an amount equal to the Reserve Requirement. In lieu of making a Reserve Account deposit in cash or in replacement of moneys then on deposit in any Reserve Account, the City may deliver to the Trustee a letter of credit or surety bond, subject to certain requirements of the Indenture, in an amount, equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Account" herein.

National Public Finance Guarantee Corporation ("National") will issue a surety bond (the "Reserve Policy"). The Reserve Requirement will initially be satisfied by the Reserve Policy in an amount sufficient to satisfy the Reserve Requirement for the Bonds. The Reserve Policy will be deposited with the Trustee in the Reserve Account.

Limited Obligations

THE OBLIGATION OF THE CITY TO PAY THE BONDS IS A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM SALES TAX REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE CITY) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES) OR FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES).

Continuing Disclosure

The City will covenant for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and Sales Tax Revenues data relating to the City and notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to a Continuing Disclosure Agreement (the "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 ("SEC") promulgated under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

References

The descriptions and summaries of the Indenture and various other documents hereinafter referenced 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. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

THE CITY

The City is a charter city operating under a charter approved by the voters of the City on June 8, 1976. Located in the County of Los Angeles (the "County") in the State of California (the "State"), the City consists of approximately 12 square miles and is located 20 miles east of the City of Los Angeles. The City was incorporated on June 18, 1957 and has a City Council/Manager form of government. Since its incorporation, the City has pursued a unique urban concept, namely, that a city may be conceived, developed and operated primarily for manufacturing, distribution and related industrial and commercial activities. See APPENDIX A – "CITY OF INDUSTRY – INFORMATION STATEMENT."

As described in Appendix A under the caption "CITY INVESTIGATIONS," the City was the subject of an audit by the California State Controller's office. The State Controller's audit noted deficiencies in the City's accounting controls and management oversight. Similar deficiencies have been noted in management reports to the City from its independent auditor in connection with annual audits for Fiscal Years 2014-15 and 2015-16. In 2015, the Los Angeles County District Attorney's office announced that it had undertaken an investigation into the City that was focused on certain financial transactions between the City and companies controlled by a former mayor of the City and his relatives. As of the date of this Official Statement, the findings of the investigation and any determinations by the Los Angeles County District Attorney have not been made public by the office of the Los Angeles County District Attorney. See "APPENDIX A CITY OF INDUSTRY – INFORMATION STATEMENT – CITY INVESTIGATIONS."

As described in Appendix A under the caption "S&P GLOBAL RATINGS ACTIONS WITH RESPECT TO THE CITY'S LONG-TERM DEBT RATINGS," concerns over the City's internal controls prompted S&P Global Ratings ("S&P") over the summer and fall of 2016 to lower and then withdraw its ratings on the City's outstanding general obligation bonds, lease revenue bonds, sales tax bonds and tax allocation bonds. See "APPENDIX A CITY OF INDUSTRY – INFORMATION STATEMENT – S&P GLOBAL RATINGS ACTIONS WITH RESPECT TO THE CITY'S LONG-TERM DEBT RATINGS." The S&P Global Ratings credit rating on the Bonds is due to the bond insurance policy, where the rating addresses S&P's view of the financial strength of National, not the City.

The City has taken and is taking steps to address the internal controls deficiencies. See "APPENDIX A CITY OF INDUSTRY – INFORMATION STATEMENT – REMEDIAL ACTION BY THE CITY." In addition, the instruction to the Board of Equalization to remit the Sales Tax Revenues directly to the Trustee is intended to insulate the Sales Tax Revenues from any deficiencies in the City's internal controls. This arrangement could be unenforceable were the City to become a debtor in a municipal bankruptcy proceeding. See "RISK FACTORS – Limitations on Remedies; Bankruptcy."

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will be issued as fully registered bonds without coupons in Authorized Denominations. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 2017 (each an "Interest Payment Date") to the Registered Owner thereof as of the close of business on the fifteenth calendar day of the month preceding each Interest Payment Date. Principal of and premium (if any) on the Bonds will be payable on January 1 in each of the years and in the amounts shown on the inside cover page hereof.

The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the Registered Owner of the Bonds, references to the Bondholders or Registered Owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the beneficial owners. See APPENDIX E – "BOOK-ENTRY SYSTEM."

No Redemption

The Bonds are not subject to redemption prior to their stated maturities.

PLAN OF REFUNDING

General

Proceeds of the Bonds are being used by the City to (i) refund all of the outstanding Refunded Bonds, (ii) purchase the Reserve Policy, (iii) purchase a municipal bond insurance policy for the Bonds and (iv) pay certain costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Refunding of the Refunded Bonds

A portion of the proceeds of the Bonds, together with other available moneys, will be used to advance refund the Refunded Bonds. The City will effect the refunding of the Refunded Bonds by causing a portion of the proceeds of the Bonds, together with certain other available moneys, to be deposited into an escrow fund for the Refunded Bonds (the "Escrow Fund") created under an Escrow Agreement, dated as of April 1, 2017 (the "Escrow Agreement"), between the City and U.S. Bank National Association, as escrow agent (the "Escrow Agent"). Such proceeds and other available moneys deposited in the Escrow Fund will be held by the Escrow Agent in cash or will be used to purchase direct general obligations of the United States of America, for which the full faith and credit of United States of America are pledged, or obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America ("Federal Securities") that will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, and together with any amounts held as cash in the Escrow Fund, sufficient moneys will be available (i) to pay principal and interest coming due on the Refunded Bonds on and prior to January 1, 2020 and (ii) to redeem the Refunded Bonds on January 1, 2020 at a price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, plus a redemption premium for each Refunded Bond equal to 1/8 of 1% for each whole year and any remaining fraction of a whole year between the redemption date and the stated maturity date of the applicable Refunded Bond (the "Redemption Price").

Causey Demgen Moore P.C., (the "Verification Agent"), upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to it by the City, relating to the sufficiency of the Federal Securities and cash deposited into the Escrow Fund, to provide for the payments to be made on the Refunded Bonds. The report of the Verification Agent will include a statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds, and other available amounts, are expected to be applied as follows:

Sources of Funds	
Principal Amount	$34,340,000.00
Discount	(152,618.85)
Other Sources[1]	4,543,699.61
Total Sources	$38,731,080.76
Uses of Funds	
Escrow Fund	$38,000,997.55
Costs of Issuance [2]	472,663.85
Underwriter's Discount	257,419.36
Total Uses	$38,731,080.76

(1) Amounts consist of the release of funds held in the debt service fund and the debt service reserve fund established for the Refunded Bonds.
(2) Includes rating agency fees, Trustee fees, printing costs, Verification Agent fees, Bond Counsel, Disclosure Counsel, and Municipal Advisor fees and expenses, bond insurance and reserve surety premiums and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements (with principal and interest shown separately) on the 2015A Bonds and the Bonds. The 2015A Bonds are currently outstanding in the aggregate principal amount of $335,970,000. The lien of the Refunded Bonds on the Sales Tax Revenues is expected to be defeased upon the delivery of the Bonds and funding of the Escrow Fund; other than the 2015A Bonds, upon such defeasance there will be no obligations of the City secured by a parity or more senior lien on Sales Tax Revenues than that securing the Bonds. The Subordinate Bonds are secured on a basis subordinate to the Bonds and the 2015A Bonds.

Fiscal Year Ending June 30	Bonds Principal	Bonds Interest	2015A Bonds Debt Service[(1)]	Combined Debt Service[(1)]
2018	$3,575,000	$642,636	$18,263,695	$22,481,330
2019	3,085,000	890,656	18,258,163	22,233,819
2020	3,145,000	828,956	18,257,363	22,231,319
2021	3,215,000	758,194	18,258,363	22,231,556
2022	3,295,000	677,819	18,258,088	22,230,906
2023	3,390,000	587,206	18,261,138	22,238,344
2024	3,490,000	485,506	18,261,913	22,237,419
2025	3,595,000	376,444	18,260,413	22,231,856
2026	3,715,000	259,606	18,255,963	22,230,569
2027	3,835,000	134,225	18,260,956	22,230,181
2028	-	-	22,998,556	22,998,556
2029	-	-	22,997,756	22,997,756
2030	-	-	22,995,906	22,995,906
2031	-	-	22,996,431	22,996,431
2032	-	-	22,996,950	22,996,950
2033	-	-	22,999,894	22,999,894
2034	-	-	22,999,338	22,999,338
2035	-	-	22,999,588	22,999,588
2036	-	-	22,995,544	22,995,544
2037	-	-	22,995,875	22,995,875
2038	-	-	22,999,044	22,999,044
2039	-	-	22,998,513	22,998,513
2040	-	-	22,998,000	22,998,000
2041	-	-	22,995,969	22,995,969
2042	-	-	22,995,881	22,995,881
2043	-	-	22,995,944	22,995,944
2044	-	-	22,999,363	22,999,363
2045	-	-	22,999,088	22,999,088
2046	-	-	22,998,325	22,998,325
2047	-	-	22,995,025	22,995,025
2048	-	-	22,997,138	22,997,138
2049	-	-	22,997,100	22,997,100
2050	-	-	22,997,606	22,997,606
2051	-	-	22,996,094	22,996,094
Total	$34,340,000	$5,641,248	$734,534,976	$774,516,224

(1) Includes mandatory sinking fund payments.

BOND INSURANCE

The following information has been furnished by National for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Financial Guaranty Insurance Policy issued by National (the "Policy"). Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds. A specimen of the Policy is attached hereto as Appendix G.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

National Public Finance Guarantee Corporation

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Territory of Guam and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of National

National's current financial strength ratings from the major rating agencies are summarized below:

Agency	Ratings	Outlook
S&P	AA-	Stable
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. National does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at http://www.mbia.com.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of December 31, 2016, National had total net admitted assets of \$4.4 billion (audited), total liabilities of \$1.6 billion (audited), and total surplus of \$2.8 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2016, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2016, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

The following document filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") is incorporated by reference into this Official Statement:

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016;

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.'s web site at http://www.mbia.com; and (iv) at no cost, upon request to National at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the City payable from and secured by a pledge of Sales Tax Revenues received by the City. The Bonds are secured on a parity with the 2015A Bonds. In addition, the Bonds are secured by a first pledge and lien on amounts in the Interest Account, Principal Account, and the Reserve Account established under the Indenture.

THE OBLIGATION OF THE CITY TO PAY THE BONDS IS A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM SALES TAX REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE CITY) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES) OR FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES).

Sales Tax Revenues

Sales Tax Revenues consist of all sales and use taxes levied by the City on taxable sales transactions within the City collected by the Board of Equalization and payable to the City periodically under the Sales Tax Law. In general, the Sales Tax Revenues consist of the City's share of the general sales tax levy on taxable transactions in the City, less amounts payable by the City to the Board of Equalization for costs and expenses for its services in connection with administration of the sales and use tax.

Collection of the sales and uses taxes is administered by the Board of Equalization pursuant to the SBOE Agreement. The City has instructed the Board of Equalization pursuant to the SBOE Agreement to pay Sales Tax Revenues, after deducting its costs and expenses, directly to the Trustee. Upon receipt by the Trustee of the Sales Tax Revenues, the Trustee is required to deposit and apply the Sales Tax Revenues as provided in the Indenture.

The table below shows the total of annual taxable transactions by business type within the City for 2012 through 2015. Data for 2016 is not currently available from the Board of Equalization.

CITY OF INDUSTRY
Permits and Taxable Transactions
by Business Type
(In Thousands)

Type of Business	2012 Permits	2012 Taxable Transactions	2013 Permits	2013 Taxable Transactions	2014 Permits	2014 Taxable Transactions	2015 Outlets[1][2]	2015 Taxable Transactions[3]
Retail and Food Services								
Motor Vehicle and Parts Dealers	106	$ 373,058	106	$ 405,136	104	$ 441,643	128	$ 499,042
Home Furnishings and Appliance Stores	191	301,498	164	282,240	154	281,113	228	235,366
Building Material and Garden Equipment and Supplies	51	95,536	51	106,676	50	106,221	80	109,623
Food and Beverage Stores	53	17,297	52	19,532	49	19,880	58	20,478
Gasoline Stations	16	110,838	16	106,207	15	93,255	15	89,456
Clothing and Clothing Accessories Stores	358	74,459	298	80,079	279	90,066	563	97,295
General Merchandise Stores	155	285,320	137	285,644	119	285,619	277	241,192
Food Services and Drinking Places	166	141,980	174	152,795	186	161,090	196	172,379
Other Retail Group	2,352	84,752	2,096	89,387	2,118	100,752	1,912	105,820
Total Retail and Food Services	3,448	1,484,737	3,094	1,527,696	3,074	1,579,638	3,457	1,570,651
All Other Outlets	1,327	$1,513,796	1,322	$1,197,380	1,329	$1,238,176	1,560	1,052,885
Totals All Outlets	4,775	$2,998,533	4,416	$2,725,077	4,403	$2,817,814	5,071	2,623,536

(1) Beginning in 2015, the outlet counts in the reports prepared by the Board of Equalization show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Data for 2015 is not comparable to that of prior years.
(2) Data represents the outlets as presented in the report of the Board of Equalization for the fourth quarter of 2015.
(3) Amounts represent the summed totals from each of the Board of Equalization reports for the first, second, third and fourth quarters of 2015. A comprehensive annual report is not yet available.
Source: Board of Equalization.

The sales and use tax represents the City's one percent (1.0%) share of the State retail transaction and use tax that is allocated to cities based upon the dollar amount of taxable transactions occurring within their boundaries. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property. The 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. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State. The sales and use tax is imposed upon the same transactions and items subject to the statewide sales tax and the statewide use tax.

Currently, taxable transactions in the City are taxed at an aggregate rate of 9.00%, including the 1.00% rate which generates Sales Tax Revenues pledged to the Bonds. The table below shows the breakdown of the overall sales tax rate levied on taxable transactions in the City for the Fiscal Year 2016-17.

CITY OF INDUSTRY
Sales Tax Rates

	Fiscal Year 2016-17	
		Total
State Tax		**6.25%**
State General Fund	3.94%	
Other State Funds	0.25	
State Local Revenue Fund	1.56	
State Local Public Safety Fund	0.50	
Local Tax		**2.75%**
"Sales Tax Revenues" (as used in this Official Statement)	1.00%	
County Transportation Funds	1.75	
Total:		**9.00%**

Source: City of Industry.

Certain transactions are exempt from the sales and use tax and, hence, are not included in the Sales Tax Revenues. Exempt transactions include:

- sales of food products for home consumption;
- sales of prescription medicine;
- sales of newspapers and periodicals; sales of edible livestock and their feed;
- sales of seed and fertilizer used in raising food for human consumption; and
- sales of gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the Board of Equalization's July 2014 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the Board of Equalization's website at http://www.boe.ca.gov. The information set forth on such website is not incorporated by reference herein.

Historical Sales Tax Revenues

The table below sets forth the Sales Tax Revenues received by the City for the last 10 Fiscal Years. The City's receipts of Sales Tax Revenues for the period from July 2016 through March 2017 were $24,560,648 compared to receipts of $18,225,368 during the period from July 2015 through March 2016. A portion of the increase in Sales Tax Revenues received by the City during July 2016 through March 2017 is attributable to the final "Triple Flip" true-up payment of approximately $3,700,000 that was received by the City in July 2016. See "- City Loan of General Fund Monies for the Payment of Debt Service on the 2015 Bonds and the Refunded Bonds" for a further discussion of the "Triple Flip" payment.

CITY OF INDUSTRY
Historical Sales Tax Revenues

Fiscal Year	Sales Tax Revenues[(1)]
2006-07	$33,537,487
2007-08	33,048,407
2008-09	27,169,412
2009-10	23,486,124
2010-11	24,414,131
2011-12	28,659,966
2012-13	32,592,793
2013-14	40,619,388[(2)]
2014-15	33,620,881
2015-16	31,545,596

(1) Sales and use tax receipts net of the Board of Equalization administrative fees.
(2) Amount includes proceeds of a $8.61 million taxpayer settlement.
Source: City of Industry.

Debt Service Coverage

The Maximum Annual Debt Service coverage for the Bonds and the 2015A Bonds is 1.37x and the Maximum Annual Debt Service coverage for the Bonds, the 2015A Bonds and the Subordinate Bonds is 1.16x. The Maximum Annual Debt Service coverage is based on Sales Tax Revenues received by the City for the Fiscal Year 2015-16.

City Loan of General Fund Monies for the Payment of Debt Service on the 2015 Bonds and the Refunded Bonds

On June 23, 2016, the City made an approximately $7.7 million loan from its General Fund for the purpose of making deposits in the debt service accounts established for the Refunded Bonds, the 2015A Bonds and the Subordinate Bonds to ensure that an entire year's debt service for the Fiscal Year 2016-17 was on deposit in the respective debt service accounts for the Refunded Bonds, the 2015A Bonds and the Subordinate Bonds pursuant to the requirements of the indentures relating to the Refunded Bonds, 2015A Bonds and the Subordinate Bonds. The necessity for the City to make the loan was due in part to two cash-flow timing issues that the City has determined are not likely to be reoccurring events. The first such issue was that the City was required to fund the Fiscal Year 2015-16 debt service on the Refunded Bonds and the entire Fiscal Year 2016-17 debt service on both the Refunded Bonds and the 2015A Bonds from Sales Tax Revenues received in a single fiscal year. In subsequent fiscal years, Sales Tax Revenues received in the then current fiscal year will be accumulated in an amount equal to the debt service payable in the following fiscal year.

The second issue was the timing of the final payment to the City relating to the expiration of the "Triple Flip." On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, to be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State (meaning that the sales tax from which Sales Tax Revenues are derived had been 0.75% rather than 1.00%). In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for counties to reimburse local governments with sales tax in-lieu payments made from such county's Education Revenue Augmentation Fund ("ERAF"), originally set up for schools. In the Fiscal Year 2015-16, the "Triple Flip" was unwound by the State. In connection with the unwinding of the "Triple Flip," the City was to receive a payment from the County equal to approximately $3.7 million as reimbursement for the Sales Tax Revenues lost due to the "Triple Flip." Such payment was not received by the City until July 20, 2016. The payment received by the City on July 20, 2016 was the final payment made to the City in connection with the "Triple Flip" program, as the program effectively ended on June 30, 2016. As of July 1, 2016, the monthly disbursements payable to the City by the Board of Equalization include the City's entire 1% share of the sales tax imposed within the City.

An additional factor contributing to the necessity to make the loan was the timing of the June Board of Equalization distribution of Sales Tax Revenues to the City. The City did not receive the distribution of the Sales Tax Revenues until June 24, 2016. In order to ensure that it would meet the deposit requirements relating to debt service provided in the indentures for the Refunded Bonds and the 2015A Bonds, the City determined to make the loan of General Fund monies previously described. The amount of Sales Tax Revenues received by the City on June 24, 2016, was approximately $3.05 million. After receiving this amount, the City applied it directly to the repayment of the $7.7 million loan. This direct application, however, was not consistent with the provisions of the indentures for the 2015A Bonds and the Subordinate Bonds. Under the terms of the indentures for the 2015A Bonds and the Subordinate Bonds, such $3.05 million of Sales Tax Revenues should have first been deposited with the Trustee for the 2015A Bonds and then, assuming the funding requirements for the 2015A Bonds and the Refunded Bonds had been met, transferred to the trustee for the Subordinate Bonds, who thereafter is to release any amounts in excess of the debt service funding requirements of the indenture for the Subordinate Bonds to the City. Pursuant to the SBOE Agreement, Sales Tax Revenues are now transmitted directly to the Trustee by the Board of Equalization. The Sales Tax Revenues received by the Trustee will be deposited into the Sales Tax Revenues Fund and applied to the City obligations under the Indenture and the indenture for the 2015A Bonds. After such application, Sales Tax Revenues would be eligible to be transferred to the trustee for the Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sales Tax Revenues" herein.

While the City believes that in subsequent fiscal years it will receive the June Board of Equalization distribution of Sales Tax Revenues on a date that will allow for adequate time to make the necessary transfers required under the Indenture and indentures for the 2015A Bonds and the Subordinate Bonds, the distribution from the Board of Equalization could be delayed and such Sales Tax Revenues may not be available for deposit in the respective debt service accounts. While the City has made a loan of General Fund monies in the past to ensure compliance with the debt service deposit requirements of the indentures relating to the Refunded Bonds, the 2015A Bonds and the Subordinate Bonds, the City is not obligated to make such loans in the future.

Top Twenty-Five Sales Tax Producers

The following table provides the top twenty-five sales tax producers for the Fiscal Year 2015-16. The aggregate share of Sales Tax Revenues produced by the top twenty-five sales tax producers was 48% of total Sales Tax Revenues received by the City during that period. The top ten sales tax producers represented 29.0% of total Sales Tax Revenues received by the City during that period. Within the tables below, the parties are presented in alphabetical order.

CITY OF INDUSTRY
Top Twenty-Five Sales Tax Producers
Fiscal Year 2015-16[(1)]
(in Alphabetical Order)

1 Through 10
Costco
Diamond Honda
Frys Electronics
Newegg
Puente Hills Chevrolet
Puente Hills Nissan
Puente Hills Toyota Scion
Quinn Power Systems
Sysco Food Services
US Air Conditioning Distributors

11 Through 25	
Best Buy	Puente Hills Ford
Cal Lift	Puente Hills Hyundai
Golden State Foods	Puente Hills Subaru
HD Supply	Rush Truck Center
Home Depot	Sam's Club
Lowes	Target
PRL Glass Systems	Walmart
Puente Hills Chrysler Dodge Jeep Ram	

(1) The Fiscal Year 2015-16 total Sales Tax Revenues were $31,545,596.

Source: City of Industry.

Sales Tax Collection Procedures

Collection of the sales and use tax is administered by the Board of Equalization. The Board of Equalization distributes quarterly tax revenues to cities, counties and special districts using the following method: Using the prior year's like quarterly tax allocation as a starting point, the Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The Board of Equalization disburses 90 percent to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30 percent of the 90 percent distribution, while the third advance represents 40 percent. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board of Equalization to the City in administering the sales and use tax; the fee is deducted from revenue generated by the sales and use tax before it is distributed to the City. Collection of the sales and use taxes is administered by the Board of Equalization pursuant to the SBOE Agreement. The City has instructed the Board of Equalization pursuant to the SBOE Agreement to pay Sales Tax Revenues, after deducting its fee, directly to the Trustee. Upon receipt by the Trustee of the Sales Tax Revenues, the Trustee is required to deposit and apply the Sales Tax Revenues as provided in the Indenture.

Additional information relating to historical and comparative trends in the City's taxable sales and other economic data can be found below under APPENDIX A – "CITY OF INDUSTRY – INFORMATION STATEMENT" herein.

Pledge of Sales Tax Revenues and Certain Amounts Held Under the Indenture

Under the Indenture, the City grants a first pledge of and lien on, and a security interest in, all of the Sales Tax Revenues to secure the Bonds on a parity with the pledge, lien and security interest that secures the 2015A Bonds and any Parity Debt that may be issued in the future. Such pledge, lien and security interest are for the equal security of the Bonds, the 2015A Bonds and any Parity Debt without preference or priority for number, date of execution or date of delivery.

In addition, the Bonds (but not the 2015A Bonds or any Parity Debt) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Interest Account, the Principal Account and the Reserve Account established under the Indenture.

Except for the Sales Tax Revenues, no funds of the City are pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

Deposit of Sales Tax Revenues and Transfers of Amounts to Trustee

Pursuant to the Indenture, there is continued the "Sales Tax Revenues Fund," which was previously established under the indenture for the 2015A Bonds and will be held by U.S. Bank National Association, as Trustee and as trustee for the 2015A Bonds, for the benefit of the Owners and the owners of the 2015A Bonds, respectively, and any Parity Debt. If the 2015A Bonds are no longer outstanding, the Sales Tax Revenues Fund will continue to be maintained by the Trustee pursuant to the Indenture. Under the Indenture, the City shall cause the Sales Tax Revenues to be transmitted by the Board of Equalization directly to U.S. Bank National Association, as Trustee and as trustee for the 2015A Bonds. The Indenture directs U.S. Bank National Association to deposit all Sales Tax Revenues, when and as received by U.S. Bank National Association, as Trustee and as trustee for the 2015A Bonds, into the Sales

Tax Revenues Fund. U.S. Bank National Association, as Trustee and trustee for the 2015A Bonds, will transfer money from the Sales Tax Revenues Fund as follows in the order set forth below:

(a) On the date that is the 5th Business Day prior to each January 1 or July 1, after taking into account amounts in the Debt Service Fund established under the Indenture and the debt service funds established for the 2015A Bonds and any Parity Debt, the Trustee will transfer amounts necessary to pay the principal of and interest on the Outstanding Bonds, outstanding 2015A Bonds and any Parity Debt coming due on such January 1 or July 1 to the Debt Service Fund established pursuant to the Indenture or to the trustees for the 2015A Bonds and any Parity Debt, as applicable, in the amounts necessary to make such payments; provided that the Trustee will not be required to make such transfers if amounts on deposit in the Debt Service Fund and the debt service funds established for the 2015A Bonds and any Parity Debt are sufficient to pay the principal of and interest on the Outstanding Bonds, the 2015A Bonds and any Parity Debt coming due on such January 1 or July 1; provided further, that if such transfer is necessary and that if on the date that is five (5) Business Days prior to any July 1 or January 1, there are insufficient amounts on deposit in the Sales Tax Revenues Fund to pay the entire amount of principal or interest coming due on such date for all of the Outstanding Bonds, the outstanding 2015A Bonds and any outstanding Parity Debt, then amounts in Sales Tax Revenues Fund shall be allocated on a *pro rata* basis based on the relative amounts of principal and/or interest coming due on such date for the Outstanding Bonds, the outstanding 2015A Bonds and any outstanding Parity Debt.

(b) On the date that amounts on deposit in the Sales Tax Revenues Fund, together with amounts held in the Debt Service Fund established under the Indenture and the debt service funds established for the 2015A Bonds and any Parity Debt are sufficient to pay the principal of and interest on the Bonds, the 2015A Bonds and any Parity Debt coming due in the then-current Fiscal Year and the Bond Year beginning in that Fiscal Year and to cure any deficiency in the Reserve Account, the reserve account for the 2015A Bonds and the reserve account for any Parity Debt, the Trustee will transfer amounts necessary to pay the principal of and interest on the Outstanding Bonds, outstanding 2015A Bonds and any outstanding Parity Debt coming due in the then-current Fiscal Year and the Bond Year beginning in the then current Fiscal Year and to cure any deficiency in the Reserve Account, the reserve account for the 2015A Bonds and the reserve account for any Parity Debt, as applicable, to the Debt Service Fund established pursuant to the Indenture and to the trustees for the 2015A Bonds and any Parity Debt in the amounts necessary to make such payments and cure such deficiencies. All amounts in the Sales Tax Revenues Fund in excess of the amounts required to be transferred pursuant to the prior sentence, and all additional amounts deposited in the Sales Tax Revenues Fund through June 30 of such Fiscal Year after the transfer described in such sentence has been made shall be transferred as soon as practicable after receipt into the Surplus Account.

Under the Indenture, there is established a fund to be known as the "Debt Service Fund" which will be held by the Trustee in trust for the benefit of the Owners. The Trustee will hold the Debt Service Fund for the uses and purposes set forth therein, so long as any of the Bonds remain Outstanding. The Trustee will deposit Sales Tax Revenues transferred from the Sales Tax Revenues Fund pursuant to (a) and (b) above, as applicable, in the following respective special accounts within the Debt Service Fund, which accounts are established under the Indenture with the Trustee with respect to the Bonds, as soon as practicable after transfer of the Sales Tax Revenues into the Debt Service Fund and in any event no later than the dates set forth below, in the following order of priority:

First *Interest Account*. (i) With respect to amounts transferred pursuant to (a) above, on or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the Trustee will deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date and (ii), with respect to amounts transferred pursuant to (b) above, the

Trustee will deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the interest coming due and payable on the Outstanding Bonds in the then-current Fiscal Year and in the Bond Year beginning in the such Fiscal Year. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.

Second *Principal Account*. (i) With respect to amounts transferred pursuant to (a) above, on or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity, the Trustee will deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds, and (ii), with respect to amounts transferred pursuant to (b) above, the Trustee will deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the principal coming due and payable on the Outstanding Bonds in the then-current Fiscal Year and in the Bond Year beginning in such Fiscal Year. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof.

Third *Reserve Account*. The Trustee will value the balance in the Reserve Account on each July 2. If the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee will deposit an amount sufficient to maintain the amount of the Reserve Requirement on deposit in the Reserve Account. The Trustee will apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the Bonds is due and payable under the Indenture, if there is a deficiency at any time in any of such accounts, or (ii) at any time for the retirement of all the Outstanding Bonds at the Written Request of the City. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement no later than the 5th Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

Fourth *Surplus Account*. As long as the amounts on deposit in the Interest Account, the Principal Account and the Reserve Account are equal to amounts sufficient to pay, as applicable, the principal of and interest on the Outstanding Bonds coming due in the then-current Fiscal Year and the Bond Year beginning in such Fiscal Year and satisfy the Reserve Requirement and no Event of Default relating to the payment of principal of and interest on the Bonds has occurred and is continuing, then on June 30 of each year, commencing June 30, 2017 the Trustee shall transfer any amounts on deposit in the Surplus Account following the deposits required by First, Second and Third above and otherwise pursuant to the transfer required by the last sentence of (b) above to the trustee for the Subordinate Bonds, and such amounts transferred will constitute "Subordinate Sales Tax Revenues" and will be released from the pledge and lien which secures the Bonds.

The Indenture requires that the trustee for the Bonds, the 2015A Bonds, any Parity Debt and the Subordinate Bonds be the same financial institution.

Reserve Account

The Indenture establishes a Reserve Account for the Bonds to be held by the Trustee for the benefit of the Owners of the Bonds. Amounts in the Reserve Account will be used to make payments of principal and interest on the Bonds to the extent amounts in the Interest Account or the Principal Account are not sufficient to pay in full the principal or interest due. The Reserve Account shall be funded in an amount as of any date of calculation equal to the Reserve Requirement. In lieu of making a Reserve Account deposit in cash or in replacement of moneys then on deposit in any bond reserve account, the

City may deliver to the Trustee an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company (a "Qualified Reserve Account Credit Instrument"), subject to certain requirements of the Indenture, in an amount, equal to the Reserve Requirement. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

"Reserve Requirement" means, as of the date of any calculation, an amount equal to the Maximum Annual Debt Service on the Bonds then Outstanding. The Reserve Requirement for the Bonds as of the Closing Date is $4,217,635.86.

The City expects that the Reserve Requirement will initially be satisfied by the Reserve Policy, which will be issued in an amount sufficient to satisfy the Reserve Requirement for the Bonds and will be deposited with the Trustee in the Reserve Account.

Reserve Account Surety Bond

National will issue the Reserve Policy. The Reserve Policy provides that upon notice from the Trustee to National to the effect that insufficient amounts are on deposit in the Principal Account and the Interest Account to pay the principal of (at maturity) and interest on the Bonds, National will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Reserve Policy, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Reserve Policy, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to National, National will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Reserve Policy is the initial face amount of the Reserve Policy less the amount of any previous deposits by National with the Trustee which have not been reimbursed by the City. The City and National will enter into a Financial Guaranty Agreement dated the date of delivery of the Bonds (the "Agreement"). Pursuant to the Agreement, the City is required to reimburse National, with interest, within one year of any deposit, the amount of such deposit made by National with the Trustee under the Reserve Policy.

No optional redemption of Bonds may be made until National's Reserve Policy is reinstated. The Reserve Policy is held by the Trustee in the Reserve Account and is provided as an alternative to the City depositing funds equal to the Reserve Requirement for outstanding Bonds.

In the event National were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Issuance of Parity Debt

Under the Indenture, the City is permitted to issue Parity Debt in such principal amount as it determines, under the Bond Law or under any other law that permits the City to issue its obligations secured in whole or in party by a pledge of and lien on the Sales Tax Revenues, subject to the following conditions precedent:

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

(b) The issuance of such Parity Debt has been authorized by at least 2/3 of the voters of the City as required by Section 18 of Article XVI of the California Constitution.

(c) The Sales Tax Revenues, as shown in audited financial statements for the most recent Fiscal Year for which audited financial statements are available, are at least equal to 125% of Maximum Annual Debt Service on all Bonds, 2015A Bonds and Parity Debt that will be Outstanding following the issuance of the Parity Debt.

(d) The Supplemental Indenture or other document authorizing the issuance of such Parity Debt provides that:

(i) interest on the Parity Debt is payable on January 1 and July 1 in each year of the term of the Parity Debt, except that interest during the first twelve month period may be payable on any January 1 or July 1;

(ii) the principal of the Parity Debt is payable on January 1 in any year in which principal of the Bonds is payable; and

(iii) an amount is deposited in a reserve fund from the proceeds of the sale of the Parity Debt in an amount equal to the lesser of (A) Maximum Annual Debt Service on such Parity Debt, or (B) if interest on the Parity Debt to be issued is excludable from gross income for federal income tax purposes, the maximum permitted under applicable federal tax law; or a Qualified Reserve Account Credit Instrument is issued to fund the reserve fund in such amount.

Any Parity Debt issued by the City will be secured by a pledge of and lien on Sales Tax Revenues on a parity with the pledge and lien that secures the Bonds. Such Parity Debt, unless issued pursuant to the terms of the Indenture, will not be secured by or payable from amounts held in the Interest Account, the Principal Account or the Reserve Account which are established for the Bonds under the Indenture.

Issuance of Subordinate Bonds

The City may from time to time issue its bonds, notes or other obligations which are payable from Sales Tax Revenues, in such principal amount as determined by the City, provided that such bonds, notes or other obligations are unsecured or are secured by a pledge of or lien on any Sales Tax Revenues that is subordinate to the pledge and lien that secures the Bonds, the 2015A Bonds and any Parity Debt and provided that the Sales Tax Revenues, as shown in audited financial statements for the most recent Fiscal Year for which audited financial statements are available, are at least equal to 100% of the projected Maximum Annual Debt Service on all Bonds, the 2015A Bonds and Parity Debt then Outstanding, the proposed subordinate obligations and any other subordinate obligations that will be outstanding following the issuance of the proposed subordinate obligations.

Certain Covenants of the City

As long as the Bonds are outstanding, the City will faithfully observe and perform all of the conditions, covenants and requirements contained in the Indenture, including the following:

Punctual Payment. The City will punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and the Indenture from Sales Tax Revenues.

Budget and Appropriation. So long as any Bonds remain Outstanding under the Indenture, the City shall adopt all necessary budgets and make all necessary appropriations for the payment of principal of and interest and premium, if any, on such Bonds from the Sales Tax Revenues. If any payment of principal of and interest and premium, if any, on the Bonds requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. The covenants on the part of the City contained in this paragraph constitute duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this paragraph.

Compliance with Parity Debt Documents. The City will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture, the indenture under which the 2015A Bonds were issued (the "2015A Indenture") and the respective documents authorizing the issuance of any other Parity Debt. The City will not take any action, or omit to take any action within its control, which constitutes or which with the passage of time if not cured would constitute an event of default under and within the meaning of the Indenture, the 2015A Indenture and the respective documents authorizing the issuance of any other Parity Debt.

Payment of Claims. The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the City or upon the Sales Tax Revenues or any part thereof, or upon any funds held by the Trustee hereunder, or which might impair the security of the Bonds. Nothing herein requires the City to make any such payment so long as the City in good faith contests the validity of such claims.

Books and Accounts; Financial Statements; Additional Information. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries are made of all transactions relating to the Sales Tax Revenues. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing. The City will cause to be prepared annually, within nine months after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Sales Tax Revenues and all disbursements thereof as of the end of such Fiscal Year. The City shall furnish a copy of such statements, upon reasonable request, to the Trustee and any Owner. The Trustee has no duty to review any such financial statement.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners. The City will not repeal the sales and use tax providing Sales Tax Revenues. From and after the date of issuance of the Bonds, the City will not contest the validity or enforceability of the Bonds or the Indenture.

Additional Debt. The City will not incur any obligation with a lien on the Sales Tax Revenues that is superior to the lien of the Bonds, the 2015A Bonds and any Parity Debt. Except as permitted pursuant to the Indenture, the City will not incur any obligation that is secured by lien on Sales Tax Revenues that is on a parity with, or subordinate to, the lien of the Bonds, the 2015A Bonds and any Parity Debt.

CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIIIB of the California Constitution – Limitations on Appropriations

On November 6, 1979, State voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111, which is described below. Article XIIIB limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population, and cost of services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies, so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations of an entity of local government subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues, and (iii) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIIIB. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986-87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for "qualified capital outlay for fiscal year 1990-91 as defined by the legislature" from proceeds of taxes.

Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services.

Debt service on the Bonds is subject to the Article XIIIB appropriations limitations. The City's appropriations limit for 2016-17 is $489,556,758. The City's appropriations subject to the limit for 2016-17 is projected to be $0. The City has never made appropriations that exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Articles XIIIC and XIIID of the California Constitution – The Right to Vote on Taxes

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

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund such as a general fund of the City, require a two-thirds vote. Article XIIIC further provides that any general purpose tax imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election, which must be held within two years of November 5, 1996.

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

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

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

In addition, Article XIIID added several provisions affecting "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance, or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Depending on the interpretation of what constitutes a "property related fee" under Article XIIID, there could be future restrictions on the ability of the City to charge its respective enterprise funds for various services provided. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase and, if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for wastewater, water, and refuse collection services, or fees for electrical and gas service, which fees or charges are not treated as "property related" for purposes of Article XIIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the City, two-thirds voter approval by the electorate residing in the affected area.

The City does not believe that the provisions of Article XIIIC or Article XIIID will directly impact the Sales Tax Revenues available to the City to pay principal of and interest on the Bonds.

Future Initiatives

Article XIIIB, Article XIIIC, and Article XIIID were each adopted as measures that qualified for the ballot pursuant to the State's Constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase or apply revenues and to make or increase appropriations, all of which could adversely impact the amount of Sales Tax Revenues received by the City.

RISK FACTORS

Economy of the City and the State

The Bonds are secured by a pledge of Sales Tax Revenues, which consist of all of the sales and use taxes levied by the City on taxable sales transactions within the City which are collected by the Board of Equalization and payable periodically under Section 7204 of the Revenue and Taxation Code of the State of California, constituting the Bradley-Burns Uniform Local Sales and Use Tax Law. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the City, which is, in turn, dependent upon the level of economic activity in the City and in the State generally. As a result, any substantial deterioration in the level of economic activity within the City or in the State could have a material adverse impact upon the level of Sales Tax Revenues and therefore upon the ability of the City to pay principal of and interest on the Bonds.

Limited Obligations

THE OBLIGATION OF THE CITY TO PAY THE BONDS IS A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM SALES TAX REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE CITY) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES) OR FOR WHICH THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION (OTHER THAN THE SALES TAX REVENUES).

Parity Debt

Subject to certain restrictions set forth in the Indenture, the City is permitted to issue Parity Debt that constitutes additional charges against its Sales Tax Revenues without the consent of Owners of the Bonds. To the extent that Parity Debt is issued by the City, the Sales Tax Revenues available to pay debt service on the Bonds may be decreased. See "APPENDIX F – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Limitations on Remedies; Bankruptcy

The City may be authorized to file for Chapter 9 municipal bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds.

If the City is in bankruptcy, the parties (including the holders of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee's possession. The procedure pursuant to which Sales Tax Revenues are paid directly by the Board of Equalization to the Trustee may no longer be enforceable and, as a result, the City may be able to require the Board of Equalization to pay Sales Tax Revenues directly to the City.

The City as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including the Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause the Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the Bonds will be adequately protected. The City may also be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, provided that the bankruptcy court determines that the alterations are "fair and equitable."

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the holders of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Constitutional Limitations on Appropriations

California law imposes various taxing, revenue, and appropriations limitations on public agencies such as the City. See "CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS" herein for a discussion of these limitations.

California State Legislature or Electorate May Change Items Subject to Sales and Use Tax

With limited exceptions, the sales and use tax will be imposed upon the same transactions and items subject to the sales tax levied statewide by the State. In the past, the California State Legislature and the State electorate have made changes to the transactions and items subject to the State's general sales tax and, therefore, the sales and use tax. In 1991, the California State Legislature enacted legislation that expanded the transactions and items subject to the general statewide sales tax to include fuel for aviation and shipping, bottled water, rental equipment, and newspapers and magazines. In 1992, the State electorate approved an initiative that eliminated candy, gum, bottled water, and confectionery items as items subject to the State's general sales tax. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the sales and use tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues received by the City. For a further description of the Sales Tax Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Increases in Sales Tax Rate May Cause Declines in Sales Tax Revenues

The total sales tax rate in the City is 9.00%. Future increases, if any, in the State sales tax, the City's sales and use tax or the sales tax levied in the County could have an adverse effect on consumer spending decisions and consumption, resulting in a reduction of Sales Tax Revenues generated within the City.

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the internet to conduct electronic commerce may affect the levels of sales and use tax. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State are generally subject to the sales and use tax. However, under the federal constitution the State may be materially restricted in its ability to cause out of state retailers not doing business in the State to collect use tax. In addition, the historic pattern of voluntary payment of use by taxpayers in the State has varied and it may be that some taxpayers in the State fail to pay use tax on Internet transactions through error or deliberate nonreporting and this potentially reduces the amount of the sales and use tax. As a result, the more that Internet use increases, along with a failure to collect sales taxes on such Internet purchases, the more Sales Tax Revenues may be reduced.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) the reduction or elimination of previously available State or federal revenues, fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage and natural disasters.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondholders on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Concentration of Sales Tax Producers

The risk of reduction in Sales Tax Revenues as a result of factors described herein may generally increase where the production of Sales Tax Revenues is concentrated among a relatively few number of taxpayers. The top ten sales tax producers accounted for 29.0% of total Sales Tax Revenues received by the City in Fiscal Year 2015-16. If all or a significate portion of such taxpayers leave the City, and as a result no longer contribute Sales Tax Revenues, there may be a material adverse effect on the City's ability to pay debt service on the Bonds as such payments become due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –Top Twenty-Five Sales Tax Producers" herein.

Defeasance

The City is permitted under the Indenture to defease in whole or in part the liens of the Indenture securing some or all of the Bonds through the substitution for that lien an escrow of monies or securities as security for the payment of those Bonds (as to such Bonds, a "defeasance"). As described in "Tax Matters" herein, such a defeasance could constitute for federal income tax purposes a constructive disposition by each owner of a defeased Bond resulting in a tax realization event in the year of the defeasance, and in the consequent recognition of gain or loss for federal income tax purposes, all without any corresponding current distribution of monies to that owner

TAX MATTERS

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Except as set forth in the preceding sentence, Bond Counsel will provide no opinion in connection with the issuance or offering of the Bonds with regard to any federal, state or local tax consequence of the ownership or disposition of or the receipt of interest on any Bond. A copy of the form of opinion of Bond Counsel relating to the Bonds is included in Appendix C.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon the Internal Revenue Code of 1986 (the "Code"), United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurance can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire Bonds in connection with the performance of services, or persons deemed to sell Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

Interest on the Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from gross income for federal income tax purposes. The City has taken no action to cause, and does not intend, interest on the Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The City intends to treat the Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE CITY EXPECTS THAT THE INTEREST PAID ON A BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF

THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of Bonds will generally recognize gain or loss on the sale or exchange of the Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in Bonds. Generally, the owner's adjusted tax basis in the Bonds will be the owner's initial cost, increased by original issue discount (if any) previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the Bonds.

Under current law, a purchaser of a Bond who did not purchase that Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Bond (or, in the case of a Bond bearing original issue discount, is less than the "revised issue price" of that Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Bonds could have a material effect on the market value of such Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Bonds of any stated maturity is sold (the "Issue Price") is less than the stated redemption price at maturity of those Bonds, the excess of the stated redemption price at maturity of each Bond of that maturity over the Issue Price of that maturity is "original issue discount." If the original issue discount on a Bond is less than the product of one quarter of one percent of its face amount times the number of complete years to its maturity, the original issue discount on that Bond will be treated as zero. Original issue discount on a Bond will be amortized over the life of the Bond using the "constant yield method" provided in the Treasury Regulations. As original issue discount on a Bond would accrue under the constant yield method, the owner of a Bond issued with original issue discount generally will be required to include such accrued amount in its gross income as interest, regardless of its regular method of accounting. This can result in taxable income to the beneficial owner of such a Bond that exceeds actual cash distributions to that owner in a taxable year. To the extent that a Bond is purchased at a price that exceeds the sum of the Issue Price of that Bond and all original issue discount on that Bond previously includible by any holder in gross income (the "revised issue price" of that Bond), the subsequent inclusion of original issue discount by that purchaser must be reduced to reflect that excess.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the Service and to the owners. The portion of the original issue discount included in each owner's gross income while the owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such owner.

Amortizable Bond Premium. An owner that purchases a Bond for an amount that is greater than its stated redemption price at maturity will be considered to have purchased the Bond with "amortizable bond premium" equal in amount to such excess. The owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by an owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Owners of the Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Defeasance. Persons considering the purchase of a Bond should be aware that the bond documents permit the City under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could be a taxable event resulting in the realization of gain or loss by the owner of a defeased Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange; in addition, the defeased instrument may be treated as having been reissued with original issue discount or bond issuance premium with the consequences described above. Owners of Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of a Bond who is a United States person may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on a Bond or with respect to proceeds received from a disposition of the Bond. This withholding applies if such owner of a Bond: (i) fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Bonds. Owners of Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

Assuming the interest income of such an owner of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

FINANCIAL STATEMENTS

The financial statements of the City for the Fiscal Year ended June 30, 2016, included in APPENDIX B of this Official Statement have been audited by The Pun Group, LLP (the "Auditor"), independent auditors, as stated in their report therein. The Auditor was not requested to consent to the inclusion of its report in APPENDIX B, nor has it undertaken to update its report 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 the Auditor with respect to any event subsequent to the date of its report. The Auditor has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel, and for the Underwriter by Nixon Peabody LLP, as Underwriter's Counsel. Payment of fees of Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Bonds.

MUNICIPAL ADVISOR

NHA Advisors is serving as Municipal Advisor to the City with respect to the Bonds. The Municipal Advisor has assisted the City in the matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them by the City, relating to the sufficiency of the Federal Securities and cash into the Escrow Fund to pay, when due, the principal of, interest on and the Redemption Price, as applicable, of the Refunded Bonds.

The report of the Verification Agent will include the statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

ABSENCE OF LITIGATION

There is no pending litigation, notice of which has been received by the City, or, to the knowledge of the City, threatened litigation seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued or the levy, collection and pledge of Sales Tax Revenues.

The City is a party to various litigation from time to time. The City does not expect any pending litigation, notice of which has been received by the City, to have a material adverse effect on the City's ability to pay debt service on the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine (9) months following the end of the City's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the Dissemination Agent on behalf of the City with the MSRB. The filing of the Annual Report and notices of enumerated events will be made in accordance with the EMMA system of the MSRB or in another manner approved under the Rule. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in the form of Continuing Disclosure Agreement attached hereto as APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." The City has not failed to comply with an undertaking pursuant to the Rule in the past five years, except as provided in the following paragraph.

The City, as an obligated person under the Rule, has undertaken to provide required continuing disclosures with respect to its outstanding general obligation bonds, revenue bonds, and sales tax revenue bonds, as well as certain outstanding lease revenue bonds issued by the City of Industry Public Finance Authority (the "Authority"). The City failed to file on a timely basis its audited financial statements for (i) fiscal year ended June 30, 2012 in connection with its outstanding general obligation bonds and (ii) fiscal years ended June 30, 2011 through June 30, 2013 in connection with its outstanding sales tax revenue bonds, an outstanding issue of the City's revenue bonds and certain issues of the City of Industry Public Facilities Authority's outstanding lease revenue bonds. The City's audited financials for the past five fiscal years have now been posted on EMMA. In addition, the City failed to file on a timely basis required annual financial and operating data for fiscal years ended June 30, 2011 through June 30, 2014 in connection with certain of its outstanding general obligation, sales tax revenue bonds and revenue bonds and certain issues of the City of Industry Public Facilities Authority's outstanding lease revenue bonds. Amended filings have been posted on EMMA to address these annual reporting omissions. The City did not file notices of late filings for each of the preceding. In the past five years, like many issuers, the City did not file notices of rating changes of the bond insurers. The City has filed notices with EMMA regarding the current ratings of its insured bonds. After making the filings described above in this paragraph, the City is in compliance in all material respects with its continuing disclosure undertakings under the Rule for the last five years.

The City elected to participate in the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC") prior to MCDC's December 1, 2014 filing deadline. MCDC is a program allowing issuers and underwriters to voluntarily report issuances of municipal obligations where the official statement or other offering document therefor may have made misstatements about compliance with the issuer's or other obligated person's continuing disclosure undertakings.

On March 27, 2014, the City adopted Continuing Disclosure Compliance Procedures to assist the City in complying with its undertakings under the Rule. The City believes that with such Continuing Disclosure Compliance Procedures in place it will timely comply with its continuing disclosure undertaking entered into in connection with the issuance of the Bonds.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "AA-" to the Bonds with the understanding that upon delivery of the Bonds, the Policy insuring the payment of principal of and interest on the Bonds when due will be issued by National. See "BOND INSURANCE." Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "A1" (Negative Outlook) to the Bonds without taking the delivery of the Policy into consideration. According to Moody's, "[t]he negative outlook reflects the city's incomplete progress in fully addressing concerns raised in the Controller's report and more recently in an independent consultant's reports of August and December 2016, regarding poor financial management and weak city operations. Failure to make meaningful and sustained improvements in the professionalization of city operations, ensure the transparency and consistency of required disclosure reporting, and improve financial management practices could lead to weakening credit quality." However, the ratings reflect only the views of S&P and Moody's and do not constitute a recommendation to buy, sell or hold the

Bonds. An explanation of such ratings and any outlook associated with such ratings should be obtained from S&P and Moody's, as applicable.

The City has furnished to Moody's certain information regarding the Bonds and the City, including information not included herein. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by such rating agencies and there is no assurance that the ratings will continue for any period of time or that it will not be lowered, suspended or withdrawn. The City undertakes no responsibility to oppose any revision, suspension or withdrawal of any rating. Any reduction, suspension or withdrawal of a rating, or other actions by S&P or Moody's relating to their ratings, may have an adverse effect on the market price for, or marketability of, the Bonds.

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated, as Underwriter of the Bonds (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds at a price of $33,929,961.79 (representing $34,340,000.00 aggregate principal amount of Bonds, less original issue discount of $152,618.85, less an Underwriter's discount of $257,419.36). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased.

MISCELLANEOUS

The references herein to the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and complete statements of such provisions reference is made to each document, as the case may be. Copies of the documents mentioned under this heading are available for inspection at the City and following delivery of the Bonds will be on file at the offices of the Trustee in Los Angeles, California. References are made herein to certain other documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

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 City and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement and its distribution have been duly authorized and approved by the City.

CITY OF INDUSTRY, CALIFORNIA

By /s/ Mark D. Radecki
Mayor

APPENDIX A

CITY OF INDUSTRY – INFORMATION STATEMENT

The following information regarding the City of Industry (the "City") and the surrounding area is presented for general information only. The Bonds are payable solely from and are secured by Sales Tax Revenues as described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

CITY INVESTIGATIONS

In April 2015, the City received notification that the Los Angeles County district attorney's office had opened an investigation into certain financial transactions between the City and companies controlled by a former mayor of the City, David Perez, and his relatives. The transactions under investigation occurred over the past 20 years and, according to an audit of the finances of the City performed in 2015 by KPMG at the request of the City, resulted in more than $326 million being paid by the City to companies owned by Mr. Perez and his family. As of the date of this Official Statement, the findings of the investigation and any determinations by the Los Angeles County district attorney have not been made public by the office of the Los Angeles County District Attorney.

In May 2015, the State Controller's office announced that it would conduct an investigation into discrepancies in the financial reporting of the City and an analysis of the City's administrative and internal accounting controls. In addition, the State Controller's office announced that it would examine allegations of wrongdoing by City officials and any irregularities in local, state and federal programs administered by the City. The State Controller's review began with the fiscal years 2012-13 and 2013-14. The State Controller's investigation of the City was completed and a report issued dated January 28, 2016 (the "State Controller's Report").

The State Controller's Report found deficiencies in the City accounting controls. In addition, the State Comptroller's Report that found a majority of the internal control elements that the City had in place were inadequate; the City made payments to certain contractors without adequate supporting documentation and, in certain instances, without proper authorization from the City's Finance Department or the City Manager; the City Council failed to exercise sufficient oversight of the City's finances and operations, approving contracts without detailed reviews and failing to analyze the measures it approved; the City failed to exercise adequate control over City-issued credit cards; some employees may have been paid twice for the same work; and the City did not maintain timesheets and did not provide documentation of performing annual employee reviews. A complete copy of the State Controller's Report can be found on the State Controller's website.

Since the period analyzed by the State Controller during the production of its report, the City has taken steps to address the shortcomings outlined in the State Controller's Report, including the reviewing all of its contracts, giving closer scrutiny to invoices, canceling most of its City-issued credit cards and implementing a timesheet requirement. In addition, ongoing and periodic reports are presented to the City Council, in open session. These reports outline the City's progress toward addressing the concerns raised by the State Controller. See "REMEDIAL ACTION BY THE CITY" below.

S&P GLOBAL RATINGS ACTIONS WITH RESPECT TO THE CITY'S LONG-TERM DEBT RATINGS

On August 12, 2016, S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P"), released a RatingsDirect release that announced that S&P had taken certain actions with respect to the long-term ratings on the outstanding debt of the City and certain of its related entities. S&P took such actions in response to the findings of the State Controller's Report discussed above. As noted above, the City has taken a number of steps to address the issues identified in the State Controller's Report.

S&P lowered the long-term debt ratings on all of the City's outstanding general obligation bonds (the "GO Bonds") to "BBB" from "AA." Subsequently, S&P withdrew its long-term ratings on all of the City's outstanding GO Bonds.

S&P lowered its long-term rating on the outstanding City of Industry Public Facilities Authority (the "Authority") 2010 Refunding Lease Revenue Bonds (the "Lease Revenue Bonds") to "BB+" from "AA-." Subsequently, S&P withdrew its ratings on the Lease Revenue Bonds.

S&P placed its long-term ratings on the City's outstanding 2010 Taxable Sales Tax Revenue Bonds and its outstanding Senior Sales Tax Revenue Refunding Bonds, Series 2015A (Taxable) (collectively, the "Sales Tax Bonds") on Creditwatch with negative implications.

S&P placed its long-term ratings on the Authority's outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) (Taxable), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Tax-Exempt) and its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) (collectively, the "Tax Allocation Bonds") on Creditwatch with negative implications.

On October 25, 2016, S&P withdrew its long-term debt ratings on the Sales Tax Bonds and the Tax Allocation Bonds.

REMEDIAL ACTION BY THE CITY

In June 2015, the City began implementing an ongoing series of reforms to address the management, oversight and financial control issues identified in the State Controller's Report, following the election of three new council members. The reforms have included changing City personnel, including a new City Manager and City Attorney, hiring a new and experienced in house City Finance Director and a Director of Development Services and Administration, and reorganizing the City's management structure to arrange the City's departments into three divisions as a means to reduce the number of City employees that report directly to the City Manager. In addition, the City has fully functioning in-house Finance Department. In prior years, the City had outsourced the management of City finances to a third-party contractor.

In addition to the changes to personnel and the City's management organization, the City has established policies, procedures and guidelines to improve its financial controls, employee accountability system and contract procurement process. The City has implemented polices that provide for centralized invoice processing, purchase order controls, salary schedules for City employees, competitive bidding of certain City contracts, greater detail and specificity in the bills provided by third-party vendors, limitations on City-issued credit card usage and improved employee timesheet recordation. The City has contracted with the Regional Government Services Authority for assistance with human resources, benefits, and has engaged PlanetBids for software that will be used in connection with the City's electronic procurements.

To monitor and evaluate the efficacy of the City's reforms, the City has engaged consultants to provide periodic audits and reports. The City hired former State Treasurer Bill Lockyer, now an attorney with Brown Rudnick LLP, as a compliance monitor for its reform efforts. Mr. Lockyer provides the City with periodic reports evaluating the success of the City's reform efforts and identifying areas of improvement.

The City also has hired the Pun Group to prepare the City's annual audited financial statements and also to prepare annual reports regarding the City's internal control related matters identified in the City's audit (each an "Internal Control Report'). The Pun Group has prepared an Internal Control Report for the City's Fiscal Year 2014-15 audit and is in the process of preparing an Internal Control Report for Fiscal Year 2015-16. The Internal Control Report for Fiscal Year 2014-15 identified eight areas where it perceived deficiencies in the City's internal controls. Those areas included: (1) contract management issues stemming from contracts that lacked termination dates or contracts that were not actually renewed following the contract's stated termination date; (2) high costs associated with the City's other postemployment benefits; (3) the City's ability to collect on an approximately $20 million note representing amounts owed by the Industry Convalescent Hospital (the "Hospital") for advances made to the Hospital by the City; (4) instances of City employees living in City-owned housing at a discounted rental rate; (5) failure of certain component units of the City to follow the City's accounting policy and procedure manual in connection with the administration of a certain fund; (6) failure to utilize purchase orders for two vendors; (7) inaccuracies in calculating certain employee expense allowances and inaccessibility of payroll data by the City's Human Resources Department; and (8) failure to properly account for compound interest in connection with certain outstanding bonds of the City's former redevelopment agency. As of the date of this Official Statement, the City has taken, or is taking, remedial steps to address the eight areas noted above. While not yet completed, the City has been made aware that the Internal Control Report for Fiscal Year 2015-16 has identified weakness relating to the following: (1) other postemployment benefits; (2) the collectability of the Hospital's note; (3) certain related party transactions; and (4) Housing Authority property maintenance/housing improvement costs. As of the date of this Official Statement, the City has taken, or is taking, remedial steps to address the four areas of weakness cited in the Internal Control Report for Fiscal Year 2015-16. In the Continuing Disclosure Agreement, the City has agreed to file its Internal Control Report on the Electronic Municipal Market Access ("EMMA") website beginning with the Internal Control Report for the 2016-17 Fiscal Year. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT.

CITY OF INDUSTRY

General

The City is a charter city operating under a charter approved by the voters of the City on June 8, 1976. The City was incorporated on June 18, 1957. Located in the County of Los Angeles (the "County") in the State of California (the "State"), the City consists of approximately 12 square miles and is located 20 miles east of the City of Los Angeles. As of January 1, 2016, the City had a population of 441 people.

The City is governed by a City Council which elects a Mayor from among its members. The City has adopted the Council-Manager form of government under which the City Council may appoint a City

Manager who is responsible for supervising the day-to-day operations of the City and allied agencies and carrying out policies set by the Council.

The basic purpose of the City is to provide a center for industry and commerce of all types. The City serves as a substantial employment base for the approximately 2 million people living in the San Gabriel Valley. Approximately 15% of Industry's area is available for development. The remaining 85% of the available land has been developed at a ratio of approximately 95% industrial and 5% commercial. The industrial area within the City represents nearly 10% of the total industrial acreage in the County.

The City of Industry has a total plan of development. The City has planned the location of future streets, storm drains, sewers and utility lines in presently undeveloped areas. The planned improvements are designed to facilitate industrial development. Development of the City is now about 85% complete.

Government

The City is governed by a City Council which elects a Mayor from among its members. The City has adopted the Council-Manager form of government under which the City Council may appoint a City Manager who is responsible for supervising the day-to-day operations of the City and allied agencies and carrying out policies set by the City Council. As of June 30, 2016, the City had approximately 17 full time employees.

The members of the City Council are listed below.

Name and Office	Expiration of Term
Mark D. Radecki, Mayor	June 2019
Cory C. Moss, Mayor Pro Tem	June 2019
Roy Haber III, Council Member(1)	June 2017
Newell W. Ruggles, Council Member	June 2019
Abraham N. Cruz, Council Member(2)	June 2017

(1) Effective in June 2017, Catherine Marcucci will replace Roy Haber III. Her term will expire in June 2021.
(2) Effective in June 2017, Abraham N. Cruz will begin an additional term. Such term will expire in June 2021

Location

Situated in the eastern section of Los Angeles County in the San Gabriel Valley, the City is located near the center of a vast five-county population concentration in Southern California. The region includes Los Angeles, Ventura, San Bernardino, Orange and Riverside Counties. The City is located in an established industrial area, centered in the core of a 40-mile radius encompassing other major industrial centers in the Los Angeles Basin.

The City of Industry enjoys easy access to the region's freeways, seaports, airports and rail facilities. The City is 22 miles from downtown Los Angeles and is bounded on the north by the San Bernardino (I-10), the south by the Pomona (I-60), the east by the Orange (I-57) and the west by the San Gabriel River (I-605) Freeways, all of which have immediate accessibility to the central Los Angeles/Orange and San Bernardino Counties freeway network.

The City is 40 miles from the seaports of Los Angeles and Long Beach, 45 miles from Los Angeles International Airport, 20 miles from Ontario International Airport, and is served by two transcontinental rail lines including a line to the harbors.

Industrial Activity

Approximately 2,500 industrial manufacturing plants and distribution facilities are located within the City. These facilities employ approximately 65,000 people as of June 2015 and have an annual payroll estimated to be in excess of $2.6 billion. The vast majority of the workforce in the City live in the neighboring communities of the San Gabriel Valley.

The San Gabriel Valley has a total residential population of over 1,800,000. About one third of these residents are employed in a wide range of occupations. Industries in which employment is provided include: manufacturing, trade service, retail, government, transportation, finance, insurance, real estate, construction and others. A highly diversified source of labor as well as professional management personnel is available to firms that select the City as a location for conducting business.

With only 3.1 percent of the total land area in the San Gabriel Valley, the City is the source of approximately 40 percent of all the basic manufacturing/distribution jobs in the San Gabriel Valley communities.

Major Employers

The following table sets forth the major employers in the City.

CITY OF INDUSTRY
Top Employers

Employer	Number of Employees
Hacienda La Puente Unified School District[1]	2975
LA County Sanitation District[2]	1750
SYSCO Food Services of LA	1100
US Postal Service	1100
Leegin Creative Leather Products Inc.	600
Acorn Engineering Company	520
US Air Conditioning Distributors Inc.	508
Fed Ex Ground Package System Inc.	500
Operon Distributors	500
Snak King Corporation	500
Golden State Foods – Manufacturing	425
Pacific Palms Resort	425
Alta Dena Certified Dairy Inc.	420
Closet World	400
Lights of America Inc.	400
Golden State Foods Corporation	391
Fiserv	355
Alcoa Fastening Systems	350

(1) Includes employees from schools outside of the City.
(2) Includes employees for the full district.
Source: The City

Commercial Activity

The City is home to many industrial, retail and business centers. The Puente Hills Mall is a 66-acre complex, containing over 600,000 square feet of retail space, and is one of Southern California's largest shopping centers. The Puente Hills Mall has 200 retail outlets. Puente Hills Auto Mall has 12 major dealerships. Puente Hills East Business Center and Crossroads Business Park provides approximately 1.2 million square feet of office and research and development space. The 190 acre Fairway Business Center is a light Industrial complex in a business park environment. The Grand Crossing Industrial Center provides 400 acres of commercial and industrial development space.

Utilities

Electrical energy is distributed to the City and surrounding areas by Southern California Edison Company, an investor-owned electric utility serving Central and Southern California.

Water is supplied to the City by the following companies: San Gabriel Valley Water Company, Suburban Water Systems, Rowland Water District, La Puente Valley County Water District and Walnut Valley Water District.

The Southern California Gas Company provides natural gas to the City.

Meeting and Convention Facilities

Surrounded by 650 acres of public grounds, the Industry Hills Exhibit-Conference Center and Hotel Resort, known as the "Pacific Palms Resort," offers comprehensive meeting and recreational facilities. This resort has two 18-hole championship golf courses. The facility is designed to support the needs of the firms in the City and others in Southern California that require the use of exhibit and conference facilities. The center has more than 45,000 square feet of flexible function space, including 28 meeting rooms and breakout rooms with 12,000 square feet alone is for the main event venue space called the "Majestic Ballroom." The center also has several full food service facilities. Atop the facility is the Hotel, offering 292 hotel rooms and/or suites. There is a clubhouse, spa and fitness center.

Health Services

The City accesses medical care available from local community hospitals and clinics and medical research institutes. Examples include the City of Hope National Medical Center in the nearby City of Duarte, which has been designated a Clinical Cancer Research Center; Inter-Community Medical Center, Presbyterian Intercommunity Hospital; and Citrus Valley Health Partners, that includes: Citrus Valley Medical Center, Foothill Presbyterian Hospital, Queen of the Valley Campus, and Hospice of the San Gabriel Valley.

Transportation

Located within the core of a 40 mile radius, encompassing Los Angeles, Orange County and the Inland Empire, the City has numerous resources for transportation. Firms in the City are serviced by both the Union Pacific and Southern Pacific transcontinental railroads, both running westerly to Los Angeles and easterly toward Riverside. Southern Pacific operates a mainline switching yard and major intermodal (piggy-back) facility in the City which cuts delivery and transit times substantially. In addition, a 41-mile rail bypass opens the City directly into both of the West Coast's largest seaports: Los Angeles Harbor and the Port of Long Beach. In addition, Metrolink, a community rail line which serves nearby communities, has a station in the city. Local and Los Angeles bus service is provided by the Metropolitan Transit

Authority and Foothill Transit, while state and nationwide service is available through Greyhound and Continental Trailways.

The City is bordered by four major freeways. The Pomona Freeway (60) also intersects the Long Beach (710), San Gabriel River (605) and Orange (57) Freeways, providing direct access to Orange County markets. The San Bernardino (10) Freeway borders the City on the north. More than 50 major trucking lines are franchised to serve the area. Overnight delivery can be made to all major California cities, as well as Phoenix, Arizona and Las Vegas, Nevada.

Air transportation is available at any of the three leading airports serving the Greater Los Angeles area as well as several local private airports. The City is located 18 miles from Ontario International Airport and approximately 45 miles from both Los Angeles International and John Wayne Airport. The airports have excellent air freight facilities. Private aircraft facilities are also available at Brackett Field in La Verne, 9 miles away, and El Monte Airport, just 8 miles away.

Public Safety

The City's law enforcement is provided by contract with the Los Angeles County Sheriff's Department that maintains a station in the City staffed by over 265 deputies and support personnel. The Industry Sheriff's Station serves as headquarters for patrol, detective and juvenile bureaus, and also serves as the local police headquarters for three contract cities. The Industry Station serves an area of 54 square miles with a population of approximately 180,000.

Helicopter patrol is also provided as a contracted service. The Los Angeles County Sheriff's Department has numerous aircraft. The Civic-Financial Center helipad, located adjacent to the Sheriff's Station, can accommodate the largest of these aircraft and has refueling capabilities.

The City of Industry is part of the Consolidated Fire Protection District administered by the Los Angeles County Fire Department. There are three fire stations located within the City. These stations are equipped with the latest in firefighting equipment, including snorkel devices, and are staffed by experienced and well-trained industrial fire fighters. In addition, local fire officials may call upon the resources of the County Fire Department in the case of emergency. These include firefighting helicopters, resuscitators, rescue units and foam trucks.

The County Fire Department also maintains a fire prevention bureau that aids businessmen in solving potentially dangerous situations.

Financial Institutions

The financial requirements of the business and commercial community are well accommodated by the City of Industry's numerous banks and savings and loan associations. Specialists in every banking field are available and financial services are provided for both large and small businesses.

Education

Education at all levels is to be found in the communities surrounding the City of Industry.

There are five unified school districts in the immediate vicinity of the City of Industry. They are: Walnut Unified School District, Rowland Unified School District, Hacienda-La Puente Unified School District, Bassett Unified School District, and Pomona Unified School District.

There are two community colleges serving the area. Mt. San Antonio College, located in Walnut, offers academic and vocational instruction as does Rio Hondo College in Whittier. Both colleges offer daytime and evening classes.

Located within a 15-mile radius of the City of Industry are several state and private colleges and universities including: California State Polytechnic University in Pomona (6 miles); Whittier College (3 miles); Claremont Colleges (10 miles); University of La Verne (9 miles); and Pomona College (10 miles).

Recreation and Leisure

Residents in the communities surrounding the City of Industry are afforded convenient and easy access to numerous recreational areas in Southern California.

The City of Industry has developed its own 650-acre Industry Hills Exhibit-Conference Center & Hotel Resort. This area includes two 18-hole championship golf courses and driving range, a 175,000 square foot golf service area which includes clubhouse, retail shop and golf cart facilities, exhibit and conference center, a 292-room hotel, spa and fitness center. The facility is leased to a managing operator and is known as the Pacific Palms Resort.

The Industry Hills Expo Center is a 125-acre gated event facility that is owned by the City and operated by a third party. The Industry Hills Expo Center hosts a range of events from social events such as wedding receptions and birthday parties, to business meetings, sporting events, multi-cultural festivals and other community functions.

Medical Facilities

The City of Industry and the surrounding communities are served by a number of medical centers that are complemented by specialists in all phases of medical and dental care. In all, more than 20 hospitals are available, together with some 1,300 doctors and 800 dentists.

Historical

The Workman and Temple Family Homestead Museum is a six-acre site in the City of Industry containing eight structures that document over 100 years of Southern California life and architecture. There is the Workman House, an 1840's adobe which was remodeled in the 1870's, incorporating elements of popular mid-nineteenth century architectural styles; a water tower and pump house dating from circa 1872-1897; a cast stone neoclassical mausoleum, built in 1919; and a Spanish-Colonial Revival residence and its accompanying teepee-like retreat, both constructed in the early 1920's. The facilities are now owned and maintained by the City of Industry.

Climate

The climate of the City is mild through the year with temperatures seldom varying more than 25 degrees between winter and summer. The mean high temperature for the city is 77 degrees. Most rainfall comes during the winter with nearly 85 percent of the annual total occurring from November through March.

Prevailing winds are from the west during the spring, summer and early autumn, with northeasterly winds predominating the remainder of the year.

Air pollution is generally of no greater intensity than throughout other areas of the Los Angeles Basin. The Los Angeles Air Pollution Control District reports that, "because the City of Industry does not have any heavy industry such as steel plants or foundries and does not have heavy concentrations of automotive traffic, concentrations of the emitted or source area contaminants are relatively low in that area."

General Fund Financial Summary

The information contained in the following table of revenues, expenditures and changes in fund balances has been derived from the City's Annual Financial Reports for the fiscal years shown. A copy of the City's Annual Financial Report for the twelve months ended June 30, 2016, is attached as APPENDIX B hereto.

CITY OF INDUSTRY
General Fund
Summary of Revenues, Expenditures and Changes in Fund Balances
Fiscal Years 2011-12 through 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues					
Taxes	$ 32,448,959	$ 38,934,839	$ 46,899,638	$ 39,470,470	$ 37,339,981
Licenses and permits	2,153,176	2,375,346	2,539,226	2,646,610	3,089,243
Fine, forfeitures and penalties	452,252	480,126	415,812	563,890	338,268
Revenues from use of money and property	11,031,455	7,799,425	12,806,242	5,761,481	12,606,738
Total Revenues	$ 46,085,842	$ 49,589,736	$ 62,660,918	$ 48,442,451	$ 53,374,230
Expenditures					
Legislative	$ 324,968	$ 351,063	$ 357,373	$ 431,807	$ 682,050
General administration	3,144,094	4,099,759	5,936,313	3,903,997	2,685,848
Support services	8,345,608	7,789,417	6,557,824	17,747,767	8,429,092
Community development	503,448	655,514	689,857	731,013	864,366
Community services	4,435,215	4,544,184	3,148,503	3,725,258	3,522,249
Public safety	7,741,218	9,681,513	8,729,322	8,311,866	8,610,354
Public works	15,582,528	14,273,519	12,752,783	10,881,576	13,176,829
Capital Projects	5,341,694	6,635	--	2,385,000	8,927,978
Total Expenditures	$ 45,418,773	$ 41,401,604	$ 38,171,975	$ 48,118,304	$ 46,898,766
Excess of Revenue Over Expenditures	$ 667,069	$ 8,188,132	$ 24,488,943	$ 324,147	$ 6,475,464
Other Financing Sources (Uses)					
Transfers in from other governmental funds	$ 23,508,061	$ 97,956,573	$ 23,873,802	$97,082,200	$ 492,189,721[1]
Transfers in from enterprise and fiduciary funds	9,933,424	7,967,707	--	--	--
Proceeds from sale of capital assets	-	1,000,000	--	--	--
Pay-off of loan from Successor Agency in refunding	--	--	--	--	(14,421,307)
Loss on write off debts due from Successor Agency	-	(6,486,139)	--	--	--
Proposition A Exchange	(2,025,000)	(1,402,000)	2,906,000	(2,827,500)	--
Transfers out to enterprise and fiduciary funds	(3,420,176)	(3,945,695)	(53,790)	(136,330)	--
Transfers out to other governmental funds	(35,359,569)	(76,928,834)	--	--	(27,619,896)
Write off of escheated liabilities	--	--	--	1,069,615	--
Litigation Settlement	(5,000,000)	--	(42,500,000)	(1,002,412)	--
Other Income	--	--	1,000,000	--	--
Total other financings sources (uses)	(12,363,260)	18,161,612	(20,585,988)	94,185,573	450,148,518
Net changes in fund balance	$(11,696,191)	$ 26,349,744	$ 3,902,955	$ 94,509,720	$ 456,623,982
FUND BALANCES, beginning of year	$219,000,959	$207,304,768	$233,654,512	$237,557,467	$ 332,067,187
FUND BALANCES, end of year	$207,304,768	$233,654,512	$237,557,467	$332,067,167	$ 788,691,169

(1) Amount represents a one-time transfer to the City of proceeds derived from the refunding of subordinate debt obligations of the Successor Agency to the Industry Urban-Development Agency that were held by the City.
Sources: City of Industry Annual Financial Reports.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. All full-time and certain part-time employees of the City are covered in this plan. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (or other local methods). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Miscellaneous First Tier is a cost-sharing multiple-employer defined benefit plan that is part of the Miscellaneous 2.7% at 55 Risk Pool of the CalPERS, while Second Tier is the part of the Miscellaneous 2.0% at 60 Risk Pool. Starting July 2013, Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation.

Funding Policy

Active plan members in the Plan are required to contribute 8% of their annual covered salary. The City makes contributions required of the employees on their behalf. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate of covered payroll for the years ended June 30, 2016, 2015 and 2014 were 13.243%, 18.858% and 17.889%, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Reporting

Prior to 2015, accounting standards required the City to account for pension cost annually and unfunded liability –which was considered a liability to be reported in future periods- only to be disclosed in the notes to the financial statements and as required supplemental information. In 2015, the City adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pension—an amendment of GASB Statement No. 27. The statement required cost sharing plan sponsors to record its proportionate share of net pension liability (unfunded liability –plan assets) on the financial statements instead of just disclosing future unfunded liabilities.

For the year ended June 30, 2016, the City's proportionate share of contribution to CalPERS amounted to $742,457. The City recognized pension expense of $650,779 and net pension liabilities of $6,336,456.

The City's pension reporting for the year ended June 30, 2016 was determined using of June 30, 2014 actuarial valuations and measurement period of July 1, 2014 to June 30, 2015.

The actuarial assumptions included (a) 7.65% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.30% to 14.20%, which vary depending on age, duration of service and type of employment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan's assets was determined using a technique that smooth's the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and losses.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015

The City's audited financial statements are presented for general information only. The Bonds are payable solely from and are secured by Sales Tax Revenues, as described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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City of Industry

City of Industry, California

Independent Auditors' Report and Basic Financial Statements

For the Year Ended June 30, 2016

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Industry
For the Year Ended June 30, 2016

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For the Year Ended June 30, 2016

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Supplementary Information:

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Industry, California (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Uncertainty of Collectability of Notes Receivable from Industry Convalescent Hospital

As discussed in Note 5 to the basic financial statements, the City is uncertain of the collectability of the note receivable from Industry Convalescent Hospital and the related accrued interest totaled to $41,013,840 as of June 30, 2016. 100% of the outstanding balance was off-set by an allowance for doubtful account. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), the Budgetary Comparison Schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of the City's Contributions and the Schedules of Funding Progress OPEB Plan on pages 5 to 16 and 111 to 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual fund financial statements, Schedule of Revenues, Expenses, and Change in Fund Balances – Budget and Actual, and Schedule of Long-Term Debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual fund financial statements, Schedule of Revenues, Expenses, and Change in Fund Balances – Budget and Actual, and Schedule of Long-Term Debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual fund financial statements, Schedule of Revenues, Expenses, and Change in Fund Balances – Budget and Actual, and Schedule of Long-Term Debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
February 15, 2017

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As management of the City of Industry and its component units ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of the City's governmental activities exceeded its liabilities and deferred inflows at June 30, 2016 by $815.9 million (Net Position). Of this amount, $205.7 million is invested in capital assets, $243.2 million is restricted for capital projects activities and $67.3 million in unrestricted net position. Net Position reflects an increase of $66.0 million from prior period and is attributable to higher interest income from bond redemptions and lower debt service payment for the property tax override fund.

- The assets of the City's business-type activities exceeded its liabilities at June 30, 2016 by $38.4 million (Net Position). Of this amount, $32.5 million is invested in capital assets, net of related debt, and $5.9 million in unrestricted net position. Net position increased by $1.0 million due to a decrease in total liabilities attributable to lower accruals of accounts payable and unearned revenues.

- The City's total debt and liabilities increased by $867.1 million of which $747.7 million was net of bond issuance and defeasance.

- In the General Fund, the net change in fund balance was an increase of $456.6 million. The increase was primarily due to the payments from the redemption of bonds the City owned. At June 30, 2016, the General Fund ending fund balance was $788.7 million with an unassigned balance of $593.8 million.

General Overview of the Financial Statements

This annual report consists of four parts – *management's discussion and analysis,* the *basic financial statements, required supplementary information,* and other supplementary information section that presents *combining financial statements* and *debt amortization schedules*. The basic financial statements are comprised of 3 parts – (1) the government-wide financial statements, (2) the fund financial statements and (3) the notes to the financial statements. The government-wide financial statements, the Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Statements

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and changes thereto. Net Position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources are one way to measure the City's financial health or financial position. Over time, increases or decreases in Net Position are an indicator of whether the financial health is improving or deteriorating.

However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

Governmental Activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.

Proprietary Activities/Business Type Activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The Industry Public Utilities Commission (the "IPUC"), the Industry Hills Expo Center, and the Industry Property and Housing Authority (the "Housing Authority") are reported in this category.

Component Units - The City's government-wide financial statements include the blending with the City of the following entities: The Civic-Recreational-Industrial Authority ("CRIA"), the Industry Public Utilities Commission, the City of Industry Public Facilities Authority (the "PFA") and the Industry Property and Housing Management Authority (the "Housing Authority"). Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds that aid in the administration of resources for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's three kinds of funds, governmental, proprietary and fiduciary, use different accounting approaches as explained below.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds through a reconciliation following the fund financial statements.

Proprietary Funds – The City maintains three enterprise funds. The enterprise funds are classified as proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the IPUC, Industry Hills Expo Center, and Housing Authority. These funds use the full accrual method of accounting.

Fiduciary Funds – Agency Funds are used to account for assets held by the City as an agent for individuals, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The Private-Purpose Trust Fund is a fiduciary fund used by the City to report trust arrangements under which the principal and income benefits other governments. This fund reports the assets, liabilities and activities of the Successor Agency of the Industry Urban-Development Agency.

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in Private-Purpose Trust Fund. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

The City as a Whole

Our analysis focuses on the net position (Tables 1 and 3) and changes in net position (Tables 2 and 4) of the City's governmental and business activities.

Governmental Activities – Net Position

Table 1
Net Position

	Governmental Activities		
	2016	2015	Change
Current and other assets	$ 1,872,534,528	$ 944,641,506	$ 927,893,022
Capital assets, net	209,898,826	206,740,701	3,158,125
Total assets	2,082,433,354	1,151,382,207	931,051,147
Deferred outflows of resources			
Deferred charge on refunding	2,119,907	1,259,986	859,921
Deferred outflows of resources - pension	467,282	369,922	97,360
Total deferred outflows of resources	2,587,189	1,629,908	957,281
Long-term liabilities	1,109,300,873	378,067,254	731,233,619
Other liabilities	159,008,366	23,152,751	135,855,615
Total liabilities	1,268,309,239	401,220,005	867,089,234
Deferred inflows of resources			
Deferred inflows of resources - pension	817,775	1,850,193	(1,032,418)
Net position:			
Net investment in capital assets	205,662,259	201,760,700	3,901,559
Restricted for:			
Transportation and road	1,505,868	-	1,505,868
Debt service	298,183,888	103,864,252	194,319,636
Capital projects	243,227,336	-	243,227,336
Unrestricted	67,314,178	444,316,965	(377,002,787)
Total net position	$ 815,893,529	$ 749,941,917	$ 65,951,612

During the prior year, the City implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pension—an amendment of GASB Statement No. 27” and No. 71, “Pension Transition for Contribution Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68”. These statements establish accounting and financial reporting standards for purpose of measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames.

The City’s prior year financial statements were restated to account for the accreted interest that was not previously accrued from the time the affected bond was issued. This omission was determined when the bond was refunded during the current year ended June 30, 2016. The City’s prior period financial statements included for comparative purposes are presented as restated.

As noted above, Net Position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by approximately $815.9 million at June 30, 2016.

The largest portion of the Net Position is restricted by external sources on how the funds may be used. Approximately $205.7 million is the City’s net investment in its capital assets. It should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. In addition, approximately $298.2 million are restricted for the City’s future debt service obligations.

The City’s total Net Position under governmental activities increased over the prior year by $66.0 million mainly due to the higher interest income from bond redemptions and lower payment for debt service payment for property tax override fund.

Total liabilities and deferred inflows of resources increased by approximately $866.1 million as the City issued $962.9 million in bonds to refund prior issues and provide funding for capital projects while refunding $213.2 million of prior bond issues. However, the deferred inflows of resources were lower related to pension investment and contributions.

The increase in net investment in capital assets of $3.9 million is a result of current year additions to capital assets and higher depreciation expense.

Governmental Activities – Changes in Net Position

Table 2
Change in Net Position

	Governmental Activities		
	2016	2015	Change
Revenues:			
Taxes	$ 96,221,789	$ 96,231,387	$ (9,598)
Revenues from use of money and property	90,322,153	54,206,243	36,115,910
Other revenues	273,213	3,815,296	(3,542,083)
Community development	3,427,511	3,210,500	217,011
Total revenues	190,244,666	157,463,426	32,781,240
Expenses:			
General government	5,143,831	5,928,344	(784,513)
Support services	9,122,221	8,124,701	997,520
Community development	1,508,073	3,765,894	(2,257,821)
Community services	4,208,139	4,262,699	(54,560)
Public safety	14,703,686	10,336,819	4,366,867
Capital projects and public works	24,695,090	17,421,517	7,273,573
Interest expense	54,878,655	17,865,315	37,013,340
Total expenses	114,259,695	67,705,289	46,554,406
Increase in net assets before Other Items	75,984,971	89,758,137	(13,773,166)
Litigition Settlement	-	(1,002,412)	1,002,412
Gain on disposal of assets,net	-	20,580,856	(20,580,856)
Write off escheated liabilities	-	1,114,712	(1,114,712)
Fiduciary fund	-	(81,885,018)	81,885,018
Transfers, net	(10,033,359)	(985,580)	(9,047,779)
Increase (decrease) in net position	65,951,612	27,580,695	38,370,917
Net position beginning of year	749,941,917	587,906,536	162,035,381
Prior period adjustment	-	134,454,686	(134,454,686)
Net position, end of year	$ 815,893,529	$ 749,941,917	$ 65,951,612

The total revenues, reported as governmental activities, increased by approximately $32.8 million. The increase in revenue from use of money and property of $36.1 million as a result of payments received by the City due to an early redemption on its investment in the IUDA capital appreciation bonds.

The City's total expenses before other items increased by approximately $46.6 million from the prior year. The increase was attributable to higher costs in public safety services of $4.4 million, capital projects and settlement of $7.3 million and interest expense of $37.0 million from an increase in bond debt.

Business-Type Activities – Net Position

Table 3
Net Position

	Business-Type Activities		
	2016	2015	Change
Current and other assets	$ 14,657,297	$ 13,556,543	$ 1,100,754
Capital assets, net	32,480,986	33,662,318	(1,181,332)
Total assets	47,138,283	47,218,861	(80,578)
Liabilities	8,722,059	9,836,145	(1,114,086)
Total liabilities	8,722,059	9,836,145	(1,114,086)
Net position:			
Net investment in capital assets	32,480,986	33,662,318	(1,181,332)
Unrestricted	5,935,238	3,720,398	2,214,840
Total net position	$ 38,416,224	$ 37,382,716	$ 1,033,508

Total net position for the City's business type activities increased by approximately $1.0 million as compared to the prior year. The increase was due to the $1.1 million decrease in total liabilities from lower balances in deferred revenues, accounts payable and due to other funds.

Business-Type Activities – Change In Net Position

The change in Net Position for business type activities is summarized as follows:

Table 4
Change in Net Position

	Business-Type Activities		
	2016	2015	Change
Revenues:			
Charges for services	$ 10,481,162	$ 9,710,743	$ 539,405
Revenues from use of money and property	21,210	33,443	(12,233)
Other revenues	-	178,878	(21,079)
Total revenues	10,502,372	9,923,064	506,093
Expenses:			
Purchased electricity	3,665,748	4,203,587	(537,839)
Water transmission and distribution	2,661,023	2,816,765	(155,742)
Cost of expo operations	2,853,847	2,773,085	80,762
Cost of housing authority operations	858,284	389,405	468,879
Total expenses	10,038,902	10,182,842	(143,940)
Income (Loss) from operations before transfers	463,470	(259,778)	650,033
Transfers	570,038	985,580	(415,542)
Change in net position	1,033,508	725,802	234,491
Net position, beginning of year	37,382,716	37,185,419	197,297
Prior period adjustment	-	197,297	(197,297)
Net position, end of year	$ 38,416,224	$ 37,382,716	$ 1,033,508

Charges for services increased by $539,405 year over year primarily due to an increase in electricity sales. Expenses decreased from prior year by almost $144,000 which was a result of lower costs of $693,581 in purchased electricity and water transmission and distribution. However, this was offset by higher costs in housing maintenance and repairs due to multiple vacancies in City-owned housing in the amount of $468,879.

Transfers-in from the general fund decreased by $415,542 mostly as a result of the City's revised funding methodology of the Expo Center operations. Instead of funding the Expo Center utilizing budgeted amounts, the City modified the funding calculation with actual costs.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Below is a summary of the general fund revenues and expenditures compared to the prior year.

Table 5
General Fund Comparison

	2016	2015	Change
Revenues:			
Taxes	$ 37,339,981	$ 39,470,470	$ (2,130,489)
Licenses and permits	3,089,243	2,646,610	442,633
Fines, forfeitures and penalties	338,268	563,890	(225,622)
Grant income			-
Revenues from use of money and property	12,606,738	5,761,481	6,845,257
Total revenues	53,374,230	48,442,451	4,931,779
Expenditures:			
Legislative	682,050	431,807	250,243
General administration	2,685,848	3,903,997	(1,218,149)
Community development	864,366	731,013	133,353
Community services	3,522,249	3,725,258	(203,009)
Public safety	8,610,354	8,311,886	298,468
Public works	13,176,829	10,881,576	2,295,253
Support services	8,429,092	17,747,767	(9,318,675)
Capital projects	8,927,978	2,385,000	6,542,978
Total expenditures	46,898,766	48,118,304	(1,219,538)
Excess of Revenues over Expenditures	6,475,464	324,147	8,651,317
Other Financing Sources (Uses):			
Pay-off loan from Successor Agency in refunding	(14,421,307)	-	(14,421,307)
Other income	-	1,069,615	(1,069,615)
Prop A Exchange	-	(2,827,500)	2,827,500
Settlement claims	-	(1,002,412)	1,002,412
Net Transfers	464,569,825	96,945,870	367,623,955
Total other financing sources (uses)	450,148,518	94,185,573	355,962,945
Change in fund balances	$ 456,623,982	$ 94,509,720	$ 364,614,262

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund reflects a fund balance of $788.7 million, which is an increase from prior year of $456.6 million. This increase is mainly due to a net $454.0 million bond redemptions received by the City.

Total revenues in the General Fund increased by $4.9 million due to higher interest income despite the reduction in taxes. The taxes revenue decreased by $2.1 million which was mainly attributable in the loss of sales tax revenues from two (2) businesses that relocated out of the City and the true-up of the Sales Tax Triple Flip.

Total expenditures of the General Fund decreased by $1.2 million over prior year. The majority of this decrease in expenditures was because the City paid $10.5 million less for General Administration and Support Services by reducing legal costs and the bulk of the reductions was not having an $11.0 million expense to fully prefund the City's post-employment benefit liability that was made last year. However, capital projects expenditures were higher than prior year due to General Fund property purchases.

Other Financing Sources increased by $356.0 million primarily due to the transfer in of $464.6 million as a result bond redemptions, but was offset by a loan payoff to the Successor Agency of $14.4 million.

General Fund Budgetary Highlights

The City adopts a budget every fiscal year. Differences between the budget and actual expenditures for the general fund are shown below:

Table 6
General Fund Budget to Actual Comparison

	Original Budget	Revised Budget	Actual	Variance
Legislative	$ 269,000	$ 269,000	$ 682,050	$ (413,050)
General administration	3,074,800	3,118,300	2,685,848	432,452
Community development	735,500	642,200	864,366	(222,166)
Community services	3,798,800	3,863,800	3,522,249	341,551
Public safety	8,468,500	8,468,500	8,610,354	(141,854)
Public works	10,063,800	10,656,700	13,176,829	(2,520,129)
Support services	6,738,700	7,169,050	8,429,092	(1,260,042)
Capital projects	-	-	8,927,978	(8,927,978)
Total expenditures	$ 33,149,100	$ 34,187,550	$ 46,898,766	$ (12,711,216)

The budget overage in the Legislative department was mainly due to a golden handshake agreement and a workers compensation settlement to former employees. The budget overage in Community Development was primarily due to increases in professional services. Public Safety overage was a result of cost increases from the Sheriff's contract that was not budgeted.

The overage in Public Works was a result of increased property and facilities maintenance and settlement agreement. Support Services' overage was attributed to the following: under budgeted personnel costs and benefits; increase in professional services; and developer reimbursements. The $8.9 million expenditure in the Capital Projects category relates to property purchases that were approved by City Council.

Capital Asset and Debt Administration

Capital Assets

Net capital assets for governmental activities as of June 30, 2016 and 2015 are summarized as follows:

Table 7
Net Capital Assets at Year-End

	Governmental Activities		
	2016	2015	Change
Land	$ 60,035,146	$ 51,335,846	$ 8,699,300
Construction in progress	7,028,403	8,538,798	(1,510,395)
Buildings and improvements	118,398,933	118,220,676	178,257
Equipment, furniture and fixtures	6,378,133	6,378,133	-
Infrastructure	141,395,929	141,980,260	(584,331)
Capital assets, gross	333,236,544	326,453,713	6,782,831
Less accumulated depreciation	(123,337,718)	(119,713,012)	(3,624,706)
Capital assets, net	$ 209,898,826	$ 206,740,701	$ 3,158,125

As of June 30, 2016, the City's governmental activities had approximately $209.9 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net increase of $3.2 million from prior year. Accumulated depreciation increased by $3.6 million.

Net capital assets for business activities as of June 30, 2016 and 2015 are summarized as follows:

Table 8
Net Capital Assets at Year-End

	Business-Type Activities		
	2016	2015	Change
Land	$ 6,764,880	$ 6,764,880	$ -
Water rights	441,200	441,200	-
Buildings and improvements	54,441,369	53,785,327	656,042
Source of supply	4,495,493	4,595,952	(100,459)
Equipment, furniture and fixtures	1,288,657	1,188,198	100,459
Infrastructure	294,622	294,622	-
Construction in progress	4,549	270,468	(265,919)
Capital assets, gross	67,730,770	67,340,647	390,123
Less accumulated depreciation	(35,249,784)	(33,678,329)	(1,571,455)
Capital assets, net	$ 32,480,986	$ 33,662,318	$ (1,181,332)

Capital assets in the Business-Type Activities belong to IPUC and the Industry Hills Expo Center. The decrease in net capital assets was a result of lower Construction in Progress amount of $0.3 million, a net increase in accumulated depreciation of $1.6 million while activities in buildings and Improvements increased by $0.7 million.

Debt

At June 30, 2016, the City had total long term debt and other non-current liabilities of approximately $1.11 billion primarily due to increases in outstanding bonds of $956.6 million for capital improvements while retiring principal of $231.9 million on its bonded debt.

In addition, due to the implementation of GASB 68, the City reported $6.3 million of net pension liability for its proportionate share of CALPERS' pension liability.

Below is a summary of the outstanding debt at June 30:

Table 9
Outstanding Debt, at Year-End

	Governmental Activities		
	2016	2015	Change
General obligation bonds	$ 104,940,000	$ 115,425,000	$ (10,485,000)
Revenue bonds	422,600,000	167,000,000	255,600,000
Refunding lease revenue bonds	4,230,000	4,980,000	(750,000)
Tax allocation bonds	574,905,000	82,855,000	492,050,000
Original issue premium	(3,821,723)	2,881,496	(6,703,219)
Compensated absences	111,140	142,842	(31,702)
Pension liability	6,336,456	4,782,916	1,553,540
Total outstanding debt	$ 1,109,300,873	$ 378,067,254	$ 731,233,619

On July 1, 2015, PFA issued a total of $574,905,000 in bonds to pay the cost to acquire the Local Obligations issued by SA to IUDA to provide proceeds to the SA to IUDA to refund and defease $82.9 million of its outstanding bonds as of June 30, 2015. Interest rates on the refunding bonds range from 1.764% to 5.750%.

On December 3, 2015, the City issued a total of $336,570,000 in Senior Sales Tax Revenue Refunding Bonds Series 2015A (Taxable) and $51,460,000 of Subordinate Sales Tax Revenue Bonds Series 2015B (Taxable) to refund and defease its 2005 and 2008 sales tax revenue bonds outstanding at June 30, 2015, for a total of $132.4 million, and to provide additional funds to fund future capital project expenditures. Interest rates on the refunding bonds range from 1.460% to 4.250%.

Economic Factors and Next Year's Budgets and Rates

The City has experienced steady development within the City limits during the past year. Economic trends in the Los Angeles area are comparable with the indices. The assessed valuation of property located within the City boundaries including properties located in its redevelopment project areas amounted to approximately $8.007 billion for the 2016-2017 fiscal year as compared to $7.778 billion in the prior fiscal year which represents an increase of approximately 2.9% of assessed value.

The City has adopted a balanced operating budget of $61.6 million in revenues and $51.5 million in expenses. Additionally, approximately $50.6 million in capital project expenditures is budgeted for the 2016-2017 fiscal year. The following is a summary of major capital improvement projects for the City for the 2016-2017 year.

Table 10
Capital Projects For FY 2016-2017

	Project Description	Budget 2016-17
1	Grade Separation Projects	$ 12,747,548
2	Street Widening, Reconstruction, Resurfacing and Slurry Seal	18,587,812
3	Bridge Widening, Seismic Retrofit And Mainteance Improvements	1,681,347
4	Traffic Signal Improvements	3,715,800
5	Storm Drain Improvements	3,239,977
6	Reclaimed Water System Improvements	50,000
7	IPUC Potable Water System and Electrical Distribution System	969,434
8	Expo Center at Industry Hills	3,973,510
9	Industry Hills Golf and Convention Facilities	1,576,779
10	El Encanto Healthcare Facility	220,000
11	San Gabriel Canyon Properties	233,150
12	Industry Housing And Property Management Projects	2,930,810
13	Civic Center Facilities Improvements	650,000
	Total	$ 50,576,167

The Operating Budget for Fiscal Year 2016-17 is a well balanced budget that reflects the City's commitment to the betterment of the community and stay within the City's financial constraint. Budget documents are available online at www.cityofindustry.org. Questions or requests for information regarding the City of Industry's budget should be sent to the Finance Department at the address below.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for additional financial information should be directed to the Finance Department at the City of Industry, 15625 East Stafford Street, City of Industry, California 91744.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Industry
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	$ 2,118,380	$ 3,388,840	$ 5,507,220
Investments	541,538,618	9,392,625	550,931,243
Accounts receivable, net	1,105,380	1,185,808	2,291,188
Other receivables	12,849,258	-	12,849,258
Interest receivables	25,946,729	-	25,946,729
Internal balances	384,704	(384,704)	-
Due from Fiduciary funds	56,219	-	56,219
Inventories	36,358	53,703	90,061
Prepaid items	13,517,779	1,018,025	14,535,804
Other assets	-	3,000	3,000
Deposits held by bond trustees for debt service	45,671,596	-	45,671,596
Total current assets	643,225,021	14,657,297	657,882,318
Noncurrent assets:			
Investments with fiscal agent - restricted	600,889,771	-	600,889,771
Investments in SA to IUDA and City's bonds	626,365,000	-	626,365,000
Loans receivables	843,148	-	843,148
Net OPEB asset	1,211,588	-	1,211,588
Capital assets:			
Not being depreciated	67,063,549	7,652,316	74,715,865
Being depreciated, net	142,835,277	24,828,670	167,663,947
Total capital assets, net of accumulated depreciation	209,898,826	32,480,986	242,379,812
Total noncurrent assets	1,439,208,333	32,480,986	1,471,689,319
Total assets	2,082,433,354	47,138,283	2,129,571,637
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding, net	2,119,907	-	2,119,907
Pension related deferred outflows of resources	467,282	-	467,282
Total deferred outflows of resources	2,587,189	-	2,587,189

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Net Position (Continued)
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	$ 17,072,852	$ 1,057,105	$ 18,129,957
Accrued liabilities	253,042	-	253,042
Settlement payable	2,500,000	-	2,500,000
Rental deposits and advances	579,231	367,643	946,874
Bond payment deposits	101,577,954	-	101,577,954
Interest payable	37,025,287	-	37,025,287
Unearned revenue	-	7,297,311	7,297,311
Long-term liabilities:			
Due within one year	62,858,375	-	62,858,375
Due in more than one year	1,040,106,042	-	1,040,106,042
Net pension Liabilities	6,336,456	-	6,336,456
Total liabilities	1,268,309,239	8,722,059	1,277,031,298
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows of resources	817,775	-	817,775
Total deferred inflows of resources	817,775	-	817,775
NET POSITION			
Net investment in capital assets	205,662,259	32,480,986	238,143,245
Restricted for:			
Transportation and road	1,505,868	-	1,505,868
Capital projects	243,227,336	-	243,227,336
Debt services	298,183,888	-	298,183,888
Unrestricted	67,314,178	5,935,238	73,249,416
Total net position	$ 815,893,529	$ 38,416,224	$ 854,309,753

(Concluded)

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary Government:					
Governmental activities:					
General government	$ 5,143,831	$ -	$ 101,884	$ 623	$ 102,507
Support services	9,122,221	-	-	-	-
Community development	1,508,073	3,093,743	-	-	3,093,743
Community services	4,208,139	-	-	-	-
Public safety	14,703,686	333,768	141,294	-	475,062
Public works	24,695,090	-	24,589	4,823	29,412
Interest expenses and fiscal charges	54,878,655	-	-	-	-
Total governmental activities	114,259,695	3,427,511	267,767	5,446	3,700,724
Business-type activities:					
Industry Public Utilities Commission:					
Water utility	2,661,023	3,185,263	-	-	3,185,263
Electric utility	3,665,748	5,604,925	-	-	5,604,925
Industry-Hill Expo Center	2,853,847	1,515,267	-	-	1,515,267
Property and Housing Management Authority	858,284	175,707	-	-	175,707
Total business-type activities	10,038,902	10,481,162	-	-	10,481,162
Total City	$ 124,298,597	$ 13,908,673	$ 267,767	$ 5,446	$ 14,181,886

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Activities (Continued)
For the Year Ended June 30, 2016

	Net (Expenses) Revenues and Changes in Net Position Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Primary Government:			
Governmental activities:			
General government	$ (5,041,324)	$ -	$ (5,041,324)
Support services	(9,122,221)	-	(9,122,221)
Community development	1,585,670	-	1,585,670
Community services	(4,208,139)	-	(4,208,139)
Public safety	(14,228,624)	-	(14,228,624)
Public works	(24,665,678)	-	(24,665,678)
Interest expenses and fiscal charges	(54,878,655)	-	(54,878,655)
Total governmental activities	(110,558,971)	-	(110,558,971)
Business-type activities:			
Industry Public Utilities Commission:			
Water utility	-	524,240	524,240
Electric utility	-	1,939,177	1,939,177
Industry-Hill Expo Center	-	(1,338,580)	(1,338,580)
Property and Housing Management Authority	-	(682,577)	(682,577)
Total business-type activities	-	442,260	442,260
Total City	(110,558,971)	442,260	(110,116,711)
General revenues and transfers:			
General revenues:			
Taxes:			
Property taxes	61,321,368	-	61,321,368
Sales tax	31,545,596	-	31,545,596
Tax increment pass through payments	477,518	-	477,518
Franchise	1,659,375	-	1,659,375
Documentary transfer tax	165,938	-	165,938
Transient occupancy tax	1,051,994	-	1,051,994
Total taxes	96,221,789	-	96,221,789
Revenues from use of money and property	90,322,153	21,210	90,343,363
Transfers	(570,038)	570,038	-
Transfers to Successor Agency	(9,463,321)	-	(9,463,321)
Total general revenues and transfers	176,510,583	591,248	177,101,831
Changes in net position	65,951,612	1,033,508	66,985,120
Net position:			
Beginning of year	749,941,917	37,382,716	787,324,633
End of year	$ 815,893,529	$ 38,416,224	$ 854,309,753

See accompanying Notes to the Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Industry
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects Fund	Debt Service Funds	Other Nonmajor Governmental Funds
ASSETS				
Cash	$ 1,794,394	$ 5,843	$ 100,807	$ 217,336
Investments	531,074,428	829,122	3,863,814	5,771,254
Accounts receivable, net	1,087,021	-		18,359
Other receivables	12,165,617	1,130	682,511	-
Accrued interest	1,828,342	-	24,118,387	-
Inventory	36,358	-	-	-
Prepaid items	2,237,969	-	11,279,810	-
Site lease prepayment	-	-	5,224,012	-
Due from other funds	5,197,405	-	-	-
Due from Successor Agency	56,219	-	-	-
Loans Receivable	843,148	-	-	-
Investments with fiscal agent - restricted	191,819,628	250,700,378	158,369,765	-
Investments in SA to IUDA and City's bonds	-	-	626,365,000	-
Advances to other funds	53,610,000	-		-
Deposit held by bond trustee for debt services	-	-	45,671,596	-
Total assets	$ 801,750,529	$ 251,536,473	$ 875,675,702	$ 6,006,949
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 4,387,779	$ 8,309,137	$ 9,524	$ 4,366,412
Accrued expenses	253,042	-	-	-
Settlement payable	2,500,000	-	-	-
Rental deposits and advances	579,231	-	-	-
Due to other funds	115,296	-	4,689,810	7,595
Site lease unearned revenues	5,224,012	-	-	-
Advance from other funds	-	-	53,610,000	-
Bond payment deposits	-	-	101,577,954	-
Total Liabilities	13,059,360	8,309,137	159,887,288	4,374,007
FUND BALANCES				
Nonspendable:				
Inventory	36,358	-	-	-
Prepaid items	2,237,969	-	-	-
Loans receivable	843,148	-	-	-
Restricted:				
Public transportation and road improvement	-	-	-	1,505,868
Capital projects	-	243,227,336	-	-
Debt service	191,819,628	-	106,364,260	-
Committed:				
Capital projects	-	-	-	127,074
Debt service	-	-	609,424,154	-
Unassigned	593,754,066	-	-	-
Total fund balances	788,691,169	243,227,336	715,788,414	1,632,942
Total liabilities and fund balances:	$ 801,750,529	$ 251,536,473	$ 875,675,702	$ 6,006,949

See accompanying Notes to the Basic Financial Statements.

City of Industry
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

	Total
ASSETS	
Cash	$ 2,118,380
Investments	541,538,618
Accounts receivable, net	1,105,380
Other receivables	12,849,258
Accrued interest	25,946,729
Inventory	36,358
Prepaid items	13,517,779
Site lease prepayment	5,224,012
Due from other funds	5,197,405
Due from Successor Agency	56,219
Loans Receivable	843,148
Investments with fiscal agent - restricted	600,889,771
Investments in SA to IUDA and City's bonds	626,365,000
Advances to other funds	53,610,000
Deposit held by bond trustee for debt services	45,671,596
Total assets	$ 1,934,969,653
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 17,072,852
Accrued expenses	253,042
Settlement payable	2,500,000
Rental deposits and advances	579,231
Due to other funds	4,812,701
Site lease unearned revenues	5,224,012
Advance from other funds	53,610,000
Bond payment deposits	101,577,954
Total Liabilities	185,629,792
FUND BALANCES	
Nonspendable:	
Inventory	36,358
Prepaid item	2,237,969
Loans receivables	843,148
Restricted:	
Public transportation and road improvement	1,505,868
Capital projects	243,227,336
Debt service reserve	298,183,888
Committed:	
Capital projects	127,074
Debt service	609,424,154
Unassigned	593,754,066
Total fund balances	1,749,339,861
Total liabilities and fund balances:	$ 1,934,969,653

See accompanying Notes to the Basic Financial Statements.

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City of Industry
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total fund balance of governmental funds		$ 1,749,339,861
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
City infrastructure and capital assets	$ 333,236,544	
Accumulated depreciation	(123,337,718)	209,898,826
Total capital assets		
Other assets, deferred outflows of resources, liabilities and deferred inflows of resources are not available for current period expenditures or to provide for current resources. These consist of:		
Accrued interest payable on bonds payable	(37,025,287)	
Net OPEB assets	1,211,588	
Deferred loss on refunding, net	2,119,907	
Deferred outflows of resources related to pension	467,282	
Deferred inflows of resources related to pension	(817,775)	(34,044,285)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term debt included as net position below:		
City of Industry:		
Bonds payable - Current portion	(13,680,000)	
Bonds payable - Long term	(513,860,000)	
Issuance (premium) discount - Current portion	(469,517)	
Issuance (premium) discount - Long term	4,831,449	
Compensated absences	(111,140)	
Net pension liability	(6,336,456)	
Public Facilities Authority:		
Bonds payable - Current portion	(48,595,000)	
Bonds payable - Long term	(530,540,000)	
Issuance (premium) discount - Current portion	(113,858)	
Issuance (premium) discount - Long term	(426,351)	(1,109,300,873)
Net position of governmental activities		$ 815,893,529

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Projects	Debt Service	Other Governmental Funds
REVENUES:				
Taxes	$ 37,339,981	$ -	$ 59,004,194	$ 32,839
Licenses and permits	3,089,243	-	-	-
Fines, forfeitures and penalties	338,268	-	-	-
Grant income	-	-	-	101,884
Revenues from use of money and property	12,606,738	4,823	81,176,147	11,281
Total revenues	53,374,230	4,823	140,180,341	146,004
EXPENDITURES:				
Current:				
Legislative	682,050	-	-	-
General administration	2,685,848	-	411,700	283,749
Support services	8,429,092	-	-	-
Community development	864,366	-	-	-
Community services	3,522,249	-	-	-
Public safety	8,610,354	-	-	4,414,239
Public works	13,176,829	8,880,476	-	26,392
Debt service:				
Principal retirement	-	-	13,330,000	-
Interest and fiscal charges	-	-	23,998,752	-
Capital outlay	8,927,978	1,158,424	-	432,820
Total expenditures	46,898,766	10,038,900	37,740,452	5,157,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,475,464	(10,034,077)	102,439,889	(5,011,196)
OTHER FINANCING SOURCES (USES):				
Transfers in	492,189,721	254,381,573	23,017,314	920,080
Transfers out	(27,619,896)	(1,732,887)	(741,035,726)	(690,217)
Transfers in from Successor Agency	-	-	21,936,358	-
Transfers out to Successor Agency	-	-	(31,399,679)	-
Redemption of Sales Tax Bonds	-	-	(134,430,034)	-
Redemption of PFA 2007 Bonds	-	-	(84,107,297)	-
Proceeds from issuance of Sales Tax bonds	-	-	381,009,931	-
Proceeds from issuance of PFA bonds	-	-	575,623,360	-
Other revenues	-	-	14,421,307	-
Pay-off of loan from Successor Agency in refunding	(14,421,307)	-	-	-
Total other financing sources (uses)	450,148,518	252,648,686	25,035,534	229,863
NET CHANGE IN FUND BALANCES	456,623,982	242,614,609	127,475,423	(4,781,333)
FUND BALANCES:				
Beginning of year	332,067,187	612,727	588,312,991	6,414,275
End of year	$ 788,691,169	$ 243,227,336	$ 715,788,414	$ 1,632,942

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2016

	Totals
REVENUES:	
Taxes	$ 96,377,014
Licenses and permits	3,089,243
Fines, forfeitures and penalties	338,268
Grant income	101,884
Revenues from use of money and property	93,798,989
Total revenues	193,705,398
EXPENDITURES:	
Current:	
Legislative	682,050
General administration	3,381,297
Support services	8,429,092
Community development	864,366
Community services	3,522,249
Public safety	13,024,593
Public works	22,083,697
Debt service:	
Principal retirement	13,330,000
Interest and fiscal charges	23,998,752
Capital outlay	10,519,222
Total expenditures	99,835,318
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	93,870,080
OTHER FINANCING SOURCES (USES):	
Transfers in	770,508,688
Transfers out	(771,078,726)
Transfers in from Successor Agency	21,936,358
Transfers out to Successor Agency	(31,399,679)
Redemption of Sales Tax Bonds	(134,430,034)
Redemption of PFA 2007 Bonds	(84,107,297)
Proceeds from issuance of Sales Tax bonds	381,009,931
Proceeds from issuance of Authority bonds	575,623,360
Other revenues	14,421,307
Pay-off of loan from Successor Agency in refunding	(14,421,307)
Total other financing sources (uses)	728,062,601
NET CHANGE IN FUND BALANCES	821,932,681
FUND BALANCES:	
Beginning of year	927,407,180
End of year	$ 1,749,339,861

See accompanying Notes to the Basic Financial Statements.

City of Industry
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances of total governmental funds	$ 821,932,681
Amounts reported for governmental activities in the statement of activities are difference because:	
Capital outlays, project improvement costs, and purchases of real estate are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays, net of $184,997 non-capitalized expenses	10,334,225
Depreciation expense	(6,729,793)
In the statement of activities, only the gain/loss on the sale and disposal of assets is reported whereas in the governmental funds, the proceeds from the sale and disposal of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by cost of assets sold or disposed of.	
Net effect on disposal of assets	(446,307)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These consist of the following:	
Proceeds from City bonds issued	(381,009,931)
Redemption of City bonds	134,430,034
Proceeds from PFA bonds issued	(575,623,360)
Redemption of PFA bonds	84,107,297
Repayment of principal on long-term debt	13,330,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These items consist of:	
Change in accrued interest payable, including interest expense on redeemed debts	(33,258,100)
Amortization of bond premium/discount and deferred amounts on refunding	228,197
Fiscal charges on redemption of PFA bonds	(497,778)
Change in compensated absences	31,702
Change in OPEB assets	(453,493)
Change in pension expense	(423,762)
Total changes in net position of governmental activities	$ 65,951,612

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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City of Industry
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds			
	City of Industry	Civic-Recreational-Industrial Authority	City of Industry	
	Industry Public Utilities Commission	Industry Hills-Expo Center	Property and Housing Management Authority	Total
ASSETS				
Current assets:				
Cash	$ 2,889,698	$ 469,910	$ 29,232	$ 3,388,840
Investments	8,921,480	-	471,145	9,392,625
Accounts receivable, net	1,127,231	57,117	1,460	1,185,808
Inventories	10,000	43,703	-	53,703
Prepaid items	1,005,763	12,262	-	1,018,025
Deposits	-	3,000	-	3,000
Due from other funds	115,296	-	-	115,296
Total current assets	14,069,468	585,992	501,837	15,157,297
Noncurrent assets:				
Capital assets:				
Capital assets, not being depreciated	922,936	-	6,729,380	7,652,316
Capital assets, being depreciated, net	13,073,586	8,018,432	3,736,652	24,828,670
Total capital assets, net	13,996,522	8,018,432	10,466,032	32,480,986
Total noncurrent assets	13,996,522	8,018,432	10,466,032	32,480,986
Total assets	28,065,990	8,604,424	10,967,869	47,638,283
LIABILITIES				
Accounts payable	824,041	98,489	134,575	1,057,105
Rental deposits and advances	145,505	196,259	25,879	367,643
Due to other funds	500,000	-	-	500,000
Unearned revenue from reclaimed water sales	7,297,311	-	-	7,297,311
Total liabilities	8,766,857	294,748	160,454	9,222,059
NET POSITION				
Investment in capital assets	13,996,522	8,018,432	10,466,032	32,480,986
Unrestricted	5,302,611	291,244	341,383	5,935,238
Total net position	$ 19,299,133	$ 8,309,676	$ 10,807,415	$ 38,416,224

See accompanying Notes to the Basic Financial Statements.

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City of Industry
Statement of Revenues, Expenses, and Changes in Fund Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds			
	City of Industry	Civic-Recreational-Industrial Authority	City of Industry	
	Industry Public Utilities Commission	Industry Hills-Expo Center	Property and Housing Management Authority	Total
OPERATING REVENUES:				
Water sales and service	$ 3,135,957	$ -	$ -	$ 3,135,957
Electric and solar energy sales	5,489,629	-	-	5,489,629
Event and rental revenues	-	1,507,883	175,007	1,682,890
Total operating revenues	8,625,586	1,507,883	175,007	10,308,476
OPERATING EXPENSES:				
General administration	3,122,972	1,038,152	-	4,161,124
Purchased electricity	2,457,690	-	-	2,457,690
Purchased water	25,085	-	-	25,085
Expo Center operations	-	1,064,418	-	1,064,418
Housing Authority operations	-	-	759,130	759,130
Depreciation	721,024	751,277	99,154	1,571,455
Total operating expenses	6,326,771	2,853,847	858,284	10,038,902
OPERATING INCOME (LOSS)	2,298,815	(1,345,964)	(683,277)	269,574
NONOPERATING REVENUES (EXPENSES):				
Investment income	21,834	-	(624)	21,210
Other revenues	164,602	7,384	700	172,686
Total nonoperating revenues (expenses)	186,436	7,384	76	193,896
Changes in net position before transfers	2,485,251	(1,338,580)	(683,201)	463,470
TRANSFERS :				
Transfers in	-	582,000	-	582,000
Transfers out	(11,962)	-	-	(11,962)
Total transfers	(11,962)	582,000	-	570,038
CHANGES IN NET POSITION	2,473,289	(756,580)	(683,201)	1,033,508
NET POSITION:				
Beginning of the year	16,825,844	9,066,256	11,490,616	37,382,716
End of the year	$ 19,299,133	$ 8,309,676	$ 10,807,415	$ 38,416,224

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Cash Flows
Proprietary Funds
For Year Ended June 30, 2016

	Enterprise Funds			
	City of Industry	Civic-Recreational-Industrial Authority	City of Industry	
	Industry Public Utilities Commission	Industry Hills-Expo Center	Property and Housing Management Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 7,849,504	$ 1,588,050	$ 191,824	$ 9,629,378
Payments to other funds	(14,854)	-	-	(14,854)
Payments to suppliers and employees	(6,709,687)	(2,117,935)	(729,003)	(9,556,625)
Payments to other funds	(117,771)	-	(6,031)	(123,802)
Other revenues	164,602	7,384	700	172,686
Net cash provided by (used in) operating activities	1,171,794	(522,501)	(542,510)	106,783
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in from other funds	-	582,000	-	582,000
Transfers out to other funds	(11,962)	-	-	(11,962)
Net cash provided by (used in) noncapital financing activities	(11,962)	582,000	-	570,038
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	(390,123)	(390,123)
Net cash (used in) capital and related financing activities	-	-	(390,123)	(390,123)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(3,750,000)	-	-	(3,750,000)
Proceeds from investment maturities	1,839,000	-	925,519	2,764,519
Interest income received	13,750	-	-	13,750
Net cash provided by (used in) investing activities	(1,897,250)	-	925,519	(971,731)
Net increase (decrease) in cash and cash Equivalent	(737,418)	59,499	(7,114)	(685,033)
CASH AND CASH EQUIVALENT :				
Beginning of year	3,627,116	410,411	36,346	4,073,873
End of year	$ 2,889,698	$ 469,910	$ 29,232	$ 3,388,840

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Cash Flows (Continued)
Proprietary Funds
For Year Ended June 30, 2016

	Enterprise Funds			
	City of Industry	Civic-Recreational-Industrial Authority	City of Industry	
	Industry Public Utilities Commission	Industry Hills-Expo Center	Property and Housing Management Authority	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 2,298,815	$ (1,345,964)	$ (683,277)	$ 269,574
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	721,024	751,277	99,154	1,571,455
Other revenues	164,602	7,384	700	172,686
(Increase) decrease in accounts receivables	(225,794)	46,885	4,481	(174,428)
(Increase) decrease in inventories	-	2,847	-	2,847
(Increase) decrease in prepaid items	(993,707)	(12,262)	-	(1,005,969)
(Increase) decrease in due from other funds	(115,296)	-	-	(115,296)
Increase (decrease) in accounts payable	(610,233)	(5,950)	30,127	(586,056)
Increase (decrease) in customer deposits	(38,345)	33,282	12,336	7,273
Increase (decrease) in due to other funds	482,671	-	(6,031)	476,640
Increase (decrease) in unearned revenues	(511,943)	-	-	(511,943)
Net cash provided by (used in) operating activities	$ 1,171,794	$ (522,501)	$ (542,510)	$ 106,783

See accompanying Notes to the Basic Financial Statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Industry
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private-Purpose Trust Fund	Agency Fund
ASSETS		
Cash	$ 855,931	$ 316,230
Investments	28,898,382	1,634,142
Other receivables	1,797,174	10,262
Deposits held by bond trustee for debt services	55,906,358	-
Notes receivable	15,461,992	-
Property held for sale or disposition	462,479,173	-
Restricted assets:		
Cash	125,395	-
Investments	7,652,309	-
Investments with fiscal agent	-	518,719
Total assets	573,176,714	$ 2,479,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding, net	42,906,955	
Total deferred outflows of resources	42,906,955	
LIABILITIES		
Current liabilities:		
Accounts payable	1,428,582	$ -
Interest payable	21,968,386	-
Due to bond holders	-	2,479,353
Due to City of Industry	56,219	-
Bonds payable, due within one year	47,926,571	-
Total current liabilities	71,379,758	2,479,353
Noncurrent liabilities:		
Bonds payable, due in more than one year	527,512,070	-
Total noncurrent liabilities	527,512,070	-
Total liabilities	598,891,828	$ 2,479,353
NET POSITION		
Fiduciary net position held in trust for Successor Agency	$ 17,191,841	

See accompanying Notes to the Basic Financial Statements.

City of Industry
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Private-Purpose Trust Fund
ADDITIONS:	
Taxes, net	$ 55,906,357
Revenues from use of money and property	
Interest income	800,609
Rental and other income	9,653,688
Gain on sale and write down of property	16,083,654
Transfers in from City of Industry	9,463,321
Total additions	91,907,629
DEDUCTIONS:	
General administration	3,042,859
Bond interest expenses	36,829,981
Other expenses	306,983
Total deductions	40,179,823
CHANGES IN NET POSITION	51,727,806
NET POSITION:	
Beginning of the year	(34,535,965)
End of the year	$ 17,191,841

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Industry
Index to the Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Agency

The City of Industry (referred to as the "City") is a municipal corporation governed by an elected five-member council of which the mayor is appointed by the members of the city council. The accompanying financial statements present the financial activities of the City, which is the primary government and the financial activities of its component units, which are entities for which the City is financially accountable. Although legally separate entities, blended component units are in substance, part of the City's operations and are reported as an integral part of the City's financial statements. Blended component units, which include the Civic-Recreational-Industrial Authority (referred to as "CRIA"), the Industry Public Utilities Commission (referred to as "IPUC"), and the Industry Public Facilities Authority (referred to as the "PFA") and the Industry Property and Housing Authority (referred to as the "Housing Authority"). The Successor Agency to the Industry Urban-Development Agency (referred to as the "SA to IUDA") is a fiduciary component unit.

B. Blended Component Units

CRIA was established to develop and finance projects within the City and is governed by a commission of five members. Four members are appointed by the City Council and one member by the Council of the City of La Puente. The City transfers funds to CRIA to fund operations and capital projects. CRIA is represented by Capital Projects and Proprietary funds.

IPUC was established to provide reliable utility service at reasonable rates to the residents and to assist in the promotion and stability for business owners in the City. IPUC manages the Industry Waterworks System and the Industry Electric System; a Board that consists of the council members of the City of Industry governs the IPUC. The IPUC is represented by Proprietary funds.

PFA was established for the purpose of establishing a vehicle to reduce local borrowing costs, accelerate construction, repair and maintenance of needed public capital improvements. The Board consists of all members of the City Council. PFA receives all of its funding from payments received on bonds issued by the City and SA to IUDA which PFA owns. PFA is represented by a Debt Service and Capital Projects fund.

The Housing Authority was established to manage the property and housing rental activity in the City. The Board consists of three members who are appointed by the City Council. The Housing Authority is represented by a Proprietary Fund.

C. Fiduciary Component Unit

The City has elected to become the Successor Agency to the Industry Urban-Development Agency (referred to as the "SA to IUDA"). The City and the Successor Agency have separate Board of Directors. However, individuals serving on the City' Council also serve on the SA to IUDA Board. The SA to IUDA is a component unit of the City that is fiduciary in nature and is reported in the statements of fiduciary net position and changes in fiduciary net position within the City's fiduciary funds.

Complete financial statements of certain individual blended component units may be obtained from the finance department which is located at 15625 East Stafford Street, City of Industry, California 91744.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Financial Statement Presentation, Basis of Accounting and Measurement Focus

The Financial statements presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. Details of the City's accounting policies are as follows:

Government-Wide Financial Statements

The City's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present the Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources including capital assets, infrastructure assets and long term liabilities, are included in the accompanying Statement of Net Position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Amounts reported as program revenues include (1) charges to customers for goods and services provided, (2) operating grants and contributions and (3) capital grants and contributions. All other revenues not reported as program revenues are presented as general revenues.

Certain indirect costs are included in program expenses.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as expenditure.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

Fund financial statements for the primary government are governmental, proprietary, and fiduciary funds, which are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

Governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are considered measurable when the amounts can be estimated, or otherwise determined. Revenues are considered available if they are collected within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred, except for (1) accumulated unpaid vacation and other employee amounts are not accrued and (2) principal and interest on long-term debt are recognized when due.

Property taxes and interest income are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized at that time.

Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Governmental funds are presented using the *"current financial resources"* measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources and committed, assigned, or unassigned amounts are considered to have been spent when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital projects (other than those financed by Proprietary Funds).

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs. On September 26, 2013 pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA to IUDA of the debt service shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the debt service shortfall. The City subsequently assigns, and covenants and agrees to transfer to the PFA and only to the PFA as and when received by the City, all such override revenues for deposit in the revenue fund, to the extent permitted by law, as consideration to PFA for refunding all SA to IUDA debts by the PFA.

The City reports the following non-major governmental funds:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted for expenditures for specified purposes.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Inventories are stated at lower of cost (first-in, first-out method) or market value. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus.

Accordingly, all assets and liabilities (whether current or non-current) associated with their activity are included on their statements of Net Position.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position. The City's proprietary funds include the Industry Hills Expo Center, IPUC, and the Housing Authority. These funds are presented on the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Industry Public Utilities Commission – This fund accounts for activities of providing water and limited electrical services to the public.

Industry Hills Expo Center – This fund accounts for space rentals for events and equestrian activities to the general public.

Industry Property and Housing Authority – This fund accounts for property and housing rental activity.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund Types

Fiduciary fund financial statements are presented using the full-accrual basis of accounting.

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which the principal and income benefits other governments This fund reports the assets, liabilities and activities of the Successor Agency of the Industry Urban-Development Agency.

Agency Funds – Agency Funds are used to account for assets held by the City as an agent for individuals, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The assets, liabilities, and activities of the Assessment District and Deferred Compensation Plan are reported in Agency Funds.

E. Cash and Investments

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

Investments in inactive public deposits, securities and short-term obligations are stated at cost or amortized cost, which approximates fair value.

Cash deposits are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that exceed more than one year in maturity and that are traded on a national exchange are valued at their quoted market price. Certain investments that exceed more than one year in maturity may be valued by pricing models that require inputs to the valuation methodology that include quoted prices of similar assets and certain observable inputs.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas are presented in the footnotes:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

F. Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Applications,* this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate.

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A receivable balance is charged off in the period in which the receivable is deemed uncollectible. Management evaluates uncollectible amounts based on its assessment of the current status of individual accounts.

H. Inventories

Inventories of the Industry Hills Expo Center, an enterprise fund, consist of food and beverages. Inventories of IPUC, an enterprise fund, consist of materials and supplies. The inventories are carried at the lower of cost or market on the first-in, first-out basis of accounting.

I. Prepaid Items

Prepaid items are payments made to vendors for services or insurance premiums that will benefit periods beyond the fiscal year ended.

J. Property Held for Sale or Disposition

Land held for sale or disposition is reported in the governmental fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, nonspendable fund balances are reported in an amount equal to the carrying value of land held for sale because such assets are not available to finance the City's current operations. In the fiduciary fund financial statements, property held for sale or disposition is reported at the lower of cost or net realizable value.

K. Capital Assets and Depreciation

Capital assets, including infrastructure, are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Generally capital asset purchases in excess of $5,000 are capitalized if they have an expected useful life of three years or more. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

If a cost does not extend an asset's useful life, increase its productivity or improve its operating efficiency the cost is regarded as repairs and maintenance and recognized as an expense as incurred; if it does, the cost is regarded as major renewals and betterments and capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government - wide financial statements and in the fund financial statements of the proprietary fund types. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

Building and Improvement	45 years
Equipment	3 - 10 years
Infrastructure	20 - 50 years

L. Unearned Revenue and Unavailable Revenue

Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, unearned revenue reported as liabilities and unavailable revenue reported as deferred inflows of resources are removed from the balance sheet and revenues are recognized.

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Property Taxes

The valuation of property is determined as of March 1st each year and equal installments of taxes levied upon secured property become delinquent on the following 10th of December and April. Taxes on unsecured property are due when billed and become delinquent after August 31th. If taxes are not paid on or before the date and time they become delinquent, a penalty of 10 percent is added. Unsecured property accrues an additional penalty of 1% per month beginning the first day of the third month following the delinquency date.

An initiative Constitutional Amendment, commonly known as the "Jarvis-Gann Initiative", providing for, among other things, certain property tax limitations, was approved as Proposition 13 on the June 6, 1978 statewide election. The principal thrust of Proposition 13 is to limit the amount of ad valorem taxes on real property to one percent of "full cash value", to define "full cash value" as the 1975-76 full cash value, to limit annual increases to two percent and to provide for reassessment after sale, transfer or construction.

N. Bond Issuance Costs and Premiums/Discounts

Bond premiums and discounts in the government-wide and fiduciary funds financial statements are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expense in the period incurred in the statement of changes in net position. In the governmental fund financial statements, governmental funds reports bond premiums and discounts as other financial sources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave (compensated absences). All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide financial statements. Compensated absences are reported in governmental funds only if they matured (i.e., unused reimbursable leave still outstanding following an employee's termination from employment). Typically, the General Fund has been used in prior years to liquidate the liability for compensated absences.

Q. Net Position

Net position in the government-wide and proprietary fund financial statements is classified as following:

<u>Net investment in capital assets</u> – This component of net position consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets, net of unspent debt proceeds.

<u>Restricted</u> – This component of net position consist of assets and deferred outflows of resources, net of any related liabilities and deferred inflows of resources, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations.

<u>Unrestricted</u> – This component of net position consists of amounts that do not meet the definition of net investment in capital assets or restricted net position.

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

R. Fund Balance

In the governmental fund financial statements, fund balances are classified in the following categories:

<u>Nonspendable</u> – items that cannot be spent because they are not in spendable form or items that are legally or contractually required to be maintained intact.

<u>Restricted</u> – restricted fund balances are amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law by constitutional provisions or enabling legislation.

<u>Committed</u> – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the City imposes upon itself at its highest level of decision making authority (the City Council) through resolutions and that remain binding unless removed in the same manner. The City has $548,912,068 of committed fund balances at June 30, 2016.

<u>Assigned</u> – assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The City Council is authorized for this purpose.

<u>Unassigned</u> – this category is for any spendable balances that have not been restricted, committed, or assigned to specific purposes.

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Fund Balance (Continued)

When both restricted and unrestricted resources are available in a fund, expenditures are to be paid first from restricted resources, and then from unrestricted resources in the order of committed, assigned, then unassigned.

S. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

T. New Accounting Standard

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding to the measurement input as discussed in Note 2 of the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No.68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

Note 2 – Cash and Investments

At June 30, 2016, cash and cash investments are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Unrestricted cash and investments:			
Cash	$ 5,507,220	$ 1,172,161	$ 6,679,381
Investments	550,931,243	30,532,524	581,463,767
Restricted cash and investments:			
Cash	-	125,395	125,395
Investment		7,652,309	7,652,309
Investments with fiscal agent	600,889,771	518,719	601,408,490
Investments in IUDA bonds	574,905,000	-	574,905,000
Investments in City bonds	51,460,000	-	51,460,000
Total cash and investments	$ 1,783,693,234	$ 40,001,108	$ 1,823,694,342

At June 30, 2016, cash and investments consisted of the following:

Cash on hand	$ 23,353
Deposits with financial institution	6,781,423
Investments	1,215,481,076
Investments with fiscal agent	601,408,490
Total cash and investments	$ 1,823,694,342

A. Demand Deposits

The carrying amount of the City's cash deposits were $6,781,423 at June 30, 2016. Bank balances before reconciling items were $7,875,498 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The City, however, has not waived the collateralization requirements.

At June 30, 2016, the City and SA to IUDA's deposits exceeded federally insured limits by $5,139,871 and $799,521, respectively; however, such amounts are secured by the financial institutions that hold such deposits for the City and SA to IUDA.

Note 2 – Cash and Investments (Continued)

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

Under provision of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government
- U.S. government sponsored enterprise securities
- Bankers Acceptance
- Commercial paper rated A-1 by Standard & Poor's Corporation or Moody's Investor Service
- California Local Agency Investment Fund ("LAIF")
- Repurchase agreements
- Inactive public deposits
- Los Angeles County Investment Pool
- Savings accounts

The City's Investment Policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration risk other than those specified in the California Government Code.

C. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity (in months)	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. government sponsored enterprise securities	None	None	None
Money market funds	None	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Banker's acceptances	18	None	None
U.S. corporate bonds/notes	None	None	None
Municipal bonds	None	None	None
Non-investment grade bonds	None	10%	None
Exchange traded funds	None	None	None
Mortgage-backed securities	None	None	None
Investment contracts	None	None	None
LAIF	None	None	None
Foreign government bonds	None	None	None
Foreign corporate bonds/notes	None	None	None

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2016, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

	Measurement Input				
Investment Type	Level 1	Level 2	Level 3	N/A	Total
Investments - unrestricted:					
Commercial paper	$ -	$ 27,867,631	$ -	$ -	$ 27,867,631
Federal home loan notes	-	14,009,736	-	-	14,009,736
Treasury notes	453,837,194		-	-	453,837,194
LAIF	-	85,749,206	-	-	85,749,206
Investment - restricted:					
Money market funds	-	-	-	7,652,309	7,652,309
Investment held by fiscal agent:					
Treasury obligations money market funds	-	-	-	308,210,810	308,210,810
Money market funds	-	-	-	27,254,839	27,254,839
U.S. government sponsored enterprise mortgage backed securities	-	137,770,154	-	-	137,770,154
Corporate mortgage backed securities		10,944,589	-	-	10,944,589
Corporate asset backed securities	-	10,028,830	-	-	10,028,830
Foreign issued bonds/notes	-	42,722,245	-	-	42,722,245
Municipal bonds	-	2,927,884	-	-	2,927,884
Corporate bonds/notes	-	61,549,139	-	-	61,549,139
Investment in SA to IUDA bonds	-	-	-	574,905,000	574,905,000
Investment in City bonds	-	-	-	51,460,000	51,460,000
Total	$ 453,837,194	$ 393,569,414	$ -	$ 969,482,958	$ 1,816,889,566

E. Risk Disclosures

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure by the counterparty, the City will not be able recover the value of its investments or collateral security that are in the possession of an outside party. Under section 53652 of the California Government Code, it is required that the depository secure active or inactive deposits with eligible securities having a fair market value of at least 10% in excess of the total amount of all deposits. As of June 30, 2016, the financial institutions that hold collateral for the City of Industry had satisfied this requirement.

Interest Rate Risk

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

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Interest Rate Risk (Continue)

Investment Type	Amounts	Weighted Avergae Maturity (in month)
Investments - unrestricted:		
Commercial paper	$ 27,867,631	2.3
Federal home loan bank notes	14,009,736	5.1
Treasury obligations	453,837,194	4.6
LAIF	85,749,206	7.1
Investment - restricted:		
Money market funds	7,652,309	N/A
Investment held by fiscal agent:		
Treasury obligations money market funds	308,210,810	46.3
Money market funds	27,254,839	N/A
U.S. government sponsored enterprise mortgage backed securities	137,770,154	96.3
Corporate mortgage backed securities	10,944,589	20.9
Corporate asset backed securities	10,028,830	129.5
Foreign issued bonds/notes	42,722,245	85.8
Municipal bonds	2,927,884	59.8
Corporate bonds/notes	61,549,139	96.02
Investment in SA to IUDA bonds	574,905,000	55.5
Investment in City bonds	51,460,000	26.8
	$ 1,816,889,566	

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization. Presented below is the minimum rating required by Section 53601 and Section 53635 of the California Government Code, Section 33603 of the Health and Safety Code, the City and its component unit's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Aaa/P-1	AA/Aa - A/A	BBB/Baa - B/B	CCC/Caa - C/C	Not Rated
Investments - unrestricted:							
Commercial paper	$ 27,867,631	A	$ 27,867,631	$ -	$ -	$ -	$ -
Federal home loan notes	14,009,736	None	14,009,736	-	-	-	-
Treasury notes	453,837,194	None	453,837,194	-	-	-	-
LAIF	85,749,206	None	-	-	-	-	85,749,206
Investment - restricted:							
Money market funds	7,652,309	Aaa/P-1	7,652,309	-	-	-	-
Investment held by fiscal agent:							
Treasury obligations money market funds	308,210,810	None	308,210,810	-	-	-	-
Money market funds	27,254,839	None	12,443,599	-	-	-	14,811,240
U.S. government sponsored enterprise mortgage backed securities	137,770,154	None	137,770,154	-	-	-	-
Corporate mortgage backed securities	10,944,589	None	1,200,576	6,738,744	2,840,868	164,401	-
Corporate asset backed securities	10,028,830	None	751,298	4,471,130	4,806,402	-	-
Foreign issued bonds/notes	42,722,245	None	-	30,064,554	12,657,691	-	-
Municipal bonds	2,927,884	None	-	2,927,884	-	-	-
Corporate bonds/notes	61,549,139	None	-	16,507,916	44,702,122	339,101	-
Investment in SA to IUDA bonds	574,905,000	None	-	574,905,000	-	-	-
Investment in City bonds	51,460,000	None	-	-	-	-	51,460,000
Total	$ 1,816,889,566		$ 963,743,307	$ 635,615,228	$ 65,007,083	$ 503,502	$ 152,020,446

Concentration of Credit Risk

The investment policy of the City and its component units contain no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The investments subjected to 5% concentration credit risk disclosure and represent 5% or more of the total investments of the City are IUDA bonds.

Note 2 – Cash and Investments (Continued)

F. State of California Local Agency Investment Fund

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

<u>Structured Notes</u> are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

<u>Asset-Backed Securities</u>, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had $85,749,206 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2016.

G. Investment in IUDA Bonds and City Bonds

As of June 30, 2016, the PFA has investments in IUDA bonds in the amounts totaled to $574,905,000 and City's 2015B Senior Sales Tax Revenue Refunding Bonds in amounts totaled to $51,460,000. The City intends to hold the investments until the maturity date. As a result, these investments are reported at the cost, instead of fair value.

Note 3 –Accrued Interest and Other Receivables

As of June 30, 2016, accrued interest and other receivables consist of the following:

	General Fund	Capital Projects Fund	Debt Service Funds	Total
City of Industry				
Accrued interest receivable	$ 1,828,342	$ 1,130	$ 5,541	$ 1,835,013
Sales tax receivable	9,695,156	-	-	9,695,156
Property tax receivable	156,554	-	-	156,554
Medical premium reimbursement	791,032	-	-	791,032
LACMTA	491,733	-	-	491,733
Other	1,031,142	-	676,970	1,708,112
Industry Public Facilities Authority				
Accrued interest receivable:				
Successor Agency bonds	-	-	21,968,387	21,968,387
City bonds	-	-	2,150,000	2,150,000
	$ 13,993,959	$ 1,130	$ 24,800,898	$ 38,795,987

Note 4 – Notes Receivable

As of June 30, 2016, notes receivable consist of the following:

	Governmental Activities	Fiduciary Fund
Notes receivable:		
City of La Puente	$ 843,148	$ -
Developer notes receivable - construction loans	-	11,203,387
Developer notes receivable - Nissan	-	4,258,605
Total notes receivable	$ 843,148	$ 15,461,992

A. City of La Puente Loan

In October 2015, The City entered into an agreement with the City of La Puente to mitigate of noise, traffic and railroad impact and for other public purposes. As part of the agreement, the City of Industry agreed to lend The City of La Puente, and La Puente agreed to borrow and repay to Industry, the loan in the amount of $5,952,908 for La Puente to use in constructing a sound wall along the north side of Valley Boulevard and the railroad tracks on the south side of Valley Boulevard along with other public improvements. The agreement was revised subsequently. Instead of lending the City of La Puente the entire $5,952,908 in advance for the project, the City will pay for the project costs and be reimbursed by the City of La Puente. The loan bears an annual interest of 0.33%. At June 30, 2016, outstanding balance of the loan was in the amount of $843,148.

B. Developer Notes Receivable - Construction Loan

In June 2000, IUDA entered into an agreement with a Developer to redevelop certain real property located within the City, Redevelopment Plan for Project Area No. 1. As part of the agreement, the Developer purchased the land from IUDA for $12,900,000. In order to finance construction costs, IUDA has provided the Developer with construction loans totaling $14,703,280. The promissory notes for the construction loans and land purchase is secured by a deed of trust and is payable in equal installments over 20 years including principal and interest at a rate of 4% per annum and consisted of the following:

	Outstanding Balance at June 30, 2016	Principal Amounts due within one year	Principal Amounts due in more than one year
Due June 2022, payable in monthly payments of $78,171 including interest at 4.00% per annum beginning July 2002	$ 5,235,745	$ 751,882	$ 4,483,863
Due June 2022, payable in monthly payments of $68,658 inlcuding interest at 4.00% per annum beginning July 2002	4,464,587	641,140	3,823,447
Due June 2022, payable in monthly payments of $22,441 including interest at 4.00% per annum beginning July 2002	1,503,055	215,847	1,287,208
Totals	$ 11,203,387	$ 1,608,869	$ 9,594,518

Note 4 – Notes Receivable (Continued)

B. Developer Notes Receivable - Construction Loan (Continued)

Total interest received on these loans during the year ended June 30, 2016, amounted to $471,438.

C. Developer Notes Receivable – Nissan Auto Mall

In May 2010, IUDA entered into an agreement with a Developer to redevelop certain real property located within the City of Industry, Redevelopment Plan for Project Area No. 1. In order to finance the property acquisition, IUDA provided the Developer with a loan of $4,500,000, of which $4,258,598 was outstanding as of June 30, 2016.

	Outstanding Balance at June 30, 2016	Principal Amounts due within one year	Principal Amounts due in more than one year
Due May 2022, payable in monthly payments of $25,069 and a final balloon payment of $3,427,959 inlcuding interest at 4.00% per annum beginning May 2012	$ 4,258,605	$ 132,906	$ 4,125,699

Total interest received on this loan during the year ended June 30, 2016, amounted to $173,128.

Note 5 – Industry Convalescent Hospital

During 1992, the City Council passed a resolution stating that periodic advances made to Industry Convalescent Hospital dba El Encanto Healthcare and habilitation Center in the past, as well as currently, will be treated as loans. The note is payable on demand with simple interest at 6% per annum on the unpaid balance. As of June 30, 2016 the unpaid note balance amounted to $20,060,000 and accrued interest amounted to $20,953,840. As the collectability of this note and accrued interest is uncertain, the loan amounts have been shown as General Fund expenditures in the financial statements; and the City will recognize the collections on the note receivable as revenue as the amounts are collected.

The Hospital leases property from SA to IUDA for $1 a year, which is renewed annually, and at the time of renewal the lease may be terminated or the lease payment renegotiated by SA to IUDA. During the year ended June 30, 2016, the City incurred expenses on behalf of the Hospital totaling $325,625 relating to contract labor, security and repairs and maintenance and capital asset additions.

Note 6 – Prepaid Items

As of June 30, 2016, prepaid items consist of the following:

			Governmental Fund			Enterprise Fund
	Governmental Activities	Business-type Activities	General Fund	Debt Service Fund	Total	IPUC Fund
Prepaid bond insurance	$ 12,999,110	$ -	$ -	$ 11,279,810	$ 11,279,810	$ -
Prepaid escrow deposits	-	-	1,719,300	-	1,719,300	-
Other prepaid items	518,669	1,005,763	518,669	-	518,669	1,005,763
	$ 13,517,779	$ 1,005,763	$ 2,237,969	$ 11,279,810	$ 13,517,779	$ 1,005,763

Note 7 – Deposits Held by City of Industry Public Facilities Authority Bond Trustee for Debt Services

During the year ended June 30, 2016, the tax Override Debt Service Fund received $46,083,329 tax override revenues. In compliance with the PFA's 2015 bond indenture, the Tax Override Debt Services Fund deposited the tax override revenue received with the PFA's bond Trustee for debt service payments due in the year ending June 30, 2017. At June 30, 2016, deposit held by PFA bond trustee for debt services received from the Tax Override debt Services Fund totaled to $45,671,596. In addition, the SA to IUDA provided the remaining funds needed to be deposited with the PFA's bond trustee in the amount of $55,906,358. At June 30, 2016, total bond deposits received by PFA was in the amount of $101,577,954.

Note 8 – Interfund Transactions

All interfund assets, liabilities, fund equity, revenues, expenditures and operating transfers have been eliminated in the Statement of Net Position and the Statement of Activities.

A. Due to /from Other Funds

Due to/from other funds consisted of the following at June 30, 2016:

	Due from Other Funds		
	Governmental Fund	**Proprietary Fund**	
Due to Other Funds	General Fund	IPUC Enterprise Fund	Total
Governmental Funds:			
General Fund	$ -	$ 115,296	$ 115,296
Debt Service Funds	4,689,810	-	4,689,810
Other Governmental Funds	7,595	-	7,595
Proprietary Funds:			
IPUC Enterprise Fund	500,000	-	500,000
Fiduciary Fund	56,219	-	56,219
Totals	$ 5,253,624	$ 115,296	$ 5,368,920

Note 8 – Interfund Transactions (Continued)

A. Due to /from Other Funds (Continued)

The majority of the interfund balances were a result of routine interfund transactions due for reimbursement of expenditures. Debt Service Funds borrowed $4,689,810 from General Fund to make debt payments due to timing difference in receiving sales tax revenue and deposit with trustee. IPUC Enterprise Fund (Electric) also made short-term borrowing in the amount $500,000 from General Fund to finance its operations.

B. Advances to/from Other Funds

Advances to/from other funds consisted of the following at June 30, 2016:

	Advance to Other Funds
	Governmental Fund
Advance from Other Funds	General Fund
Governmental Fund:	
Debt Service Fund	$ 53,610,000
Totals	$ 53,610,000

On December 1, 2015, the PFA entered into loan agreement with the City to borrow $51,460,000 for the purchase of City of Industry Subordinate Sales Tax Revenue Bonds, Series 2015B (Taxable). The loan bears interest rages from 2.75% to 7.75% annually, due February 1 and August 1 each year. The principal payments are due on February 1 each year and range from $485,000 to $3,905,000.

As of June 30, 2016, total outstanding balance was in the amount of $53,610,000, which included principal in the amount of $51,460,000 and accrued interest in the amount of $2,150,000. Interest revenue for the City and interest expense for the PFA in the amount of $2,150,000 is eliminated in the Statement of Activities.

The repayment schedule for the advances is as following:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 4,316,660	$ 4,316,660
2018	485,000	3,717,698	4,202,698
2019	505,000	3,704,360	4,209,360
2020	520,000	3,687,948	4,207,948
2021	540,000	3,668,448	4,208,448
2022-2026	3,085,000	17,947,964	21,032,964
2027-2031	4,050,000	16,982,288	21,032,288
2032-2036	5,655,000	15,376,316	21,031,316
2037-2041	8,065,000	12,967,064	21,032,064
2042-2046	11,640,000	9,394,550	21,034,550
2047-2051	16,915,000	4,127,650	21,042,650
Total	$ 51,460,000	$ 95,890,946	$ 147,350,946

Note 8 – Interfund Transaction (Continued)

C. Site Lease Prepayment

In March 2010, the PFA made the site lease prepayment to the City in the amount of $7,462,875. The lease revenues for the City and lease expenditures for the PFA are to be recognized over the life of the lease. As of June 30, 2016, the remaining site lease prepayment to be amortized was in the amount of $ 5,224,012. See Note 11D for more information.

Lease revenue/expenditures paid from PFA to City on site lease prepayment between PFA and City was in the amount of $373,144 for the year ended June 30, 2016 Lease revenue/expenditures paid from City to PFA on lease-back between PFA and City was in the amount of $937,588 for the year ended June 30, 2016.

D. Transfers

Transfers in/out for the year ended June 30, 2016 is as following:

	Transfers In					
	Governmental Funds				Proprietary Fund	
Transfers Out	General Fund	Capital Projects Fund	Debt Service Funds	Other Governmental Funds	Expo Center Enterprise Fund	Total
Governmental Funds:						
General Fund	$ -	$ 3,682,502	$ 23,017,314	$ 920,080	$ -	$ 27,619,896
Capital Projects Fund	1,732,887	-	-	-	-	1,732,887
Debt Service Funds	490,336,655	250,699,071	-	-	-	741,035,726
Other Governmental Funds	108,217	-	-	-	582,000	690,217
Proprietary Funds:						
IPUC Enterprise Fund	11,962	-	-	-	-	11,962
Total transfers	$ 492,189,721	$ 254,381,573	$ 23,017,314	$ 920,080	$ 582,000	$ 771,090,688

General Fund made the following transfers:

- To the Capital Projects Fund in the amount of $3,682,502 for funding of the City's capital expenditures and project costs.
- $22,986,643 of the $23,017,314 transferred to Debt Service Funds was to transfer sales tax revenue to make sales tax revenue bond payments.
- $918,268 of the $920,080 transferred to other governmental funds was to subsidize the operation of the Civic-Recreational-Industrial Authority Capital Projects Fund.

Transfer from Capital Projects Fund to General Fund in the amount of $1,732,887 is mainly to reclassify expenditures incurred related to Lemon Project and City of La Puente Valley Blvd Sound Wall Projects.

Debt Service Fund made the following transfers:

- To the General Fund in the amount of $490,336,655 to transfer the proceeds from redemption of the investment in IUDA bonds.
- To the Capital Projects Fund in the amount of $250,699,071 to transfer remaining proceeds from issuance of 2015 Sales Tax Revenue Refunding Bonds, Series A and 2015 Sales Tax Revenue Bonds, Series B, to fund capital project in accordance with the bond indenture.

Transfer from other governmental fund (Civic-Recreational-Industrial Authority Capital Projects Fund) to Expo Center Enterprise Fund is to help the operation of the Expo Center.

Note 8 – Interfund Transactions (Continued)

E. Transfers to Successor Agency to Industry Urban Development Agency

The City Debt Service Fund transferred a net amount of $9,463,321 to the SA to IUDA during the year ended June 30, 2016 relates to the issuance of 2015 Tax Allocation Revenue Refunding Bonds Series 2015 A and B.

Note 9 – Capital Assets

A. Governmental Activities

Summary of changes in capital asset activity for the year ended June 30, 2016 is as follows:

Capital Assets	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
Primary Government					
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 51,335,846	$ 8,699,300	$ -	$ -	$ 60,035,146
Construction in progress	8,538,798	1,634,925		(3,145,320)	7,028,403
Total capital assets, not being depreciated	59,874,644	10,334,225	-	(3,145,320)	67,063,549
Capital assets, being depreciated					
Buildings and improvements	$ 118,220,676		$ (13,421)	$ 191,678	118,398,933
Machinery and equipment	1,916,190	-			1,916,190
Furniture and fixture	4,461,943	-			4,461,943
Infrastructure	141,980,260	-	(3,537,973)	2,953,642	141,395,929
Total capital assets, being depreciated	266,579,069	-	(3,551,394)	3,145,320	266,172,995
Less accumulated depreciation					
Buildings and improvements	(56,146,888)	(2,558,439)	$ -	-	(58,705,327)
Machinery and equipment	(1,464,195)	(173,381)	-	-	(1,637,576)
Furniture and fixture	(3,445,317)	(286,658)	-	-	(3,731,975)
Infrastructure	(58,656,612)	(3,711,315)	3,105,087	-	(59,262,840)
Total accumulated depreciation	(119,713,012)	(6,729,793)	3,105,087	-	(123,337,718)
Total capital assets, being depreciated, net	146,866,057	(6,729,793)	(446,307)	3,145,320	142,835,277
Total Governmental activities	$ 206,740,701	$ 3,604,432	$ (446,307)	$ -	$ 209,898,826

Depreciation expense was charged to the primary government in the governmental activities in the amount of $6,729,793 to the following function:

General government	$ 566,822
Support services	1,613,806
Community development	112,107
Community services	685,890
Public safety	1,679,093
Public works	2,072,075
Total depreciation expense	$ 6,729,793

Note 9 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital asset activity for the year ended June 30, 2016 is as follows:

Capital Assets	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Business-type activities:					
Capital assets not being depreciated					
Land	$ 6,764,880	$ -	$ -	$ -	$ 6,764,880
Water rights	441,200	-	-	-	441,200
Source of supply-Water	441,687	-	-	-	441,687
Construction in Progress	270,468	390,123		(656,042)	4,549
Total capital assets, not being depreciated	7,918,235	390,123	-	(656,042)	7,652,316
Capital assets being depreciated					
Buildings and improvements	53,785,327	-	-	656,042	54,441,369
Equipment, furniture and fixtures	1,288,657	-	-	-	1,288,657
Infrastructure	294,622	-	-	-	294,622
Source of supply-Electric	4,053,806	-	-	-	4,053,806
Total capital assets, being depreciated	59,422,412	-	-	656,042	60,078,454
Less: accumulated depreciation					
Buildings and improvements	(16,403,977)	(1,426,353)	-	-	(17,830,330)
Equipment,furniture and fixture	(16,181,595)	(52,349)	-	-	(16,233,944)
Source of supply-Electric	(1,092,757)	(92,753)	-	-	(1,185,510)
Total accumulated depreciation	(33,678,329)	(1,571,455)	-	-	(35,249,784)
Total capital assets being depreciated, net	25,744,083	(1,571,455)	-	656,042	24,828,670
Total Business-type activities	$ 33,662,318	$ (1,181,332)	$ -	$ -	$ 32,480,986

Depreciation expenses for business activities in the amount of $1,571,455 were charged to the activities:

IPUC:	
Water	$ 628,271
Electric	92,753
CRIA Expo Center	751,277
IPHMA	99,154
Total depreciation expense	$ 1,571,455

Note 9 – Capital Assets (Continued)

C. Property Held for Sale or Disposition of the Private-Purpose Trust Fund

Property Held for Sale or Disposition	Balance July 1, 2015	Additions	Retirement	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 174,143,801	$ -	$ (17,060,000)	$ 157,083,801
Construction in progress	100,419,700	27,222,048	-	127,641,748
Total capital assets not being depreciated	274,563,501	27,222,048	(17,060,000)	284,725,549
Capital assets being depreciated				
Infrastructure	187,616,550	-	-	187,616,550
Buildings and improvements	15,221,946	-	-	15,221,946
Furniture and fixtures	676,222	-	-	676,222
Vehicles	33,312	-	-	33,312
Total capital assets being depreciated	203,548,030	-	-	203,548,030
Less: accumulated depreciation	(25,794,406)	-	-	(25,794,406)
Total capital assets being depreciated, net	177,753,624	-	-	177,753,624
Capital assets, net	$ 452,317,125	$ 27,222,048	$ (17,060,000)	$ 462,479,173

During the year ended June 30, 2016, the SA to IUDA sold thirteen properties for $33,143,654 and recognized a gain of $16,083,654.

Note 10 – Unearned Revenue from Reclaimed Water Sales

The City purchases 10,000 acres feet of reclaimed water from LA County Sanitation District annually. The City also entered into separate joint use and development agreements with the Rowland Water District ("RWD") and the Upper San Gabriel Valley Water District ("SGVWD"). The purpose of the agreements is to sell 3,400 and 2,500 acre feet of reclaimed water to RWD and SGVWD, respectively. Under the agreements, RWD and SGVWD had the option to pay their allocated shares of cost in advance or over 20 years. On July 15, 2009, RWD paid its allocated share of cost in advance in the amount of $5,958,516. Subsequently, SGVWD also paid its allocable share of cost in advance in the amount of $4,280,345 on November 10, 2012. Both advances are to be amortized and recognized as revenue over 20 years. At June 30, 2016 total unearned revenue from the sale of reclaimed water to RWD and SGVWD was in the amount of $7,297,311.

Note 11 – Long-Term Liabilities

Summary of Changes in the Governmental Activities long-term liabilities for the year ended June 30, 2016 is as following:

	Balance July 1, 2015	Additions	Deletions	Defeased	Balance June 30, 2016	Due within one year	Due in more than one year
Governmental activities:							
Bonds payable:							
City of Industry:							
General obligation bonds	$ 115,425,000	-	$ (10,485,000)	$ -	$ 104,940,000	$ 10,865,000	$ 94,075,000
Sales tax revenue bonds	167,000,000	388,030,000	(2,095,000)	(130,335,000)	422,600,000	2,815,000	419,785,000
Public Facilities Authority:							
Tax allocation bonds	82,855,000	574,905,000	(82,855,000)	-	574,905,000	47,815,000	527,090,000
Lease revenue bonds	4,980,000	-	(750,000)	-	4,230,000	780,000	3,450,000
Subtotal	370,260,000	962,935,000	(96,185,000)	(130,335,000)	1,106,675,000	62,275,000	1,044,400,000
Deferred amounts:							
Unamortized premium/discounts	2,881,497	(6,301,710)	(685,546)	284,036	(3,821,723)	583,375	(4,405,098)
Total bonds payable	373,141,497	956,633,290	(96,870,546)	(130,050,964)	1,102,853,277	62,858,375	1,039,994,902
Net Pension liability	4,782,916	3,873,198	(2,319,658)	-	6,336,456	-	6,336,456
Compensated absences	142,842	-	(31,702)	-	111,140	-	111,140
Total long-term liabilities	$ 378,067,255	$ 960,506,488	$ (99,221,906)	$ (130,050,964)	$ 1,109,300,873	$ 62,858,375	$ 1,046,442,498

A. *City of Industry General Obligation Bonds*

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
General obligation bonds:					
2009 GO Refunding Bonds, Series A	$ 20,765,000	$ -	$ (3,805,000)	$ 16,960,000	$ 3,955,000
2009 GO Refunding Bonds, Series B	30,525,000	-	(4,580,000)	25,945,000	4,755,000
2010 GO Refunding Bonds	35,150,000	-	(2,100,000)	33,050,000	2,155,000
2014 GO Refunding Bonds	28,985,000	-	-	28,985,000	-
Total general obligation bonds	$ 115,425,000	$ -	$ (10,485,000)	$ 104,940,000	$ 10,865,000

2009 General Obligation Refunding Bonds, Series A

In May 2009, the City issued $37,860,000 of General Obligation Refunding Bonds (the "2009 GO Refunding Bonds, Series A"). Proceeds from the 2009 GO Refunding Bonds, Series A, along with other funds, were used to refund the $61,935,000 City General Obligation Refunding Bonds, Issue of 2001. In addition to the funds received, the City used approximately $4,000,000 from other funds to fund the redemption of the 2001 bonds.

Principal ranges from $3,955,000 to $4,545,000 maturing annually through July 1, 2019. The bonds bear interests at rates rage from 2.930% to 3.800%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 3,955,000	$ 732,937	$ 4,687,937
2018	4,130,000	544,031	4,674,031
2019	4,330,000	335,500	4,665,500
2020	4,545,000	113,625	4,658,625
	$ 16,960,000	$ 1,726,093	$ 18,686,093

Note 11 – Long-Term Liabilities (Continued)

A. City of Industry General Obligation Bonds (Continued)

2009 General Obligation Refunding Bonds, Series B

On July 30, 2009, the City issued $50,975,000 of General Obligation Refunding Bonds, Series B (the "2009 GO Refunding Bonds, Series B"). Proceeds from the 2009 GO Refunding Bonds, Series B were used to refund the $72,490,000 of Public Works Capital Improvement General Obligation Refunding Bonds, Issue of 2003.

Principal ranges from $4,755,000 to $5,640,000 maturing annually through July 1, 2020. The bonds bear interests at rates rage from 4.250% to 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 4,755,000	$ 1,031,851	$ 5,786,851
2018	4,975,000	819,713	5,794,713
2019	5,180,000	610,400	5,790,400
2020	5,395,000	379,250	5,774,250
2021	5,640,000	127,800	5,767,800
	$ 25,945,000	$ 2,969,014	$ 28,914,014

2010 General Obligation Refunding Bonds

On August 31, 2010, the City issued $43,340,000 of General Obligation Refunding Bonds (the "2010 GO Refunding Bonds"). Proceeds from the 2010 GO Refunding Bonds were used to refund the $27,245,000 2004 GO Refunding Bonds, Series A, and the $29,015,000 2004 GO Refunding Bonds, Series B. The bonds were fully redeemed in full on September 17, 2010.

Principal ranges from $1,550,000 to $3,240,000 maturing annually through July 1, 2029. The bonds bear interests at rates rage from 4.000% to 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,155,000	$ 1,462,150	$ 3,617,150
2018	2,240,000	1,374,250	3,614,250
2019	2,330,000	1,282,850	3,612,850
2020	2,430,000	1,175,500	3,605,500
2021	2,550,000	1,051,000	3,601,000
2022-2026	14,750,000	3,211,550	17,961,550
2027-2030	6,595,000	563,403	7,158,403
	$ 33,050,000	$ 10,120,703	$ 43,170,703

Note 11 – Long - Term Liabilities (Continued)

A. City of Industry General Obligation Bonds (Continued)

<u>2014 General Obligation Refunding Bonds</u>

In May 2014, the City issued $28,985,000 of General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Refunding Bonds"). Proceeds from the 2014 GO Refunding Bonds, along with other funds, were used to refund the $35,000,000 Taxable General Obligation Bonds, Issue of 2002. In addition to the funds received, the City used approximately $1,764,000 from other funds to fund the redemption of the 2002 bonds.

Principal ranges from $4,470,000 to $6,395,000 maturing annually through July 1, 2024. The bonds bear interests at rates rage from 2.500% to 3.125%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 832,964	$ 832,964
2018	-	832,964	832,964
2019	-	832,964	832,964
2020	-	832,964	832,964
2021	4,470,000	777,089	5,247,089
2022-2025	24,515,000	1,506,243	26,021,243
	$ 28,985,000	$ 5,615,188	$ 34,600,188

All the general obligation bonds are secured by property taxes received by the City. The general obligation bonds will be paid off through the fiscal year ending 2030. Principal and interest payments outstanding at June 30, 2016 on the bonds amounted to $125,370,998. Annual principal and interest payments on the general obligation bonds are expected to require 24% of the property taxes. For the year ended June 30, 2016, total monies received to pay for these bonds amounted to $61,321,368. Principal and interest paid on the bonds during the year ended June 30, 2016 amounted to $14,979,334.

B. City of Industry Sales Tax Revenue Bonds

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Sales tax revenue bonds:					
2005 Sales Tax Revenue Bonds	$ 72,735,000	$ -	$ (72,735,000)	$ -	$ -
2008 Sales Tax Revenue Bonds	57,600,000	-	(57,600,000)	-	-
2010 Sales Tax Revenue Bonds	36,665,000	-	(2,095,000)	34,570,000	2,215,000
2015 Sales Tax Revenue Refunding Bonds, Series A	-	336,570,000	-	336,570,000	600,000
2015 Sales Tax Revenue Bonds, Series B	-	51,460,000	-	51,460,000	-
Total sales tax revenue bonds	$ 167,000,000	$ 388,030,000	$ (132,430,000)	$ 422,600,000	$ 2,815,000

Note 11 – Long - Term Liabilities (Continued)

B. City of Industry Sales Tax Revenue Bonds (Continued)

2005 Taxable Sales Tax Revenue Bonds

In April 2005, the City issued $113,420,000 of Taxable Sales Tax Revenue Bonds. The net proceeds of approximately $102,200,000 from the issuance were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA or its successor is then obligated to repay these loans through available tax increment revenues.

Principal ranges from $5,055,000 to $8,485,000 maturing annually through January 1, 2026. The bonds bear interests at rates rage from 5.100% to 5.500%, due semiannually on January 1 and July 1. The 2005 Sales Tax Revenue Bonds were current refunded by 2015 Sales Tax Revenue Refunding Bonds, Series A, during the year ended June 30, 2016.

2008 Taxable Sales Tax Revenue Bonds

During April 2008, the City issued $77,540,000 of Taxable Sales Tax Revenue Bonds. The net proceeds of approximately $69,900,000 from the issuance were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA or its successor is then obligated to repay these loans through available tax increment revenues.

Principal ranges from $3,770,000 to $6,095,000 maturing annually through January 1, 2027. The bonds bear interests at rates rage from 4.000% to 5.250%, due semiannually on January 1 and July 1. The 2008 Sales Tax Revenue Bonds were current refunded by 2015 Sales Tax Revenue Refunding Bonds, Series A, during the year ended June 30, 2016.

2010 Taxable Sales Tax Revenue Bonds

During April 2010, the City issued $45,380,000 of Taxable Sales Tax Revenue Bonds. Proceeds of approximately $39,725,000 were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA or its successor is then obligated to repay these loans through available tax increment revenues. The remaining proceeds of approximately $4,500,000 were deposited into a reserve account. Refer to IUDA's 2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable) for settlement of the loan.

Principal ranges from $2,095,000 to $4,385,000 maturing annually through January 1, 2027. The bonds bear interests at rates rage from 2.500% to 3.125%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,215,000	$ 2,524,020	$ 4,739,020
2018	2,345,000	2,391,120	4,736,120
2019	2,495,000	2,242,212	4,737,212
2020	2,660,000	2,077,542	4,737,542
2021	2,840,000	1,897,992	4,737,992
2022-2026	17,630,000	6,063,088	23,693,088
2027	4,385,000	350,800	4,735,800
	$ 34,570,000	$ 17,546,774	$ 52,116,774

Note 11 – Long - Term Liabilities (Continued)

B. City of Industry Sales Tax Revenue Bonds (Continued)

2015 Taxable Sales Tax Revenue Refunding Bonds, Series A

On December 3, 2015, the City issued $336,570,000 Senior Sales Tax Revenue Refunding Bonds, Series A (Taxable) to 1) refund its 2005 and 2008 Sales Tax Revenue Bonds, 2) to finance certain improvements and expenditures of the City, 3) purchase a surety for the reserve fund for the bonds, 4) purchase a municipal bond insurance policy for the bonds, and 5) pay certain costs of issuance of the bonds.

The refunding was structured to combine the refunding and new money component. As a result, there is no savings in aggregate debt service payments due to the final maturity was extended from 2027 to 2051. However, the refunding resulted in economic gain in the amount of $3,884,174.

Principal ranges from $600,000 to $21,875,000 maturing annually through January 1, 2051. The bonds bear interests at rates rage from 1.460% to 5.125%, due semiannually on January 1 and July 1.

Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 600,000	$ 17,656,645	$ 18,256,645
2018	1,890,000	16,373,695	18,263,695
2019	1,920,000	16,338,162	18,258,162
2020	1,960,000	16,297,363	18,257,363
2021	2,010,000	16,248,362	18,258,362
2022-2026	11,010,000	80,287,513	91,297,513
2027-2031	33,340,000	76,909,606	110,249,606
2032-2036	47,140,000	67,851,313	114,991,313
2037-2041	60,195,000	54,792,400	114,987,400
2042-2046	77,285,000	37,703,600	114,988,600
2047-2051	99,220,000	15,762,962	114,982,962
	$ 336,570,000	$ 416,221,621	$ 752,791,621

2015 Taxable Sales Tax Revenue Refunding Bonds, Series B

On December 3, 2015, the City issued $51,460,000 Subordinate Sales Tax Revenue Bonds, Series 2015B (Taxable) to finance working capital expenditures and/or project costs.

Principal ranges from $485,000 to $3,905,000 maturing annually through February 1, 2051. The bonds bear interests at rates rage from 2.750% to 7.750%, due semiannually on January 1 and July 1.

Note 11 – Long - Term Liabilities (Continued)

B. City of Industry Sales Tax Revenue Bonds (Continued)

2015 Taxable Sales Tax Revenue Refunding Bonds, Series B (Continued)

Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 4,316,660	$ 4,316,660
2018	485,000	3,717,698	4,202,698
2019	505,000	3,704,360	4,209,360
2020	520,000	3,687,948	4,207,948
2021	540,000	3,668,448	4,208,448
2022-2026	3,085,000	17,947,964	21,032,964
2027-2031	4,050,000	16,982,288	21,032,288
2032-2036	5,655,000	15,376,316	21,031,316
2037-2041	8,065,000	12,967,064	21,032,064
2042-2046	11,640,000	9,394,550	21,034,550
2047-2051	16,915,000	4,127,650	21,042,650
Total	$ 51,460,000	$ 95,890,946	$ 147,350,946

The sales tax revenue bonds are secured by sales tax revenues received by the City until the bonds are paid off in fiscal year 2051. Principal and interest payments outstanding at June 30, 2016 on the bonds amounted to $952,259,341. Annual principal and interest payments on the sales tax revenue bonds are expected to require 25% of the sales tax revenues. For the year ended June 30, 2016, total sales tax revenues received to pay for these bonds amounted to $31,545,596. Principal and interest paid on the bonds during the year ended June 30, 2016 amounted to $8,003,479.

Note 11 – Long - Term Liabilities (Continued)

C. Public Facilities Authority Tax Allocation Revenue Bonds

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Tax allocation revenue bonds:					
2007 Tax Allocation Revenue Bonds	$ 82,855,000	$ -	$ (82,855,000)	$ -	$ -
2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1)	-	239,525,000	-	239,525,000	32,000,000
2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 2)	-	7,140,000	-	7,140,000	495,000
2015 Tax Allocation Revenue Refunding Bonds, Series B (Project No. 2)	-	249,770,000	-	249,770,000	10,245,000
2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A (Project No. 2)	-	33,815,000	-	33,815,000	1,975,000
2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 3)	-	7,230,000	-	7,230,000	505,000
2015 Tax Allocation Revenue Refunding Bonds, Series B (Project No. 3)		37,425,000	-	37,425,000	2,595,000
Total tax allocation revenue bonds	$ 82,855,000	$ 574,905,000	$ (82,855,000)	$ 574,905,000	$ 47,815,000

<u>2007 Tax Allocation Revenue Bonds</u>

On February 1, 2007, IUDA and PFA entered into a Bond Purchase Agreement. In April 2002, IUDA had previously issued $197,000,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2002 Tax Allocation Bonds, Series B ("2002 IUDA TA Bonds"); IUDA used the proceeds to purchase U.S. government securities to advance refund the 1992 and 1997 Series Bonds. In order to purchase the 2002 IUDA TA Bonds and to fund the acquisition and construction of certain municipal improvements, PFA issued $169,695,000 2007 Tax Allocation Bonds on February 1, 2007.

The net proceeds of $166,028,203 were partially used to purchase the 2002 IUDA TA Bonds from IUDA. IUDA has assigned to PFA the IUDA's right to redeem its 2002 IUDA TA Bonds. PFA has then transferred and assigned its rights, title and interest in the 2002 IUDA TA Bonds to the Trustee as security for the 2007 Tax Allocation Revenue Bonds. The 2002 IUDA TA Bonds are registered in the name of the Trustee.

The 2007 Tax Allocation Revenue Bonds were early redeemed during the year ended June 30, 2016.

<u>2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1)</u>

On July 1, 2015, the PFA issued the $239,525,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 1 2015A Bonds, which was issued to defease all IUDA Project No. 1's 2002 Tax Allocation Refunding Bonds Series B, 2003 Tax Allocation Bonds, Series A, 2003 Tax Allocation Bonds, Series B, 2003 Subordinate Lien Tax Allocation Refunding Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2007 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds.

Note 11 – Long - Term Liabilities (Continued)

C. Public Facilities Authority Tax Allocation Revenue Bonds (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1) (Continued)

Principal ranges from $6,835,000 to $39,090,000 maturing annually through January 1, 2025. The bonds bear interests at rates rage from 1.764% to 4.344%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 32,000,000	$ 10,848,023	$ 42,848,023
2018	36,180,000	6,667,535	42,847,535
2019	36,945,000	5,870,490	42,815,490
2020	37,925,000	4,840,094	42,765,094
2021	39,090,000	3,649,628	42,739,628
2022-2025	57,385,000	4,285,278	61,670,278
	$ 239,525,000	$ 36,161,048	$ 275,686,048

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 2)

On July 1, 2015, the PFA issued the $7,140,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt) for the purpose of acquiring the SA to IUDA's Project No. 2 2015A Bonds, issued to defease all IUDA Project No. 2's outstanding 2002 Tax Allocation Refunding Bonds. The PFA also issued the $249,770,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 2 2015B Bonds, issued to defease a portion of 2003 Subordinate Lien Tax Allocation Refunding Bonds (with outstanding accreted value of $178,967,753) and all IUDA Project No. 2's outstanding 2003 Tax Allocation Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2008 Subordinate Lien Tax Allocation Refunding Bonds, 2010 Subordinate Tax Allocation Refunding Bonds.

For Series A, principal ranges from $495,000 to $975,000 maturing annually through January 1, 2025. The bonds bear interests at rate of 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 495,000	$ 535,500	$ 1,030,500
2018	700,000	332,250	1,032,250
2019	735,000	297,250	1,032,250
2020	770,000	260,500	1,030,500
2021	805,000	222,000	1,027,000
2022-2025	3,635,000	465,250	4,100,250
	$ 7,140,000	$ 2,112,750	$ 9,252,750

Note 11 – Long - Term Liabilities (Continued)

C. Public Facilities Authority Tax Allocation Revenue Bonds (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 2) (Continued)

For Series B, principal ranges from $6,965,000 to $48,825,000 maturing annually through January 1, 2027. The bonds bear interests at rates ranges from 1.914% to 5.044%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 10,245,000	$ 15,798,230	$ 26,043,230
2018	16,040,000	10,336,064	26,376,064
2019	16,420,000	9,942,603	26,362,603
2020	16,905,000	9,443,599	26,348,599
2021	17,490,000	8,870,689	26,360,689
2022-2026	165,600,000	24,033,132	189,633,132
2027	7,070,000	356,611	7,426,611
	$ 249,770,000	$ 78,780,928	$ 328,550,928

2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A

On July 1, 2015, the PFA issued the $33,815,000 Subordinate Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial-Redevelopment Project No. 2) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 2 2015A Subordinate Bonds, which was issued to defease remaining balance of the IUDA's Project No. 2's 2003 Subordinate Lien Tax Allocation Refunding Bonds with outstanding accreted value of $178,967,753.

Principal ranges from $1,975,000 to $6,375,000 maturing annually through January 1, 2024. The bonds bear interests at rates ranges from 2.500% to 5.750%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,975,000	$ 2,867,794	$ 4,842,794
2018	3,255,000	1,830,800	5,085,800
2019	3,350,000	1,643,637	4,993,637
2020	3,590,000	1,451,013	5,041,013
2021	3,805,000	1,244,587	5,049,587
2022-2024	17,840,000	2,090,700	19,930,700
	$ 33,815,000	$ 11,128,531	$ 44,943,531

Note 11 – Long - Term Liabilities (Continued)

C. Public Facilities Authority Tax Allocation Revenue Bonds (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 3)

On July 1, 2015, the PFA issued the $7,230,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Tax-Exempt) for the purpose of acquiring the SA to IUDA's Project No.3 2015A Bonds, which was issued to defease IUDA's Project No. 3 outstanding 2002 Tax Allocation Refunding Bonds. The PFA also issued the $37,425,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Taxable) for the purpose of acquiring the SA to IUDA's Project No.3 2015B Bonds, which was issued to defease IUDA's Project No. 3 2003 Tax Allocation Bonds, 2003 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds.

For Series A, principal ranges from $505,000 to $985,000 maturing annually through January 1, 2025. The bonds bear interests at rate of 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 505,000	$ 542,250	$ 1,047,250
2018	710,000	336,250	1,046,250
2019	740,000	300,750	1,040,750
2020	780,000	263,750	1,043,750
2021	815,000	224,750	1,039,750
2022-2025	3,680,000	470,750	4,150,750
	$ 7,230,000	$ 2,138,500	$ 9,368,500

For Series B, principal ranges from $2,595,000 to $3,990,000 maturing annually through January 1, 2027. The bonds bear interests at rates ranges from 1.914% to 5.044%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,595,000	$ 2,360,783	$ 4,955,783
2018	3,110,000	1,524,187	4,634,187
2019	3,325,000	1,461,987	4,786,987
2020	3,425,000	1,362,237	4,787,237
2021	3,530,000	1,259,487	4,789,487
2022-2026	18,110,000	3,584,519	21,694,519
2027	3,330,000	167,965	3,497,965
	$ 37,425,000	$ 11,721,165	$ 49,146,165

Revenue pledged

All of the 2015 Tax Allocation Refunding Bonds described in Note 11C are secured and payable in the following order of priority: 1) pledged tax revenue through ownership to local obligation bonds, 2) investment income with respect to the funds and accounts established under the indenture, and 3) certain override revenues until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2016 amounted to $716,947,922.

Note 11 – Long – Term Liabilities (Continued)

D. Public Facilities Authority Lease Revenue Refunding Bonds

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Lease revenue refunding bonds					
2010 Lease Revenue Refunding Bonds	$ 4,980,000	$ -	$ (750,000)	$ 4,230,000	$ 780,000
Total general obligation bonds	$ 4,980,000	$ -	$ (750,000)	$ 4,230,000	$ 780,000

2010 Lease Revenue Refunding Bonds and City Certificates of Participation

In order to assist the City in financing the construction of various projects, on August 1, 2000, IUDA and the City entered into a lease agreement for certain properties owned by the City for a one time site lease payment in the amount of $11,000,000. The IUDA agreed to lease back these properties to the City. In conjunction with the signing of these lease agreements on August 30, 2000, the City issued $12,620,000 of Certificates of Participation Series 2000 bonds ("2000 Certificates") to fund IUDA's site lease payment. Under the lease agreement, the certificates represented direct, undivided fractional interests of the owners in lease payments to be made by the City to IUDA.

The term of both leases ceased on the date in which all the outstanding 2000 Certificates were paid in full as discussed below.

In March 2010, the City terminated its lease agreement with IUDA and leased the properties to PFA under a Site Lease Agreement between the City and PFA. As consideration, PFA paid an upfront rental payment of approximately $8,500,000 to the City for the lease of certain properties. The funds were then used by the City to prepay the 2000 Certificates. These funds were placed in an irrevocable trust to provide for all future debt service payments on the 2000 Certificates. Accordingly, the trust account and the defeased Certificates are not included in the City's financial statements.

In order to prepay the Site Lease, PFA issued $8,460,000 of 2010 Refunding Lease Revenue Bonds. Principal ranges from $780,000 to $915,000 maturing annually through August 1, 2020. The bonds bear interests at rates rage from 4.000% to 4.250%, due semiannually on February 1 and August 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 780,000	$ 156,988	$ 936,988
2018	810,000	125,188	935,188
2019	845,000	92,088	937,088
2020	880,000	57,038	937,038
2021	915,000	19,444	934,444
	$ 4,230,000	$ 450,746	$ 4,680,746

In order to secure payments of the bond principal and interest, PFA then leased back the property to the City in which the City is then obligated to pay semi-annual lease payments as rental payments for the leased back properties. PFA has assigned its right to receive the lease payments to U.S. Bank Trust National Association as trustee for the holders of the Refunding Lease Revenue Bonds.

Note 11 – Long - Term Liabilities (Continued)

D. Public Facilities Authority Lease Revenue Refunding Bonds (Continued)

2010 Lease Revenue Refunding Bonds and City Certificates of Participation (Continued)

The term of both leases will cease on the date on which all the outstanding principal and interest payments of the 2010 Refunding Lease Revenue Bonds are paid in full or a provision has been made for such payment, but not later than August 1, 2030.

PFA will amortize the site lease prepayment over the term of the lease as follows:

Year Ending June 30,	Lease Expense
2017	$ 373,144
2018	373,144
2019	373,144
2020	373,144
2021	373,144
Thereafter	3,358,292

2010 Lease Revenue Refunding Bonds and City Certificates of Participation (Continued)

The following is a schedule of future minimum lease payments to be received by PFA and paid by the City:

Year Ending June 30,	Amount
2017	$ 937,658
2018	937,658
2019	937,658
2020	937,658
2021	937,658
Thereafter	-

E. Non-City Obligation Bonds

In December 1998, the City issued $6,735,000 of 1998 Revenue Bonds, the purpose of providing funds to acquire the City of Industry Limited Obligation Refunding Improvement Bonds, Assessment District No. 91-1. These funds were used to advance refund and to defease the 1991 Assessment Bonds.

The 1998 Revenue Bonds are special obligations of the City, payable from revenues consisting primarily of debt service payments received from the Refunding Improvement Bonds which revenues are secured by liens of unpaid reassessments on the properties within the Assessment

Any surplus revenues, after paying administrative costs or paying of installments upon properties which are subject to the reassessment, will be paid over to the City to be used for any lawful purpose of the City. The 1998 Revenue Bonds and the City of Industry Limited Obligation Refunding Improvement Bonds, Assessment District No. 91-1 are not debt or liabilities of the City. However, the bonds are payable solely by the revenues and funds pledged in the indenture. Accordingly, these obligations have not been reflected as obligations on the financial statements of the City.

F. Compensated Absences

At June 30, 2016, compensated absences totaled to $111,140, which will be liquidated by the General Fund.

Note 12 – Successor Agency Bonds Payable

Summary of changes in the Successor Agency to IUDA's bonds payables for the year ended June 30, 2016 is as following:

	Balance July 1, 2015	Additions	Defeased	Balance June 30, 2016	Due Within One Year	Due in more than one year
Project Area 1:						
2002 Tax Allocation Refunding Bonds, Series B	$ 79,660,000	$ -	$ (79,660,000)	$ -	$ -	$ -
2003 Tax Allocation Bonds, Series A	34,725,000	-	(34,725,000)	-	-	-
2003 Tax Allocation Bonds, Series B	16,275,000	-	(16,275,000)	-	-	-
2003 Subordinate Lien Tax Allocation Refunding Bonds	45,630,000	-	(45,630,000)	-	-	-
2005 Subordinate Lien Tax Allocation Refunding Bonds	47,900,000	-	(47,900,000)	-	-	-
2007 Subordinate Lien Tax Allocation Refunding Bonds	11,900,000	-	(11,900,000)	-	-	-
2008 Subordinate Lien Tax Allocation Refunding Bonds	24,727,000	-	(24,727,000)	-	-	-
2015 Tax Allocation Revenue Refunding Bonds, Series A	-	239,525,000	-	239,525,000	32,000,000	207,525,000
Total Project Area 1	260,817,000	239,525,000	(260,817,000)	239,525,000	32,000,000	207,525,000
Project Area 2:						
2002 Tax Allocation Refunding Bonds, Series B	8,980,000	-	(8,980,000)	-	-	-
2003 Tax Allocation Bonds	22,505,000		(22,505,000)	-	-	-
2003 Subordinate Lien Tax Allocation Refunding Bonds	58,725,634	-	(58,725,634)	-	-	-
2005 Subordinate Lien Tax Allocation Refunding Bonds	11,860,000	-	(11,860,000)	-	-	-
2008 Subordinate Lien Tax Allocation Refunding Bonds	26,870,000	-	(26,870,000)	-	-	-
2010 Subordinate Lien Tax AllocationRefunding Bonds	33,680,000	-	(33,680,000)	-	-	-
2015 Tax Allocation Revenue Refunding Bonds, Series A	-	7,140,000	-	7,140,000	495,000	6,645,000
2015 Tax Allocation Revenue Refunding Bonds, Series B	-	249,770,000	-	249,770,000	10,245,000	239,525,000
2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A	-	33,815,000	-	33,815,000	1,975,000	31,840,000
Total Project Area 2	162,620,634	290,725,000	(162,620,634)	290,725,000	12,715,000	278,010,000

(Continued)

Note 12 – Successor Agency Bonds Payable (Continued)

Summary of changes in the Successor Agency to IUDA's bonds payables for the year ended June 30, 2016 is as following:

	Balance July 1, 2015	Additions	Defeased	Balance June 30, 2016	Due Within One Year	Due in more than one year
Project Area 3:						
2002 Tax Allocation Refunding Bonds, Series B	9,055,000	-	(9,055,000)	-	-	-
2003 Tax Allocation Bonds	25,245,000	-	(25,245,000)	-	-	-
2003 Subordinate Lien Tax Allocation Refunding Bonds	4,065,000	-	(4,065,000)	-	-	-
2008 Subordinate Lien Tax Allocation Refunding Bonds	5,120,289	-	(5,120,289)	-	-	-
2015 Tax Allocation Revenue Refunding Bonds, Series A	-	7,230,000	-	7,230,000	505,000	6,725,000
2015 Tax Allocation Revenue Refunding Bonds, Series B	-	37,425,000	-	37,425,000	2,595,000	34,830,000
Total Project Area 3	43,485,289	44,655,000	(43,485,289)	44,655,000	3,100,000	41,555,000
Total tax allocation bonds	466,922,923	574,905,000	(466,922,923)	574,905,000	47,815,000	527,090,000
Deferred amounts:						
Unamortized premium/discounts	392,685	718,359	(577,403)	533,641	111,571	422,070
Total bonds payable	$ 467,315,608	$ 575,623,359	$ (467,500,326)	$ 575,438,641	$ 47,926,571	$ 527,512,070

2002 Tax Allocation Refunding Bonds

On April 16, 2002, IUDA issued $197,000,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2002 Tax Allocation Bonds, Series B. IUDA used the proceeds to purchase U.S. government securities to advance refund the 1992 and 1997 Series Bonds. The bonds are payable from and secured by a pledge and a first lien on the tax increment revenues from Project Area No. 1.

On August 15, 2002, IUDA issued $17,270,000 and $17,455,000 of Industry-Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 and 3 2002 Tax Allocation Refunding Bonds to advance refund $18,010,000 and $19,780,000 of outstanding 1992 Tax Allocation Refunding Bonds, respectively.

In February 2007, IUDA redeemed the 2002 IUDA Tax Allocation Bonds (Project No. 1) and sold the bonds to PFA. The payments made by IUDA for the 2002 IUDA TA Bonds would be used to secure the payments of PFA's $169,695,000 Tax Allocation Revenue Bond ("2007 PFA TAR Bonds").

Principal and interest payments are made by SA to IUDA to PFA for the payment of the 2002 IUDA TA Bonds (Project No. 1). PFA then uses those monies to make principal and interest payments on the 2007 PFA TA Bonds. Any surplus funds received by PFA are returned to SA to IUDA.

On July 1, 2015, SA to IUDA issued 2015 Tax Allocation Revenue Refunding Bonds, Series A for all 3 project areas 2 to advance refund all outstanding 2002 Tax Allocation Refunding Bonds.

Note 12 – Successor Agency Bonds Payable (Continued)

2003 Tax Allocation Bonds, Series A (Taxable)

On December 29, 2003, IUDA issued several bond issues to advance refund the 1995 Subordinate Tax Allocation Refunding Bonds for all three project areas, the taxable bonds that were issued were Project No. 1 $78,720,000 2003 Tax Allocation Bonds Series A, Project No. 2 $39,730,000 2003 Tax Allocation Bonds, and Project No. 3 $44,585,000 2003 Tax Allocation Bonds.

As part of the aforementioned bond issuances the IUDA and City entered into a loan agreement in order to enhance the security of the IUDA bonds and thereby reduce the overall borrowing costs. The City agreed to loan IUDA $14,019,840 to secure the aforementioned IUDA bonds and to provide an additional source of funding for the bonds. IUDA agreed to repay all advances with interest at 8% per annum. In accordance with the loan agreement, the City deposited with U.S. Bank (the "Trustee") $14,019,840, hereinafter referred to as the "Loan Fund". The monies are held in trust for the benefit of the City and the bond owners. IUDA has assigned all of its rights to these proceeds to the Trustee as security for the bonds and their owners. As of July 1, 2015, the City has advanced all the monies in the Loan Fund to IUDA. These monies are deposited with U.S. Bank as trustee and have been recorded on the accompanying financial statements as "Investments with fiscal agent – restricted" in the amount of $14,421,307 and a liability due to the City in the fiduciary fund. Upon the payment or discharge of all the outstanding bonds all amounts then held in the Loan fund will be transferred to the City.

On July 1, 2015, SA to IUDA issued 1) 2015 Tax Allocation Revenue Refunding Bonds, Series A for Project Area No. 1, 2) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 2 and 3) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 3 to advance refund the 2003 Tax Allocation Bonds in the three project areas. The refunding also provided funds needed to repay the City loan to IUDA outstanding at July 1, 2015 in the amount of $14,421,307.

2003 Tax Allocation Bonds, Series B

On December 30, 2003, IUDA issued $68,090,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2003 Tax Allocation Bonds, Series B, with an average interest rate of 3.785%. The bonds were issued to finance the completion, extension and construction of projects contained in the Redevelopment Plan. A portion of the Bond proceeds were used to fund a reserve for the Bonds and to pay costs associated with the Bond issuance.

In November 2009, IUDA partially redeemed the $68,090,000 2003 Tax Allocation Bonds, Series B. The partial redemption amounted to $27,170,000 and the remaining principal balance amounted to $26,470,000.

On July 1, 2015, SA to IUDA issued 2015 Tax Allocation Revenue Refunding Bonds, Series A to advance refund the 2003 Tax Allocation Revenue Refunding Bonds, Series B.

2003 Subordinate Lien Tax Allocation Refunding Bonds

On December 30, 2003, IUDA and the City entered into the "Bond Exchange Agreement". IUDA incurred debt to the City in the amount of approximately $213,200,000 including accrued interest of $17,654,981 from loans from the City's Redevelopment Revolving Fund. In December 2003, the IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 $83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 $119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, and Project No. 3 $9,726,529 2003 Subordinate Lien Tax Allocation Refunding Bonds.

Note 12 – Successor Agency Bonds Payable (Continued)

2003 Subordinate Lien Tax Allocation Refunding Bonds (Continued)

On November 25, 2014 the Successor Agency to the Industry Urban-Development Agency redeemed $15,516,634 in principal of the Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 2003 Subordinate Lien Tax Allocation Refunding Bonds for a total amount of $51,592,265. Included in this amount was $29,445,691 of compounded interest redeemed and $6,629,940 in redemption premium. The $51,592,265 was paid using funds from the City's Agency Tax Override Fund.

On July 1, 2015, SA to IUDA issued 1) 2015 Tax Allocation Revenue Refunding Bonds, Series A for Project Area No. 1, 2) 2015 Tax Allocation Revenue Refunding Bonds, Series B and 2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A for Project Areas No. 2 and 3) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 3 to advance refund the 2003 Subordinate Lien Tax Allocation Refunding Bonds in the three project areas.

2005 Subordinate Lien Tax Allocation Refunding Bonds

On April 20, 2005, the City and IUDA entered into the "2005 Revolving Fund Loan Agreement". The City issued its 2005 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of $113,420,000 and deposited the net proceeds of approximately $102,200,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2005, IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 $71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 $17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds and Project No. 3 $12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bonds.

In March 2009, IUDA redeemed the $12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bond of Project No. 3.

On July 1, 2015, SA to IUDA issued 1) 2015 Tax Allocation Revenue Refunding Bonds, Series A for Project Area No. 1 and 2) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 2 to advance refund the 2005 Subordinate Lien Tax Allocation Refunding Bonds in the two project areas.

2007 Subordinate Lien Tax Allocation Refunding Bonds

On February 1, 2007, IUDA issued $16,038,958 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2007 Subordinate Lien Taxable Tax Allocation Refunding Bonds with an average interest rate of 8.00%. The bonds were sold to the City in exchange for the cancellation of the 2006 Revolving Fund Loan with principal and interest amounts of $15,000,000 and $1,038,958, respectively.

On July 1, 2015, SA to IUDA issued 2015 Tax Allocation Revenue Refunding Bonds, Series A to advance refund all outstanding 2002 Tax Allocation Bonds, Series B, 2003 Tax Allocation Bonds Series A and B and 2007 Subordinate Lien Tax Allocation Refunding Bonds.

2008 Subordinate Lien Tax Allocation Refunding Bonds

On April 1, 2008, IUDA and City entered into the "2008 Revolving Fund Loan Agreement". The City issued its 2008 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of $77,540,000 and deposited the net proceeds of approximately $69,900,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2008, IUDA issued and exchanged the following bonds for cancellation of the indebtedness to the City: $33,673,437 2008 Project No.1 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 8.25%; $31,083,173 2008 Project No. 2 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 5.75%; $5,120,288 2008 Project No. 3 Subordinate Lien Tax Allocation Refunding Bonds with average interest of 10%.

Note 12 – Successor Agency Bonds Payable (Continued)

2008 Subordinate Lien Tax Allocation Refunding Bonds (Continued)

On July 1, 2015, SA to IUDA issued 1) 2015 Tax Allocation Revenue Refunding Bonds, Series A for Project Area No. 1, 2) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 2 and 3) 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 3 to advance refund the 2008 Subordinate Lien Tax Allocation Refunding Bonds in the three project areas.

2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable)

IUDA and the City, on April 20, 2010, entered into the "2010 Revolving Fund Loan Agreement." The City issued its 2010 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of $45,380,000 and deposited the net proceeds of approximately $40,000,000 from this issue into the Redevelopment Revolving Fund, which constitutes the 2010 Redevelopment Revolving Fund Loan, a loan to IUDA. In April 2010, IUDA issued the 2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable) to the City in the amount of $40,000,000 and the City had then agreed to accept the bonds for cancellation of the 2010 Redevelopment Revolving Fund loan.

On July 1, 2015, SA to IUDA issued 2015 Tax Allocation Revenue Refunding Bonds, Series B for Project Areas No. 2 to advance refund the 2010 Subordinate Lien Tax Allocation Refunding Bonds.

2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1)

On July 1, 2015, the SA to IUDA issued the $239,525,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) (Taxable) for the purpose to defease all IUDA Project No. 1 outstanding 2002 Tax Allocation Refunding Bonds Series B, 2003 Tax Allocation Bonds, Series A, 2003 Tax Allocation Bonds, Series B, 2003 Subordinate Lien Tax Allocation Refunding Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2007 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds.

Principal ranges from $6,835,000 to $39,090,000, maturing annually through January 1, 2025. The bonds bear interests at rates rage from 1.764% to 4.344%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 32,000,000	$ 10,848,023	$ 42,848,023
2018	36,180,000	6,667,535	42,847,535
2019	36,945,000	5,870,490	42,815,490
2020	37,925,000	4,840,094	42,765,094
2021	39,090,000	3,649,628	42,739,628
2022-2025	57,385,000	4,285,278	61,670,278
	$ 239,525,000	$ 36,161,048	$ 275,686,048

Note 12 – Successor Agency Bonds Payables (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 2)

On July 1, 2015, the SA to IUDA issued the $7,140,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt) for the purpose to defease all IUDA Project No. 2 outstanding 2002 Tax Allocation Refunding Bonds. The SA to IUDA also issued the $249,770,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) for the purpose to defease a portion of 2003 Subordinate Lien Tax Allocation Refunding Bonds (with outstanding accreted value of $178,967,753) and all IUDA Project No. 2 outstanding 2003 Tax Allocation Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2008 Subordinate Lien Tax Allocation Refunding Bonds, 2010 Subordinate Tax Allocation Refunding Bonds.

For Series A, principal ranges from $495,000 to $975,000 maturing annually through January 1, 2025. The bonds bear interests at rate of 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 495,000	$ 535,500	$ 1,030,500
2018	700,000	332,250	1,032,250
2019	735,000	297,250	1,032,250
2020	770,000	260,500	1,030,500
2021	805,000	222,000	1,027,000
2022-2025	3,635,000	465,250	4,100,250
	$ 7,140,000	$ 2,112,750	$ 9,252,750

For Series B, principal ranges from $6,965,000 to $48,825,000 maturing annually through January 1, 2027. The bonds bear interests at rates ranges from 1.914% to 5.044%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 10,245,000	$ 15,798,230	$ 26,043,230
2018	16,040,000	10,336,064	26,376,064
2019	16,420,000	9,942,603	26,362,603
2020	16,905,000	9,443,599	26,348,599
2021	17,490,000	8,870,689	26,360,689
2022-2026	165,600,000	24,033,132	189,633,132
2027	7,070,000	356,611	7,426,611
	$ 249,770,000	$ 78,780,928	$ 328,550,928

2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A

On July 1, 2015, the SA to IUDA issued the $33,815,000 Subordinate Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial-Redevelopment Project No. 2) (Taxable) for the purpose to defease remaining balances of the IUDA's Project No. 2's 2003 Subordinate Lien Tax Allocation Refunding Bonds with outstanding accreted value of $178,967,753.

Note 12 – Successor Agency Bonds Payable (Continued)

2015 Subordinate Tax Allocation Revenue Refunding Bonds, Series A (Continued)

Principal ranges from $1,975,000 to $6,375,000 maturing annually through January 1, 2024. The bonds bear interests at rates ranges from 2.500% to 5.750%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,975,000	$ 2,867,794	$ 4,842,794
2018	3,255,000	1,830,800	5,085,800
2019	3,350,000	1,643,637	4,993,637
2020	3,590,000	1,451,013	5,041,013
2021	3,805,000	1,244,587	5,049,587
2022-2024	17,840,000	2,090,700	19,930,700
	$ 33,815,000	$ 11,128,531	$ 44,943,531

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 3)

On July 1, 2015, the SA to IUDA issued the $7,230,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Tax-Exempt) for the purpose to defease IUDA's Project No. 3 outstanding 2002 Tax Allocation Refunding Bonds. The SA to IUDA also issued the $37,425,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Taxable) for the purpose to defease all IUDA's Project No. 3 outstanding 2003 Tax Allocation Bonds, 2003 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds.

For Series A, principal ranges from $505,000 to $985,000 maturing annually through January 1, 2025. The bonds bear interests at rate of 5.000%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 505,000	$ 542,250	$ 1,047,250
2018	710,000	336,250	1,046,250
2019	740,000	300,750	1,040,750
2020	780,000	263,750	1,043,750
2021	815,000	224,750	1,039,750
2022-2025	3,680,000	470,750	4,150,750
	$ 7,230,000	$ 2,138,500	$ 9,368,500

Note 12 – Successor Agency Bonds Payable (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 3) (Continued)

For Series B, principal ranges from $2,595,000 to $3,990,000 maturing annually through January 1, 2027. The bonds bear interests at rates ranges from 1.914% to 5.044%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 2,595,000	$ 2,360,783	$ 4,955,783
2018	3,110,000	1,524,187	4,634,187
2019	3,325,000	1,461,987	4,786,987
2020	3,425,000	1,362,237	4,787,237
2021	3,530,000	1,259,487	4,789,487
2022-2026	18,110,000	3,584,519	21,694,519
2027	3,330,000	167,965	3,497,965
	$ 37,425,000	$ 11,721,165	$ 49,146,165

The 2015 Tax Allocation Revenue Refunding Bonds collectively resulted in an economic gain in the amount of $42,816,814 in principal and total savings in debt service payments in the amount of $149,432,987

Revenue Pledged

All of the bonds described in this note are secured by a pledge of all future payments from the RPTTF fund until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2016 amounted to $714,947,920. Annual principal and interest payments on the bonds are expected to require 100% of the RPTTF funds. For the year ended June 30, 2016, total tax increment revenues calculated by the Los Angeles Auditor-Controller amounted to $63,022,467, which the SA received $55,906,357 after deductions.

Prior to the dissolution of the Industry Urban-Development Agency, the IUDA undertook a program to redevelop each Project Area pursuant to the Community Redevelopment Law. The IUDA issued bonds discussed in the note and secured the bonds by a pledge of tax increment revenues allocated and paid to the IUDA pursuant to HSC Section 33670(b). In 1978, the City's voters authorized the City to levy an *ad valorem tax* (the "Property Tax Override") and the City continues to levy the Property Tax Override on taxable properties in the City, including properties within three Project Areas.

Since the Property Tax Override was authorized in 1978, the tax increment revenues allocated and paid to the IUDA before its dissolution in 2012 included a portion of the Property Tax Override. Pursuant to the IUDA bond indentures, the tax increment revenues pledged to the IUDA bonds included the Property Tax Override. Pursuant to the mandate set forth in HSC Section 34175, the pledge of property tax revenues for the IUDA bonds must not be affected and pledged revenues must continue to include the Agency Override Portion. However the Los Angeles Auditor-Controller in administering the allocation of property taxes pursuant to AB X1 26, is disbursing the Agency Override Portion to the City of Industry, instead of depositing the Agency Override Portion into the Successor Agency's RPTTF fund.

Note 12 – Successor Agency Bonds Payable (Continued)

Revenue Pledged (Continued)

In recognition of the above the SA to IUDA has adopted resolution no. SA 2013-10 on September 25, 2013 authorizing the Executive Director to do as follows, if during each six month ROPS period the moneys received by the SA to IUDA from the Los Angeles Auditor-Controller's RPTTF disbursement is insufficient to pay the principal and interest payments with respect to the IUDA bonds coming due during the ROPS period, the Executive Director shall notify the City of the shortfall.

On September 26, 2013, pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA to IUDA of the Debt Service Shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the Debt Service Shortfall. The City subsequently assigns, and covenants and agrees to transfer to the PFA and only to the PFA as and when received by the City, all such override revenues for deposit in the revenue fund, to the extent permitted by law, as consideration to PFA for refunding all SA to IUDA debts by the PFA.

The SA to IUDA received RPTTF Funds for the year ending June 30, as follows:

RPTTF Funds	$	63,022,467
Less:		
Administrative expenses		(1,021,244)
Pass through payments		(6,094,866)
Net RPTTF Funds	$	55,906,357

At June 30, 2016 the PFA owns 100 percent of the outstanding bonds of the SA to the IUDA.

Note 13 – Defined Benefit Pension Plan

The following is the summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2016:

Deferred outflows of resources:		
Pension contribution after measurement date	$	227,017
Differences between expected and actual experience		21,337
Adjustment due to differences in proportions		218,928
Total deferred outflows of resources	$	467,282
Net pension liabilities:		
Net pension liabilities	$	6,336,456
Total net pension liabilities	$	6,336,456
Deferred inflows of resources:		
Changes of assumptions	$	201,867
Difference in projected and actual earnings on pension investments		101,198
Employer contributions in excess/(under) proportionate contributions		514,710
Total deferred inflows of resources	$	817,775

Note 13 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined pension plan, for its' miscellaneous employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Employees Covered by Benefit Terms

At June 30, 2014 (valuation date), the following employees were covered by the benefit terms:

	Plans		
	Classic	**Second Tier**	**PEPRA**
Active employees	17	1	1
Transferred and terminated employees	8	0	0
Retired employees and beneficiaries	27	0	0
Total	52	1	1

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A first tier classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. A second tier classic CalPERS member becomes eligible for service retirement upon attainment of age 60 with at least five years of credited service. A PEPRA miscellaneous member becomes eligible for service retirement upon attainment of age 62 with at least five years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 - 36 months of full-time equivalent monthly pay.

The following are the benefit provisions for each plan:

- Classic Tier 1: 2.7% (at age 55) of the average final 12 months compensation.
- Classic Tier 2: 2.0% (at age 60) of the average final 36 months compensation.
- PEPRA: 2.0% (at age 62) of the average final 36 months compensation.

Participants are eligible for non-industrial disability retirement if they become disabled and have at least five years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Note 13 – Defined Benefit Pension Plans (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree’s designated survivor(s) or to the retiree’s estate.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2.0 percent.

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2015, the contribution rates were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Classic	8.000%	18.858%
Second Tier	7.000%	9.905%
PEPRA	6.900%	6.250%

Note 13 – Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Long-Term Investment Return	7.65% net of investment expenses, adjust for inflation.
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1]The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Note 13 – Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table in the following page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation of 2.5% used

[2] An expected inflation of 3.0% used

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.65%) or one percentage-point higher (8.65%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	**Current Discount Rate (7.65%)**	**Discount Rate + 1% (8.65%)**
$ 10,626,679	$ 6,336,456	$ 2,794,379

Note 13 – Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS' financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at June 30, 2014 (Valuation Date)	$ 28,182,456	$ 23,399,540	$ 4,782,916
Balance at June 30, 2015 (Measurement Date)	27,808,601	21,472,145	6,336,456
Net changes from July 1, 2014 to June 30, 2015	$ (373,855)	$ (1,927,395)	$ 1,553,540

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 13 – Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City's share of contribution.

The City's proportionate share of the net pension liability was as follows:

June 30, 2014	0.07687%
June 30, 2015	0.09232%
Change - Increase (Decrease)	0.01545%

For the year ended June 30, 2016, the City recognized pension expense in the amount of $650,779.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired).

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	$ 227,017	$ -
Difference between expected and actual experience	21,337	-
Adjustment due to differences in proportions	218,928	-
Changes of assumptions	-	(201,867)
Net difference between projected and actual earnings on pension plan investments	-	(101,198)
Employer contributions in excess/(under) proportionated contributions	-	(514,710)
Total	$ 467,282	$ (817,775)

Note 13 – Defined Benefit Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date in the amount of $227,017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	$ (263,397)
2018	(254,196)
2019	(189,275)
2020	129,358
2021	-
Thereafter	-
	$ (577,510)

Note 14 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights (until paid or made available to the employees or other beneficiary) are solely the property and rights of the City and subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of a general creditor of the City in an amount equal to the fair market value of the deferred account for each participant.

Investments are managed by the plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. Plan assets are held in trust for the exclusive benefit of participant and their beneficiaries; and therefore, are not included in the accompanying financial statements. As of June 30, 2016, the plan had investments in the amount of $1,385,452.

Note 15 – Other Post Employment Benefits ("OPEB")

The City provides post-retirement health and dental care benefits for retirees and their spouses under a single-employer OPEB plan. The City is self-insured and pays 100% of all health and dental care benefits. Employees who were hired after April 26, 1990 are provided with a different level of coverage per resolution 1478, which provides 100% coverage after twenty-five years of service. Employees hired prior to April 26, 1990 receive 100% coverage after ten years of service. The Plan does not issue a separate stand alone financial report.

Note 15 – Other Post Employment Benefits (OPEB) (Continued)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires governments to account for other post-employment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis.

The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their post-employment benefit rather than when they use their post-employment benefit.

Depending on the funding status of an entity on their actuarially required contribution, a post-employment benefit liability or asset is recognized on the government-wide statement of net assets over time.

A. Funding Policy

As of June 30, 2016, there were twenty-eight individuals receiving post-retirement benefits from the City. The City prefunded all its OPEB contribution based on its actuarial accrued liability as of July 1, 2015 through the California Public Employees' Retirement System California Employer's Retiree Benefit Trust Fund (the PERS CERBT fund). For the year ended June 30, 2016, the City and its component units paid $791,033 for the retirees on a pay-as-you-go basis and will receive reimbursement in the amount of $791,033.

B. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The City and component units' annual OPEB expense is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years.

The annual required contribution is calculated as following:

Normal cost	$	385,451
Increase in normal cost due to increase in payroll		72,118
Residual UAAL amortization		(235)
Total ARC	$	457,334

The City's OPEB cost and the related information for the year ended June 30, 2016 is as following:

ARC	$	457,334
Interest on net position obligation		(119,886)
Amortization adjustment		116,045
Annual OPEB Cost		453,493
Contribution made		(791,033)
Contribution reimbursement		791,033
Changes in Net OPEB (Asset)		453,493
Net OPEB (Asset):		
Beginning of year		(1,665,081)
End of year	$	(1,211,588)

Note 15 – Other Post Employment Benefits (OPEB) (Continued)

B. Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The City's annual OPEB costs, the percentage of annual OPEB cost contributed, and the net OPEB obligation/(asset) for the three years ended June 30, 2016 are as following:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2014	$ 1,283,097	$ 354,097	27.60%	$ (8,185,842)
June 30, 2015	1,189,017	11,039,940	928.49%	1,665,081
June 30, 2016	453,493	-	0.00%	(1,211,588)

C. Funded Status and Funding Progress

As of July 1, 2015, the latest actuarial valuation date, the plan was 100% funded. The actuarial accrued liability for benefits was $11,039,940 and the actuarial value of assets was $11,039,940 resulting in no unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was $1,732,278 and the ratio of the surplus to the covered payroll was 0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

The entry age normal actuarial cost method was used to estimate the actuarial accrued liability and normal cost. The level percentage of payroll method was used to allocate amortization cost by year over a 30-year amortization period. The actuarial assumptions included a 2.75% annual inflation rate, a 7.2% investment rate of return, projected salary increases of 2.75% and annual health care cost inflation of 4.0%.

Note 16 – Self-Insurance Plan

The City established a Self-insurance Plan (the "Plan") to pay for liability claims against the City and its component units. The Plan is administered by an insurance committee which is responsible for approving all claims of $25,000 or less and for making provision to have sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has vested this responsibility to the City Manager. Potential liability for claims in excess of $250,000 up to $10,000,000 is covered by excess liability insurance policies.

As of June 30, 2016, there are $214,038 in pending liability claims and litigation outstanding against the City and its component units. Based on information presently available, the City believes that there are substantial defenses to such litigation and disputes and that, in any event, the ultimate liability, if any, resulting there from will not have a material effect on the financial position of the City and its component units.

Note 17 – Commitments and Contingencies

A. 1995 and 2000 General Obligation Bonds

The City has determined that some of the proceeds from the 1995 and 2000 General Obligations bonds were not spent in accordance with the bond indenture. The City has entered into the voluntary correction program with the Internal Revenue Service to correct this matter. The City and the Internal Revenue Service are at the early stages of the review of this matter and the ultimate resolution as to the amount of the penalty and other steps to correct this matter cannot be determined at this point. No liability has been provided for in the accompanying financial statements at June 30, 2016

B. Housing Authority of the County of Los Angeles

The City was involved as a defendant in a legal dispute with the Housing Authority of the County of Los Angeles ("Housing Authority"). Pursuant to the provisions of Government code section 65584.3 ("the 1992 Agreement"), the City's redevelopment agency was required to set aside 20 percent of tax revenues for low income housing, transferred to the Housing Authority as an enforceable obligation. The passage of Assembly Bill 1X 26 in June 2011 eliminated the set-aside obligation for low-income housing, and payments from redevelopment agencies were now limited to enforceable obligations. On December 22, 2016, California Court of Appeal for the Third District (Sacramento) issued a decision affirming that the set-aside amount was not an enforceable obligation and that, unless appealed to the State Supreme Court, the matter is concluded. No liability has been provided for in the accompanying financial statements at June 30, 2016.

C. Los Angeles Regional Water Quality Control Board

On October 27, 2015, the Los Angels Regional Water Quality Control Board (the "Regional Board") issued Administrative Civil Liability Complaint R4-2015-0207 ("Complaint") to the City proposing $5,758,792 in administrative civil liabilities alleging that unpermitted grading activities resulted in unauthorized discharge of dredged and/or fill material in the Eastern Fork of the San Gabriel River in May 2012. The Regional Board and the City entered into settlement agreement in October 2016 to the imposition of administrative civil liability in the amount of $5 million. Of that amount, the City agreed and paid $2.5 million in December 2016 and the amount is reported as settlement payable in the accompanying financial statements. The remaining $2.5 million is suspended pending completion of an Enhanced Compliance Action ("ECA"). The City will develop a stormwater quality improvement project as an ECA. The proposed timeline for the design and construction of the ECA is approximately three years from inception to completion by October 27, 2020.

Note 18 – Transactions with Related Parties

A company that provides auto body and towing services to the City is a related party to a board member of CRIA and a member of the City Council. For the year ended June 30, 2016, total expenses amounted to $34,233.

A company that provides contracted management services for the Homestead Museum for the City employs the former Mayor Pro Tem. A company that provides engineering services to the City employs a member of the City council. Total expenses amounted to $1,086,800.

Companies that provide trash collection and recyclable collection services to the City are related parties to former member of the Planning Commission through family ownership. Total trash collections and recyclable collection services expenses amounted to $14,617,395 and $159, respectively, for the year ended June 30, 2016.

A company that provides landscaping services to the City is a related party to certain council members and a member of the Planning Commission. Total landscaping expenses amounted to $2,188,110 for the year ended June 30, 2016 and accounts payable at June 30, 2016 amounted to $170,977.

Note 19 – Low and Moderate Income Housing

In December of 1992, pursuant to the authority of Government Code 65584.3, IUDA entered into an agreement with the City and the Housing Authority of the County of Los Angeles ("HACoLA"). Under this agreement, IUDA agreed to pay HACoLA each fiscal year an amount equal to 20 percent of tax increment revenues accruing to IUDA for such fiscal year (the "HACoLA Payment").

The HACoLA Payments for fiscal year 2011-12 and fiscal year 2012-13 are listed on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS"). However, the DOF has denied these ROPS items, arguing that the HACoLA Payments were no longer enforceable obligations after the dissolution of IUDA pursuant to AB X1 26.

The Matter was the subject of a pending lawsuit, *Southern California Association of Non-Profit Housing v. State of California Department of Finance et al.* (Sacramento County Superior Court Case No. 34-2012-80001355; Court of Appeal Case No. C075705). In November 2013, the Superior Court of the State of California for the County of Sacramento entered judgment in favor of DOF, finding that the HACoLA Payments were no longer enforceable obligations. Petitioner, a non-profit housing association, has appealed the judgment. The opening brief on appeal was filed in November 2014. On December 22, 2016, the Court of Appeal for the Third District (Sacramento) issued an unpublished decision affirming the trial court's determination that the 20% set aside is not an enforceable obligation. Unless there is an appeal to the State Supreme Court, this matter is concluded.

Note 20 – Industry Hills Regional Public Park and Recreation Area

On September 30, 2000, a lease was entered into with a third party and the City for the operation and management of what was formerly known as the Industry Hills Sheraton Resort and Conference Center. The term of the lease is for 25 years with six five-year options to extend the lease. The initial annual rental payment was $300,000 with nothing due for the first year. Rent will be increased $20,000 per year from the initial period of the lease. This lease is accounted for in the General Fund of the City.

On June 1, 2002, CRIA assumed control over the operations of the Industry Hills Equestrian Center and Equestrian Center Trails. During 2004, the name was formally changed to The Industry Hills Expo Center. CRIA has employed a management company to manage the daily operations of the Expo Center. The activities of the Expo Center are accounted for in the enterprise fund in the accompanying proprietary funds financial statements under the heading "Industry Hills Expo Center," CRIA shall have available the use of all funds held or accruing in its Capital Improvement Fund for capital improvements. If any funds are expended for the maintenance and operation expenses, the City will reimburse CRIA from the General Fund.

Note 21 – Rental Properties

The City and its component units rent land, buildings and housing to others through non-cancelable rental agreements. Rental income for the year ended June 30, 2016 amounted to $10,577,986. Rental income of $752,573 is reported in the Governmental Fund financial statements, $175,007 in the Enterprise Fund (IPHMA) financial statements, and $9,650,406 in the Fiduciary Fund financial statements.

Note 21 – Rental Properties (Continued)

Future minimum rental income payments based on terms in effect at June 30, 2016 are as follows:

Year Ending June 30,	Amount
2017	$ 7,773,289
2018	7,966,813
2019	7,991,701
2020	7,643,609
2021	8,044,569
2022-2026	40,379,111
2027-2031	36,943,191
2032-2036	37,055,650
Thereafter	197,792,633

The Successor Agency is in the process of winding down its activities in accordance with the dissolution of redevelopment agencies in the State of California. The above table does not take into account when or if the property will be sold in the future.

On April 28, 2005, IUDA entered into an agreement with a private company to lease land owned by IUDA to the Company for the purpose of having the land developed and operated by the Company. SA to IUDA is required to perform substantial public improvements surrounding the project area. The term of the agreement continues for 65 years from the commencement date.

The agreement allows for SA to IUDA and the Company to split revenues generated by rents of the buildings after deductions for any loan payments or costs associated with the ownership, operation, financing, maintenance, and leasing of the various buildings.

In the event that rental income on the buildings is insufficient to repay any loans outstanding related to any financing of such building projects, and operation and maintenance of the various buildings, the SA to IUDA is required to contribute fifty percent for any shortfall as a capital contribution if the Company issues a demand for additional capital. Such payments if made by IUDA on the projects would be subject to return by the Company with interest at the prime rate plus three percent provided that future rents generate revenue for SA to IUDA.

Note 22 – Lease Commitments

The City leases office space and other equipment and storage under operating lease agreements from third parties. Minimum lease commitments on all non-cancelable operating leases are as follows:

Year Ending June 30,	Leased from Third Parties
2017	$ 42,631
2018	42,631
2019	20,468
2020	2,187

Note 23 – Excess of Expenditures Over Appropriations

During the year ended June 30, 2016, the General Fund experienced budgetary expenditures that were in excess of appropriations related to general increase of expenditures in many departments.

Excess of expenditures over appropriations occurred in the General Fund during the year end June 30, 2016 as follows:

	Final Budget	Expenditures	Variance
Legislative	$ 269,000	$ 682,050	$ (413,050)
Support services	7,169,050	8,429,092	(1,260,042)
Community development	642,200	864,366	(222,166)
Public safety	8,468,500	8,610,354	(141,854)
Public work	10,656,700	13,176,829	(2,520,129)
Capital outlay	-	8,927,978	(8,927,978)

The budget overage in the legislative department was mainly due to $416,560 in golden handshake arrangement and workers compensation settlement.

The budget overage in the support service department was mainly due to 1) $724,928 in professional service not budgeted for and $778,877 for group and medical insurance.

The budget overage in the community development department was mainly due to $283,182 overage in professional service.

The budget overage in the public safety department was mainly due to $129,535 in general law and traffic enforcement.

The budget overage in the public works department was mainly due to $627,859 overage in property maintenance and and $2,500,000 settlement with the Los Angeles Regional Water Quality Control Board.

The budget overage in capital outlay is due to purchase of properties in the amount of $8,927,978 not budgeted for.

Note 24 – Subsequent Events

On August 12, 2016, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), withdrew its long-term rating on the City's outstanding 2009 General Obligation Refunding Bonds (the "2009 GO Bonds"), its outstanding 2009 General Obligation Refunding Bonds, Series B (the "2009B GO Bonds"), its outstanding 2010 General Obligation Refunding Bonds (the "2010 GO Bonds") and its outstanding General Obligation Refunding Bonds, Series 2014 (Federally Taxable) (the "2014 GO Bonds," and, together with the 2009 GO Bonds, the 2009B GO Bonds and the 2010 GO bonds, the "GO Bonds"). Prior to withdrawing the ratings, S&P lowered the ratings on the GO Bonds to "BBB-"from "AA."

On August 12, 2016, S&P withdrew its long-term rating on the outstanding City of Industry Public Facilities Authority (the "Authority") 2010 Refunding Lease Revenue Bonds (the "Lease Revenue Bonds"). Prior to withdrawing the rating, S&P lowered the rating on the Lease Revenue Bonds to "BB+" from "AA-."

Note 24 – Subsequent Events (Continued)

On August 12, 2016, S&P placed its long-term ratings on the City's outstanding 2010 Taxable Sales Tax Revenue Bonds (the "2010 Sales Tax Bonds") and its outstanding Senior Sales Tax Revenue Refunding Bonds, Series 2015A (Taxable) (the "2015 Sales Tax Bonds," and, together with the 2010 Sales Tax Bonds, the "Sales Tax Bonds") on Creditwatch with negative implications.

On August 12, 2016, S&P placed its long-term ratings on the City of Industry Public Facilities Authority's outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No.1) (Taxable) (the "2015A Project No.1 Bonds"), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt) (the "2015A Project No. 2 Bonds"), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) (the "2015B Project No. 2 Bonds"), its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Tax-Exempt) (the "2015A Project No. 3 Bonds") and its outstanding Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Taxable) (the "2015B Project No. 3 Bonds" and together with the 2015A Project No. 1 Bonds, the 2015A Project No. 2 Bonds, the 2015B Project No. 2 Bonds and the 2015A Project No. 3 Bonds, the "Tax Allocation Revenue Bonds") on Creditwatch with negative implications.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Revenues
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
TAXES				
Sales tax	$ 10,290,000	$ 29,823,345	$ 31,545,596	$ 1,722,251
Tax increment pass through payments	400,000	400,000	477,518	77,518
Franchise tax	1,828,000	1,828,000	1,659,375	(168,625)
Documentary transfer tax	194,000	194,000	165,938	(28,062)
Transient occupancy tax	1,074,000	1,074,000	1,051,994	(22,006)
Property tax	1,726,000	1,726,000	2,317,174	591,174
PSAF/COPS	106,000	106,000	122,386	16,386
Total taxes	15,618,000	35,151,345	37,339,981	2,188,636
LICENSES AND PERMITS				
Salvage fees and licenses	229,000	229,000	206,360	(22,640)
Building permits, Inspection fees and plans	761,000	761,000	1,251,438	490,438
Refuse collection	1,578,500	1,578,500	1,564,263	(14,237)
Motor vehicles license fees	52,000	52,000	67,182	15,182
Total licenses and permits	2,620,500	2,620,500	3,089,243	468,743
FINES AND FORFEITURES				
Vehicle impound and storage fees	27,000	27,000	14,550	(12,450)
Bin impound fees	10,000	10,000	4,800	(5,200)
Fines and forfeitures	409,000	409,000	209,042	(199,958)
Parking citations	93,000	93,000	109,876	16,876
Total Fines & Forfeitures	539,000	539,000	338,268	(200,732)
REVENUE FROM USE OF MONEY AND PROPERTY				
Interest income	8,562,000	8,562,000	9,203,737	641,737
Rental income	716,000	716,000	752,573	36,573
Change in fair market value of investments	-	-	2,175,761	2,175,761
Other income	638,000	637,150	474,667	(162,483)
Total revenue from use of money and property	9,916,000	9,915,150	12,606,738	2,691,588
Total general fund revenues	28,693,500	48,225,995	53,374,230	5,148,235
OTHER FINANCING SOURCES (USES)				
Transfers in	23,605,761	493,389,337	492,189,721	(1,199,616)
Transfers out	(38,651,700)	(63,812,212)	(27,619,896)	36,192,316
Bond redemption	-	-	(14,421,307)	(14,421,307)
Total other financing sources (uses)	$ (15,045,939)	$ 429,577,125	$ 450,148,518	$ 20,571,393

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
LEGISLATIVE				
City council:				
Salaries	$ 119,000	$ 119,000	$ 114,401	$ 4,599
Termination benefits	-	-	192,000	(192,000)
Services and supplies:				
Office supplies	-	-	360	(360)
Travel and meetings	6,000	6,000	5,853	147
Telephone	3,000	3,000	2,982	18
Dues and subscriptions	21,000	21,000	20,604	396
Totals - City council	149,000	149,000	336,200	(187,200)
City clerk:				
Salaries	84,000	84,000	92,250	(8,250)
Worker compensition	-	-	224,560	(224,560)
Services and supplies:				
Office supplies	2,000	2,000	1,042	958
Travel and meetings	2,000	2,000	5,100	(3,100)
Vehicle expense	-	-	775	(775)
Advertising and printing	21,000	21,000	11,754	9,246
Election expense	-	-	41	(41)
Dues and subscriptions	10,000	10,000	10,288	(288)
Miscellaneous	1,000	1,000	40	960
Totals- City clerk	120,000	120,000	345,850	(225,850)
Totals - Legislative	269,000	269,000	682,050	(413,050)
GENERAL ADMINISTRATION				
City attorney:				
Services and supplies:				
Legal services	2,211,000	1,721,000	1,145,536	575,464
Totals - City attorney	2,211,000	1,721,000	1,145,536	575,464

(Continued)

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures (Continued)
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
GENERAL ADMINISTRATION (Continued)				
City manager:				
Salaries	320,800	791,000	841,320	(50,320)
Salaries reimbursement from SA to IUDA	(139,000)	(139,000)	(177,386)	38,386
Services and supplies:				
Professional services	182,000	132,000	204,236	(72,236)
Office supplies	2,600	2,600	2,052	548
Travel and meetings	7,000	7,000	13,754	(6,754)
Vehicle expense	5,000	300	38	262
Dues and subscriptions	71,000	71,000	75,814	(4,814)
Telephone	700	700	519	181
Miscellaneous	1,000	1,000	226	774
Legal	117,000	-	155	(155)
Legislative expenses	69,400	304,400	280,180	24,220
Totals - City manager	637,500	1,171,000	1,240,908	(69,908)
Human resources:				
Salaries and benefits	243,000	243,000	258,663	(15,663)
Salaries reimbursement from SA to IUDA	(23,400)	(23,400)	(23,436)	36
Services and supplies:				
Travel expenses	100	100	-	100
Office supplies	100	100	1,850	(1,750)
Printing and photographs	600	600	368	232
Dues and subscriptions	2,000	2,000	-	2,000
Rental equipment	3,400	3,400	3,436	(36)
Repairs and maintenance	400	400	1,117	(717)
Telephone	100	100	56	44
Professional services	-	-	37,100	(37,100)
Totals - Human Resources	226,300	226,300	279,154	(15,754)
Successor Agency Administration:				
Services and supplies:				
Professional services	-	-	13,042	(13,042)
Legal	-	-	-	-
Office supplies	-	-	-	-
Property taxes and assessments	-	-	4,008	(4,008)
Dues and subscriptions	-	-	-	-
Miscellaneous	-	-	3,200	(3,200)
Miscellaneous engineering	-	-	-	-
Totals - IUDA Administration	-	-	20,250	(20,250)
Totals - General Administration	3,074,800	3,118,300	2,685,848	432,452

(Continued)

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures (Continued)
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
SUPPORT SERVICES				
Central services:				
Salaries	114,000	114,000	113,861	139
Services and supplies:				
Professional services	449,000	493,000	674,966	(181,966)
Office supplies	46,000	46,000	39,008	6,992
Repairs and maintenance	15,000	15,000	114,575	(99,575)
Equipment rentals	34,000	34,000	29,801	4,199
Printing and photographs	9,000	9,000	4,256	4,744
Storage expense	42,000	42,000	28,000	14,000
Travel and meetings	4,000	4,000	1,412	2,588
Vehicle expenses	23,000	23,000	12,495	10,505
Advertising and printing	4,000	4,000	-	4,000
Dues and subscription	6,000	6,000	4,539	1,461
Computer services	296,000	296,000	341,751	(45,751)
Building maintenance	123,000	123,000	129,004	(6,004)
Telephone	18,000	18,000	20,244	(2,244)
Utilities	74,000	74,000	66,190	7,810
Miscellaneous	29,000	29,000	25,338	3,662
Refuse disposal - residents	39,000	39,000	26,001	12,999
Totals - Central services	1,325,000	1,369,000	1,631,441	(262,441)
City treasurer:				
Salaries	298,000	298,000	297,268	732
Salaries reimbursement from SA to IUDA	(122,000)	(122,000)	(121,930)	(70)
Office supplies	-	-	29	(29)
Dues and Subscriptions	1,000	1,000	789	211
Professional services	-	-	950	(950)
Repairs and maintenance	-	-	140	(140)
Totals - City treasurer	177,000	177,000	177,246	(246)
Finance department:				
Salaries	-	-	83,972	83,972
Services and supplies:				
Office supplies	1,000	1,000	154	846
Repairs and maintenance	15,000	15,000	22,468	(7,468)
Travel and meetings	-	-	275	(275)
Dues and subscriptions	-	-	390	(390)
Accounting	863,000	763,000	861,350	(98,350)
Professional Services	518,000	518,000	505,540	12,460
Totals - Finance department	1,397,000	1,297,000	1,474,149	(9,205)

(Continued)

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures (Continued)
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
SUPPORT SERVICES (Continued)				
Non-departmental:				
Services and supplies:				
Insurance and bonds	317,000	317,000	279,265	37,735
Employees insurance	132,000	150,000	156,034	(6,034)
Group and medical insurance	1,861,000	1,957,000	2,735,877	(778,877)
PERS	524,000	689,000	661,479	27,521
Expense reimbursement from SA to IUDA	(260,000)	(260,000)	(228,266)	(31,734)
Miscellaneous	2,000	2,000	3,136	(1,136)
Tuition reimbursement	20,000	20,000	22,647	(2,647)
Taxes and assessments	209,000	209,000	213,947	(4,947)
Payroll taxes	40,000	53,000	41,077	11,923
Professional services	-	194,350	219,388	(25,038)
Insurance claims	26,000	26,000	55,380	(29,380)
Parking citation	31,000	31,000	48,704	(17,704)
Lease obligation	937,700	937,700	937,588	112
Total Non-departmental	3,839,700	4,326,050	5,146,256	(820,206)
Totals - Support Services	6,738,700	7,169,050	8,429,092	(1,260,042)
COMMUNITY DEVELOPMENT				
Engineering:				
Salaries	180,500	218,900	178,579	40,321
Salaries reimbursement from SA to IUDA	(55,000)	(55,000)	(41,863)	(13,137)
Miscellaneous engineering	33,000	30,000	7,562	22,438
Totals - Engineering	158,500	193,900	144,278	49,622
Planning:				
Salaries	343,000	343,000	337,777	5,223
Services and supplies:				
Offices supplies	1,000	1,000	44	956
Repairs and maintenance	-	-	5	(5)
Printing and photographs	-	-	66	(66)
Travel and meetings	2,000	2,000	65	1,935
Legal advertising/printing	4,000	4,000	5,414	(1,414)
Dues and subscription	4,000	4,000	425	3,575
Telephone	1,000	1,000	428	572
Miscellaneous	1,000	1,000	6,626	(5,626)
Filing fees	27,000	27,000	20,756	6,244
Professional services	194,000	65,300	348,482	(283,182)
Totals- Planning	577,000	448,300	720,088	(271,788)
Totals - Community Development	735,500	642,200	864,366	(222,166)

(Continued)

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures (Continued)
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
COMMUNITY SERVICES				
Community promotion:				
Services and supplies:				
Community promotion	1,530,000	1,595,000	1,572,350	22,650
Housing grant	75,000	75,000	-	75,000
Telephone	1,000	1,000	238	762
Totals - Community promotion	1,606,000	1,671,000	1,572,588	98,412
El Encanto Hospital:				
Services and supplies:				
Professional fees	1,000	1,000	6,281	(5,281)
Repairs and maintenance	33,000	33,000	40,648	(7,648)
Property maintenance	242,000	242,000	206,294	35,706
Security	67,000	67,000	61,766	5,234
Capital outlay	11,000	11,000	10,636	364
Totals - El Encanto Hospital	354,000	354,000	325,625	28,375
Workman Temple Homestead Museum:				
Services and supplies:				
Professional services	19,000	19,000	2,568	16,432
Museum agreement	1,114,000	1,114,000	1,068,465	45,535
Utilities	38,000	38,000	32,033	5,967
Property maintenance	532,000	532,000	366,595	165,405
General engineering	6,000	6,000	17,629	(11,629)
Janitorial services	12,000	12,000	9,250	2,750
Vehicle expenses	2,000	2,000	174	1,826
Miscellaneous	91,000	91,000	82,802	8,198
Capital outlay	11,000	11,000	18,335	(7,335)
Totals - Workman Temple Museum	1,825,000	1,825,000	1,597,851	227,149
Tres Hermanos:				
Services and supplies:				
Telephone	1,000	1,000	603	397
Dues and Subscriptions	-	-	3,590	(3,590)
Utilities	5,000	5,000	6,376	(1,376)
Vehicle expenses	-	-	1,432	(1,432)
Security	124,000	124,000	114,740	9,260
Property maintenance	15,000	15,000	4,204	10,796
Expense reimbursement from SA to IUDA	(131,200)	(131,200)	(104,760)	(26,440)
Totals - Tres Hermanos	13,800	13,800	26,185	(12,385)
Totals - Community Services	3,798,800	3,863,800	3,522,249	341,551

(Continued)

City of Industry
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund Expenditures (Continued)
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
PUBLIC SAFETY				
Law enforcement:				
Services and supplies:				
Printing and photography	-	-	172	(172)
Professional services	1,000	1,000	2,100	(1,100)
Vehicle expenses	18,000	18,000	2,491	15,509
Telephone	4,000	4,000	3,664	336
Miscellaneous	-	-	13,764	(13,764)
General law and traffic enforcement	8,155,000	8,155,000	8,284,535	(129,535)
Other law enforcement	13,500	13,500	-	13,500
Animal control	38,000	38,000	30,230	7,770
Security	239,000	239,000	273,398	(34,398)
Totals - Public Safety	8,468,500	8,468,500	8,610,354	(141,854)
PUBLIC WORKS				
Community facilities and ground				
Services and supplies:				
Professional services	614,000	966,000	964,083	1,917
Repairs and maintenance	14,700	14,700	50,199	(35,499)
Equipment rentals	-	-	1,116	(1,116)
Vehicle expenses	56,000	56,000	80,621	(24,621)
Travel and meetings	-	-	30	(30)
Telephone	56,000	20,000	16,450	3,550
General engineering	1,410,700	1,410,700	1,341,997	68,703
Miscellaneous	28,200	28,200	56,419	(28,219)
Utilities	548,000	548,000	458,946	89,054
Property maintenance	4,081,000	4,091,000	4,201,159	(110,159)
Expense reimbursement from SA to IUDA	(1,181,600)	(519,700)	(560,991)	41,291
Printing and photography	10,000	10,000	5,060	4,940
Security	743,000	743,000	709,440	33,560
Settlement expense	-	-	2,500,000	(2,500,000)
Totals - Community facilities	6,380,000	7,367,900	9,824,529	(2,456,629)
Public Works Administration:				
Salaries	110,000	110,000	77,475	32,525
Salaries reimbursement from SA to IUDA	(44,000)	(44,000)	(31,145)	(12,855)
Services and supplies:				
Professional services	-	10,000	10,000	-
Dues and subscriptions	2,800	2,800	1,289	1,511
Streets and roads	3,615,000	3,210,000	3,294,681	(84,681)
Totals - Public Works	3,683,800	3,288,800	3,352,300	(63,500)
Totals - Public Works	10,063,800	10,656,700	13,176,829	(2,520,129)
Capital projects:				
Capital outlay				
Real estate purchases	-	-	8,927,978	(8,927,978)
Total Capital projects	-	-	8,927,978	(8,927,978)
Total expenditures	$ 33,149,100	$ 34,187,550	$ 46,898,766	$ (12,711,216)

(Concluded)

City of Industry
Required Supplementary Information (Unaudited)
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary information

The City Council adopts an annual budget, submitted by the City Manager prior to June 30th. The appropriated budget is prepared by fund, function and department. All annual appropriations lapse at the end of the fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within a fund. Transfers of operating budgets between funds or from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriation and all changes in capital improvement project budgets require the approval of the City Council.

The annual budget is prepared on a basis consistent with generally accepted accounting principles and is adopted for all governmental type funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Summary of Expenditures Budget to Actual

Below is a summary of expenditures compared to budget of the General Fund for the year ended June 30, 2016:

General Fund Budget to Actual Comparison

	Original Budget	Final Budget	Actual	Variance
Current:				
Legislative	$ 269,000	$ 269,000	$ 682,050	$ (413,050)
General administration	3,074,800	3,118,300	2,685,848	432,452
Support services	6,738,700	7,169,050	8,429,092	(1,260,042)
Community development	735,500	642,200	864,366	(222,166)
Community services	3,798,800	3,863,800	3,522,249	341,551
Public safety	8,468,500	8,468,500	8,610,354	(141,854)
Public works	10,063,800	10,656,700	13,176,829	(2,520,129)
Capital outlay	-	-	8,927,978	(8,927,978)
Total expenditures	$ 33,149,100	$ 34,187,550	$ 46,898,766	$ (12,711,216)

City of Industry
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan

	June 30, 2015	June 30, 2014[1]
City's Proportion of the Net Pension Liability/(Asset)	0.09232%	0.07687%
City's Proportionate Share of the net Pension Liability/(Asset)	$ 6,336,456	$ 4,782,916
City's Covered-Employee Payroll	$ 1,988,262	$ 1,779,595
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	318.69%	268.76%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	77.21%	83.03%

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

City of Industry
Required Supplementary Information (Unaudited)
Schedule of City's Contributions
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	2015-16	2014-15	2013-14[1]
Actuarially Determined Contribution	$ 227,017	$ 255,850	$ 303,098
Contribution in Relation to the Actuarially Determined Contribution	(227,017)	(255,850)	(303,098)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll[2,3]	$ 2,047,910	$ 1,988,262	$ 1,779,595
Contributions as a Percentage of Covered-Employee Payroll	11.09%	12.87%	17.21%

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

[2] Covered-Employee Payroll represented above is based on pensionable earnings.

[4] Payroll from prior year $1,988,262 was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

City of Industry
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2016

Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c
9/1/2011	$ 14,417,646	$ -	$ 14,417,646	0.0%	$ 1,670,642	863%
9/1/2014	14,741,274	-	14,741,274	0.0%	1,661,041	887%
7/1/2015	11,039,940	11,039,940	-	100.0%	1,732,278	0%

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SUPPLEMENTARY INFORMATION

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DEBT SERVICE FUNDS

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City of Industry
Combining Balance Sheet
Debt Service Funds
June 30, 2016

	City of Industry		Industry Public Facilities Authority	
	Debt Service	Tax Override	Debt Service	Totals
ASSETS				
Cash	$ 99,953	$ 854	$ -	$ 100,807
Investments	3,862,888	926	-	3,863,814
Investments with fiscal agent - restricted	51,907,541	-	106,462,224	158,369,765
Investments in IUDA bonds	-	-	626,365,000	626,365,000
Accrued interest	-	-	24,118,387	24,118,387
Other receivables	193,075	489,436	-	682,511
Prepaid items	3,953,058	-	7,326,752	11,279,810
Site lease prepayment	-	-	5,224,012	5,224,012
Deposit held by bond trustee for debt services	-	45,671,596	-	45,671,596
Total assets	$ 60,016,515	$ 46,162,812	$ 769,496,375	$ 875,675,702
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 9,524	$ -	$ -	$ 9,524
Bond payment deposits	-	-	101,577,954	101,577,954
Due to other funds	4,689,810	-	-	4,689,810
Advance from other funds	-	-	53,610,000	53,610,000
Total liabilities	4,699,334	-	155,187,954	159,887,288
FUND BALANCES				
Restricted	55,317,181	46,162,812	4,884,267	106,364,260
Committed	-	-	609,424,154	609,424,154
Total fund balances	55,317,181	46,162,812	614,308,421	715,788,414
Total liabilities and fund balances:	$ 60,016,515	$ 46,162,812	$ 769,496,375	$ 875,675,702

City of Industry
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Year Ended June 30, 2016

	City of Industry		Industry Public Facilities Authority	
	Debt Service	Tax Override	Debt Service	Totals
REVENUES:				
Property taxes	$ 12,920,865	$ 46,083,329	$ -	$ 59,004,194
Revenues from use of money and property:				
Interest income	83,539	1,127	-	84,666
Interest income - Successor Agency to Industry Urban-Development Agency	119,888	-	24,512,299	24,632,187
Investment redemption premium	55,159,456	-	362,250	55,521,706
Rental income from City of Industry	-	-	937,588	937,588
Total revenues	68,283,748	46,084,456	25,812,137	140,180,341
EXPENDITURES:				
Current:				
General administration	23,468	-	388,232	411,700
Debt service:				
Principal retirement - long-term debt	12,580,000	-	750,000	13,330,000
Interest	10,402,812	-	2,337,588	12,740,400
Bond issuance costs	2,967,648	-	8,290,704	11,258,352
Total expenditures	25,973,928	-	11,766,524	37,740,452
REVENUES OVER (UNDER) EXPENDITURES	42,309,820	46,084,456	14,045,613	102,439,889
OTHER FINANCING SOURCES (USES):				
Transfers in	23,006,223	-	16,091	23,022,314
Transfers out	(741,035,726)	-	(5,000)	(741,040,726)
Transfers from Successor Agency	-	-	21,936,358	21,936,358
Transfers to Successor Agency	-	(31,399,679)	-	(31,399,679)
Redemption of Sales Tax Bonds	(134,430,034)	-	-	(134,430,034)
Redemption of PFA 2007 Bonds	-	-	(84,107,297)	(84,107,297)
Proceeds from issuance of Sales Tax bonds	381,009,931	-	-	381,009,931
Proceeds from issuance of Authority bonds	-	-	575,623,360	575,623,360
Proceeds from loan pay-off	14,421,307	-	-	14,421,307
Total other financing sources (uses)	(457,028,299)	(31,399,679)	513,463,512	25,035,534
Change in fund balances	(414,718,479)	14,684,777	527,509,125	127,475,423
FUND BALANCES:				
Beginning of year	470,035,660	31,478,035	86,799,296	588,312,991
End of year	$ 55,317,181	$ 46,162,812	$ 614,308,421	$ 715,788,414

NONMAJOR GOVERNMENTAL FUNDS

City of Industry
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	City of Industry Special Revenue Funds			
	State Gas Tax	Measure R Local Return	Proposition A - Sales Tax	Proposition C - Sales Tax
ASSETS				
Cash	$ -	$ -	$ 178,244	$ 15,831
Investments	-	-	5,625,045	-
Accounts receivable	17,903	-	-	-
Total assets	$ 17,903	$ -	$ 5,803,289	$ 15,831
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ -	$ 4,323,560	$ -
Due to other funds	-	-	662	6,933
Total liabilities	-	-	4,324,222	6,933
FUND BALANCES				
Restricted for public transportation and roads	17,903	-	1,479,067	8,898
Committed for capital projects	-	-	-	-
Total fund balances	17,903	-	1,479,067	8,898
Total liabilities and fund balances	$ 17,903	$ -	$ 5,803,289	$ 15,831

City of Industry
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	City of Industry Special Revenue Funds	Civic - Recreational - Industrial Authority	
	AQMD Grant	Capital Projects Fund	Totals
ASSETS			
Cash	$ -	$ 23,261	$ 217,336
Investments	-	146,209	5,771,254
Accounts receivable	-	456	18,359
Total assets	$ -	$ 169,926.00	$ 6,006,949.00
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ 42,852	$ 4,366,412
Due to other funds	-	-	7,595
Total liabilities	-	42,852	4,374,007
FUND BALANCES			
Restricted for public transportation and roads	-	-	1,505,868
Committed for capital projects	-	127,074	127,074
Total fund balances	-	127,074	1,632,942
Total liabilities and fund balances	$ -	$ 169,926	$ 6,006,949

City of Industry
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	City of Industry Special Revenue Funds			
	State Gas Tax	Measure R Local Return	Proposition A - Sales Tax	Proposition C - Sales Tax
REVENUES:				
Taxes	$ 12,726	$ 4,921	$ 8,259	$ 6,933
Grant income	-	-	-	-
Revenues from use of money and property	-	-	10,649	9
Total revenues	12,726	4,921	18,908	6,942
EXPENDITURES:				
Current:				
General administration	-	-	-	-
Public safety	-	-	4,414,239	-
Public works	14,538	4,921	-	6,933
Capital outlay	-	-	360,745	-
Total expenditures	14,538	4,921	4,774,984	6,933
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,812)	-	(4,756,076)	9
OTHER FINANCING SOURCES (USES):				
Transfer in	1,812	-	-	-
Transfers out	-	-	(353)	-
Total other financing sources (uses)	1,812	-	(353)	-
Changes in fund balances	-	-	(4,756,429)	9
FUND BALANCES:				
Beginning of year	17,903	-	6,235,496	8,889
End of year	$ 17,903	$ -	$ 1,479,067	$ 8,898

City of Industry
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	City of Industry Special Revenue Funds	Civic - Recreational - Industrial Authority	
	AQMD Grant	Capital Projects Fund	Totals
REVENUES:			
Taxes	$ -	$ -	$ 32,839
Grant income	101,884	-	101,884
Revenues from use of money and property	-	623	11,281
Total revenues	101,884	623	146,004
EXPENDITURES:			
Current:			
General administration	5,797	277,952	283,749
Public safety	-	-	4,414,239
Public works	-	-	26,392
Capital outlay	-	72,075	432,820
Total expenditures	5,797	350,027	5,157,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	96,087	(349,404)	(5,011,196)
OTHER FINANCING SOURCES (USES):			
Transfer in	-	918,268	920,080
Transfers out	(107,864)	(582,000)	(690,217)
Total other financing sources (uses)	(107,864)	336,268	229,863
Changes in fund balances	(11,777)	(13,136)	(4,781,333)
FUND BALANCES:			
Beginning of year	11,777	140,210	6,414,275
End of year	$ -	$ 127,074	$ 1,632,942

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes	$ 21,000	$ 21,000	$ 12,726	$ (8,274)
Total revenues	21,000	21,000	12,726	(8,274)
EXPENDITURES:				
Current:				
Public works	21,000	21,000	14,538	6,462
Total expenditures	21,000	21,000	14,538	6,462
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,812)	(1,812)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	1,812	1,812
Total other financing sources (uses)	-	-	1,812	1,812
CHANGES IN FUND BALANCES	$ -	$ -	-	$ -
FUND BALANCE:				
Beginning of year			17,903	
End of year			$ 17,903	

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Measure R Local Return Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes	$ 5,000	$ 5,000	$ 4,921	$ (79)
Revenues from use of money and property	100	100	-	(100)
Total revenues	5,100	5,100	4,921	(179)
EXPENDITURES:				
Current:				
Public works	5,000	5,000	4,921	79
Total expenditures	5,000	5,000	4,921	79
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100	100	-	(100)
NET CHANGES IN FUND BALANCES	$ 100	$ 100	-	$ (100)
FUND BALANCE:				
Beginning of year			-	
End of year			$ -	

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Proposition A Sales Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes	$ 8,000	$ 8,000	$ 8,259	$ 259
Revenues from use of money and property	6,700	6,700	10,649	3,949
Total revenues	14,700	14,700	18,908	4,208
EXPENDITURES:				
Current:				
Public safety	4,618,000	4,618,000	4,414,239	203,761
Capital outlay	-	-	360,745	(360,745)
Total expenditures	4,618,000	4,618,000	4,774,984	(156,984)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,603,300)	(4,603,300)	(4,756,076)	(152,776)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(353)	(353)
Total other financing sources (uses)	-	-	(353)	(353)
NET CHANGES IN FUND BALANCES	$ (4,603,300)	$ (4,603,300)	(4,756,429)	$ (153,129)
FUND BALANCE:				
Beginning of year			6,235,496	
End of year			$ 1,479,067	

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Proposition C Sales Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Taxes	$ 7,200	$ 7,200	$ 6,933	$ (267)
Revenues from use of money and property	10	10	9	(1)
Total revenues	7,210	7,210	6,942	(268)
EXPENDITURES:				
Current:				
Public works	-	-	6,933	(6,933)
Total expenditures	-	-	6,933	(6,933)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,210	7,210	9	(7,201)
NET CHANGES IN FUND BALANCES	$ 7,210	$ 7,210	9	$ (7,201)
FUND BALANCE:				
Beginning of year			8,889	
End of year			$ 8,898	

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
AQMD Grant Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Grant income	$ -	$ -	$ 101,884	$ 101,884
Total revenues	-	-	101,884	101,884
EXPENDITURES:				
Current:				
General administration	41,500	41,500	5,797	35,703
Total expenditures	41,500	41,500	5,797	35,703
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,500)	(41,500)	96,087	137,587
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	(107,864)	(107,864)
Total other financing sources (uses)	-	-	(107,864)	(107,864)
NET CHANGES IN FUND BALANCES	$ (41,500)	$ (41,500)	(11,777)	$ 29,723
FUND BALANCE:				
Beginning of year			11,777	
End of year			$ -	

City of Industry
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Civic Recreation Industrial Authority Capital Project Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Revenues from use of money and property	$ 420	$ 420	$ 623	$ 203
Total revenues	420	420	623	203
EXPENDITURES:				
Current:				
General administration	500,500	430,300	277,952	152,348
Capital outlay	-	-	72,075	(72,075)
Total expenditures	500,500	430,300	350,027	80,273
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(500,080)	(429,880)	(349,404)	80,476
OTHER FINANCING SOURCES (USES):				
Transfer in	1,082,500	1,012,300	918,268	(94,032)
Transfers out	-	-	(582,000)	(582,000)
Total other financing sources (uses)	1,082,500	1,012,300	336,268	(676,032)
NET CHANGES IN FUND BALANCES	$ 582,420	$ 582,420	(13,136)	$ (595,556)
FUND BALANCE:				
Beginning of year			140,210	
End of year			$ 127,074	

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INDUSTRY PUBLIC UTILITIES COMMISSION ENTERPRISE FUNDS

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City of Industry
Combining Statement of Net Position
Industry Public Utilities Commission Enterprise Funds
June 30, 2016

	City of Industry Industry Public Utilities Commission		
	Water	Electric	Total
ASSETS			
Current assets:			
Cash	$ 1,163,159	$ 1,726,539	$ 2,889,698
Investments	5,179,587	3,741,893	8,921,480
Accounts receivable, net	455,106	672,125	1,127,231
Inventory of materials and supplies	10,000	-	10,000
Prepaid items	505,763	500,000	1,005,763
Due from other funds	-	115,296	115,296
Total current assets	7,313,615	6,755,853	14,069,468
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated	922,936		922,936
Capital assets being depreciated,net	10,015,168	3,058,418	13,073,586
Capital assets, net	10,938,104	3,058,418	13,996,522
Total noncurrent assets	10,938,104	3,058,418	13,996,522
Total assets	18,251,719	9,814,271	28,065,990
LIABILITIES			
Current liabilities:			
Accounts payable	247,986	576,055	824,041
Deposits	145,505	-	145,505
Due to other funds	-	500,000	500,000
Unearned revenue from reclaimed water sales	7,297,311	-	7,297,311
Total current liabilities	7,690,802	1,076,055	8,766,857
Total liabilities	7,690,802	1,076,055	8,766,857
NET POSITION			
Investment in capital assets	10,938,104	3,058,418	13,996,522
Unrestricted (deficit)	(377,187)	5,679,798	5,302,611
Total net position	$ 10,560,917	$ 8,738,216	$ 19,299,133

City of Industry
Combining Statement of Revenues, Expenses, and Changes in Fund Position
Industry Public Utilities Commission Enterprise Funds
For the Year Ended June 30, 2016

	City of Industry Industry Public Utilities Commission		
	Water	Electric	Total
OPERATING REVENUES:			
Water sales and service	$ 3,135,957	$ -	$ 3,135,957
Electric and solar energy sales	-	5,489,629	5,489,629
Total operating revenues	3,135,957	5,489,629	8,625,586
OPERATING EXPENSES:			
Purchased water	25,085	-	25,085
Purchased electricity	-	2,457,690	2,457,690
General administration	2,007,667	1,115,305	3,122,972
Depreciation	628,271	92,753	721,024
Total operating expenses	2,661,023	3,665,748	6,326,771
OPERATING INCOME	474,934	1,823,881	2,298,815
NONOPERATING REVENUES:			
Investment income	21,962	(128)	21,834
Other revenues	49,306	115,296	164,602
Total nonoperating revenue	71,268	115,168	186,436
Changes in net position before transfers	546,202	1,939,049	2,485,251
TRANSFERS:			
Transfer out	-	(11,962)	(11,962)
Total transfers	-	(11,962)	(11,962)
Changes in net position	546,202	1,927,087	2,473,289
NET POSITION:			
Beginning of year	10,014,715	6,811,129	16,825,844
End of year	$ 10,560,917	$ 8,738,216	$ 19,299,133

City of Industry
Combining Statement of Cash Flows
Industry Public Utilities Commission Enterprise Funds
For the Year Ended June 30, 2016

	City of Industry Industry Public Utilities Commission		
	Water	Electric	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 2,480,617	$ 5,368,887	$ 7,849,504
Receipts from other funds	(14,854)	-	(14,854)
Payments to suppliers and employees	(2,891,936)	(3,817,751)	(6,709,687)
Payments to other funds	-	(117,771)	(117,771)
Other income	49,306	115,296	164,602
Net cash provided by (used in) operating activities	(376,867)	1,548,661	1,171,794
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	(11,962)	(11,962)
Net cash used in noncapital and related financing activities	-	(11,962)	(11,962)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	(3,750,000)	(3,750,000)
Proceeds from investment maturities	-	1,839,000	1,839,000
Interest received	3,400	10,350	13,750
Net cash provided by (used in) investing activities	3,400	(1,900,650)	(1,897,250)
Net decrease in cash and cash equivalents	(373,467)	(363,951)	(737,418)
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,536,626	2,090,490	3,627,116
End of year	$ 1,163,159	$ 1,726,539	$ 2,889,698
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	$ 474,934	$ 1,823,881	$ 2,298,815
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	628,271	92,753	721,024
Other revenues	49,306	115,296	164,602
(Increase) decrease in accounts receivables	(105,052)	(120,742)	(225,794)
(Increase) decrease in prepaid items	(493,707)	(500,000)	(993,707)
(Increase) decrease in due from other funds	-	(115,296)	(115,296)
Increase (decrease) in accounts payable	(365,477)	(244,756)	(610,233)
Increase (decrease) in customer deposits	(38,345)	-	(38,345)
Increase (decrease) in due to other funds	(14,854)	497,525	482,671
Increase (decrease) in unearned revenues	(511,943)	-	(511,943)
Net cash provided by (used in) operating activities	$ (376,867)	$ 1,548,661	$ 1,171,794

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AGENCY FUND

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City of Industry
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assessment Districts				
ASSETS				
Cash	$ 329,434	$ 494,470	$ (507,674)	$ 316,230
Investments	1,499,445	134,697	-	1,634,142
Cash with fiscal agent	518,719	-	-	518,719
Other receivables	-	10,262	-	10,262
Total assets	$ 2,347,598	$ 639,429	$ (507,674)	$ 2,479,353
LIABILITIES				
Due to City of Industry	$ 144	$ -	$ (144)	$ -
Due to bond holders	2,347,454	639,429	(507,530)	2,479,353
Total liabilities	$ 2,347,598	$ 639,429	$ (507,674)	$ 2,479,353

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SCHEDULES OF LONG-TERM DEBT

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City of Industry
Schedule of Long-Term Debt
$37,860,000 General Obligation Refunding Bonds, Issue of 2009 - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ 3,955,000	3.125%	$ 410,781	$ 4,365,781	
1/1/2017	-	3.375%	322,156	322,156	$ 4,687,937
7/1/2017	4,130,000	3.375%	322,156	4,452,156	
1/1/2018	-	3.600%	221,875	221,875	4,674,031
7/1/2018	4,330,000	3.600%	221,875	4,551,875	
1/1/2019	-	3.800%	113,625	113,625	4,665,500
7/1/2019	4,545,000	3.800%	113,625	4,658,625	4,658,625
	$ 16,960,000		$ 1,726,093	$ 18,686,093	$ 18,686,093

City of Industry

Schedule of Long-Term Debt (Continued)

$50,975,000 General Ogligation Refunding Bonds, Series B, Issue of 2009 - Maturity Schedule

For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ 4,755,000	5.000%	$ 571,088	$ 5,326,088	
1/1/2017	-	4.250%	460,763	460,763	$ 5,786,851
7/1/2017	4,975,000	4.250%	460,763	5,435,763	
1/1/2018	-	4.375%	358,950	358,950	5,794,713
7/1/2018	5,180,000	4.375%	358,950	5,538,950	
1/1/2019	-	4.500%	251,450	251,450	5,790,400
7/1/2019	5,395,000	4.500%	251,450	5,646,450	
1/1/2020	-	4.500%	127,800	127,800	5,774,250
7/1/2020	5,640,000	4.500%	127,800	5,767,800	5,767,800
	$ 25,945,000		$ 2,969,014	$ 28,914,014	$ 28,914,014

City of Industry
Schedule of Long-Term Debt (Continued)
$43,340,000 General Obligation Refunding Bonds, Issue of 2010 - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ 2,155,000	4.000%	$ 752,625	$ 2,907,625	
1/1/2017	-	4.000%	709,525	709,525	$ 3,617,150
7/1/2017	2,240,000	4.000%	709,525	2,949,525	
1/1/2018	-	4.000%	664,725	664,725	3,614,250
7/1/2018	2,330,000	4.000%	664,725	2,994,725	
1/1/2019	-	4.000%	618,125	618,125	3,612,850
7/1/2019	2,430,000	5.000%	618,125	3,048,125	
1/1/2020	-	5.000%	557,375	557,375	3,605,500
7/1/2020	2,550,000	5.000%	557,375	3,107,375	
1/1/2021	-	5.000%	493,625	493,625	3,601,000
7/1/2021	2,675,000	4.500%	493,625	3,168,625	
1/1/2022	-	4.500%	431,200	431,200	3,599,825
7/1/2022	2,800,000	5.000%	431,200	3,231,200	
1/1/2023	-	5.000%	361,200	361,200	3,592,400
7/1/2023	2,940,000	5.000%	361,200	3,301,200	
1/1/2024	-	5.000%	287,700	287,700	3,588,900
7/1/2024	3,095,000	5.000%	287,700	3,382,700	
1/1/2025	-	5.000%	210,325	210,325	3,593,025
7/1/2025	3,240,000	4.500%	210,325	3,450,325	
1/1/2026	-	4.500%	137,075	137,075	3,587,400
7/1/2026	1,550,000	4.250%	137,075	1,687,075	
1/1/2027	-	4.250%	104,138	104,138	1,791,213
7/1/2027	1,615,000	4.000%	104,138	1,719,138	
1/1/2028	-	4.000%	71,838	71,838	1,790,976
7/1/2028	1,680,000	4.125%	71,838	1,751,838	
1/1/2029	-	4.125%	37,188	37,188	1,789,026
7/1/2029	1,750,000	4.250%	37,188	1,787,188	1,787,188
	$ 33,050,000		$ 10,120,703	$ 43,170,703	$ 43,170,703

City of Industry
Schedule of Long-Term Debt (Continued)
$28,985,000 General Obligation Refunding Bonds Taxable, Issue of 2014 - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ -	2.500%	$ 416,482	$ 416,482	
1/1/2017	-	2.500%	416,482	416,482	$ 832,964
7/1/2017	-	2.500%	416,482	416,482	
1/1/2018	-	2.500%	416,482	416,482	832,964
7/1/2018	-	2.500%	416,482	416,482	
1/1/2019	-	2.500%	416,482	416,482	832,964
7/1/2019	-	2.500%	416,482	416,482	
1/1/2020	-	2.500%	416,482	416,482	832,964
7/1/2020	4,470,000	2.500%	416,482	4,886,482	
1/1/2021	-	2.750%	360,607	360,607	5,247,089
7/1/2021	5,875,000	2.750%	360,607	6,235,607	
1/1/2022	-	2.875%	279,825	279,825	6,515,432
7/1/2022	6,035,000	2.875%	279,825	6,314,825	
1/1/2023	-	3.000%	193,072	193,072	6,507,897
7/1/2023	6,210,000	3.000%	193,072	6,403,072	
1/1/2024	-	3.125%	99,921	99,921	6,502,993
7/1/2024	6,395,000	3.125%	99,921	6,494,921	6,494,921
	$ 28,985,000		$ 5,615,188	$ 34,600,188	$ 34,600,188

City of Industry
Schedule of Long-Term Debt (Continued)
$45,380,000 Taxable Sales Tax Revenue Bonds, Issue of 2010 - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ -	6.000%	$ 1,262,010	$ 1,262,010	
1/1/2017	2,215,000	6.000%	1,262,010	3,477,010	$ 4,739,020
7/1/2017	-	6.000%	1,195,560	1,195,560	
1/1/2018	2,345,000	6.000%	1,195,560	3,540,560	4,736,120
7/1/2018	-	6.600%	1,121,106	1,121,106	
1/1/2019	2,495,000	6.600%	1,121,106	3,616,106	4,737,212
7/1/2019	-	6.750%	1,038,771	1,038,771	
1/1/2020	2,660,000	6.750%	1,038,771	3,698,771	4,737,542
7/1/2020	-	7.000%	948,996	948,996	
1/1/2021	2,840,000	7.000%	948,996	3,788,996	4,737,992
7/1/2021	-	7.250%	849,596	849,596	
1/1/2022	3,040,000	7.250%	849,596	3,889,596	4,739,192
7/1/2022	-	7.400%	739,396	739,396	
1/1/2023	3,260,000	7.400%	739,396	3,999,396	4,738,792
7/1/2023	-	7.600%	618,776	618,776	
1/1/2024	3,500,000	7.600%	618,776	4,118,776	4,737,552
7/1/2024	-	7.850%	485,776	485,776	
1/1/2025	3,765,000	7.850%	485,776	4,250,776	4,736,552
7/1/2025	-	8.000%	338,000	338,000	
1/1/2026	4,065,000	8.000%	338,000	4,403,000	4,741,000
7/1/2026	-	8.000%	175,400	175,400	
1/1/2027	4,385,000	8.000%	175,400	4,560,400	4,735,800
	$ 34,570,000		$ 17,546,774	$ 52,116,774	$ 52,116,774

City of Industry
Schedule of Long-Term Debt (Continued)
$336,570,000 Taxable Sales Tax Revenue Refunding Bonds, Series 2015A - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
7/1/2016	$ -	1.460%	$ 9,465,418	$ 9,465,418	
1/1/2017	600,000	1.460%	8,191,227	8,791,227	$ 18,256,645
7/1/2017	-	1.880%	8,186,847	8,186,847	
1/1/2018	1,890,000	1.880%	8,186,847	10,076,847	18,263,695
7/1/2018	-	2.125%	8,169,081	8,169,081	
1/1/2019	1,920,000	2.125%	8,169,081	10,089,081	18,258,163
7/1/2019	-	2.500%	8,148,681	8,148,681	
1/1/2020	1,960,000	2.500%	8,148,681	10,108,681	18,257,363
7/1/2020	-	2.750%	8,124,181	8,124,181	
1/1/2021	2,010,000	2.750%	8,124,181	10,134,181	18,258,363
7/1/2021	-	3.000%	8,096,544	8,096,544	
1/1/2022	2,065,000	3.000%	8,096,544	10,161,544	18,258,088
7/1/2022	-	3.250%	8,065,569	8,065,569	
1/1/2023	2,130,000	3.250%	8,065,569	10,195,569	18,261,138
7/1/2023	-	3.250%	8,030,956	8,030,956	
1/1/2024	2,200,000	3.250%	8,030,956	10,230,956	18,261,913
7/1/2024	-	3.500%	7,995,206	7,995,206	
1/1/2025	2,270,000	3.500%	7,995,206	10,265,206	18,260,413
7/1/2025	-	3.625%	7,955,481	7,955,481	
1/1/2026	2,345,000	3.625%	7,955,481	10,300,481	18,255,963
7/1/2026	-	4.000%	7,912,978	7,912,978	
1/1/2027	2,435,000	4.000%	7,912,978	10,347,978	18,260,956
7/1/2027	-	4.000%	7,864,278	7,864,278	
1/1/2028	7,270,000	4.000%	7,864,278	15,134,278	22,998,556
7/1/2028	-	4.125%	7,718,878	7,718,878	
1/1/2029	7,560,000	4.125%	7,718,878	15,278,878	22,997,756
7/1/2029	-	4.250%	7,562,953	7,562,953	
1/1/2030	7,870,000	4.250%	7,562,953	15,432,953	22,995,906
7/1/2030	-	4.625%	7,395,716	7,395,716	
1/1/2031	8,205,000	4.625%	7,395,716	15,600,716	22,996,431
7/1/2031	-	4.625%	7,205,975	7,205,975	
1/1/2032	8,585,000	4.625%	7,205,975	15,790,975	22,996,950
7/1/2032	-	4.625%	7,007,447	7,007,447	
1/1/2033	8,985,000	4.625%	7,007,447	15,992,447	22,999,894
7/1/2033	-	4.625%	6,799,669	6,799,669	
1/1/2034	9,400,000	4.625%	6,799,669	16,199,669	22,999,338
7/1/2034	-	5.125%	6,582,294	6,582,294	
1/1/2035	9,835,000	5.125%	6,582,294	16,417,294	22,999,588
7/1/2035	-	5.125%	6,330,272	6,330,272	
1/1/2036	10,335,000	5.125%	6,330,272	16,665,272	22,995,544
7/1/2036	-	5.125%	6,065,438	6,065,438	
1/1/2037	10,865,000	5.125%	6,065,438	16,930,438	22,995,875
7/1/2037	-	5.125%	5,787,022	5,787,022	
1/1/2038	11,425,000	5.125%	5,787,022	17,212,022	22,999,044
7/1/2038	-	5.125%	5,494,256	5,494,256	
1/1/2039	12,010,000	5.125%	5,494,256	17,504,256	22,998,513
7/1/2039	-	5.125%	5,186,500	5,186,500	
1/1/2040	12,625,000	5.125%	5,186,500	17,811,500	22,998,000
7/1/2040	-	5.125%	4,862,984	4,862,984	
1/1/2041	13,270,000	5.125%	4,862,984	18,132,984	22,995,969
7/1/2041	-	5.125%	4,522,941	4,522,941	
1/1/2042	13,950,000	5.125%	4,522,941	18,472,941	22,995,881
7/1/2042	-	5.125%	4,165,472	4,165,472	

City of Industry
Schedule of Long-Term Debt (Continued)
$336,570,000 Taxable Sales Tax Revenue Refunding Bonds, Series 2015A - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
1/1/2043	14,665,000	5.125%	4,165,472	18,830,472	22,995,944
7/1/2043	-	5.125%	3,789,681	3,789,681	
1/1/2044	15,420,000	5.125%	3,789,681	19,209,681	22,999,363
7/1/2044	-	5.125%	3,394,544	3,394,544	
1/1/2045	16,210,000	5.125%	3,394,544	19,604,544	22,999,088
7/1/2045	-	5.125%	2,979,163	2,979,163	
1/1/2046	17,040,000	5.125%	2,979,163	20,019,163	22,998,325
7/1/2046	-	5.125%	2,542,513	2,542,513	
1/1/2047	17,910,000	5.125%	2,542,513	20,452,513	22,995,025
7/1/2047	-	5.125%	2,083,569	2,083,569	
1/1/2048	18,830,000	5.125%	2,083,569	20,913,569	22,997,138
7/1/2048	-	5.125%	1,601,050	1,601,050	
1/1/2049	19,795,000	5.125%	1,601,050	21,396,050	22,997,100
7/1/2049	-	5.125%	1,093,803	1,093,803	
1/1/2050	20,810,000	5.125%	1,093,803	21,903,803	22,997,606
7/1/2050	-	5.125%	560,547	560,547	
1/1/2051	21,875,000	5.125%	560,547	22,435,547	22,996,094
	$ 336,570,000		$ 416,221,621	$ 752,791,621	$ 752,791,621

City of Industry
Schedule of Long-Term Debt (Continued)
$51,456,000 Taxable Sale Tax Revenue Refunding Bonds, Series 2015B - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
8/1/2016	$ -	2.750%	$ 2,457,811	$ 2,457,811	
2/1/2017	-	2.750%	1,858,849	1,858,849	$ 4,316,660
8/1/2017	-	2.750%	1,858,849	1,858,849	
2/1/2018	485,000	2.750%	1,858,849	2,343,849	4,202,698
8/1/2018	-	3.250%	1,852,180	1,852,180	
2/1/2019	505,000	3.250%	1,852,180	2,357,180	4,209,360
8/1/2019	-	3.750%	1,843,974	1,843,974	
2/1/2020	520,000	3.750%	1,843,974	2,363,974	4,207,948
8/1/2020	-	4.250%	1,834,224	1,834,224	
2/1/2021	540,000	4.250%	1,834,224	2,374,224	4,208,448
8/1/2021	-	4.500%	1,822,749	1,822,749	
2/1/2022	560,000	4.500%	1,822,749	2,382,749	4,205,498
8/1/2022	-	4.750%	1,810,149	1,810,149	
2/1/2023	585,000	4.750%	1,810,149	2,395,149	4,205,298
8/1/2023	-	5.000%	1,796,255	1,796,255	
2/1/2024	615,000	5.000%	1,796,255	2,411,255	4,207,510
8/1/2024	-	5.250%	1,780,880	1,780,880	
2/1/2025	645,000	5.250%	1,780,880	2,425,880	4,206,760
8/1/2025	-	5.550%	1,763,949	1,763,949	
2/1/2026	680,000	5.550%	1,763,949	2,443,949	4,207,898
8/1/2026	-	5.850%	1,745,079	1,745,079	
2/1/2027	715,000	5.850%	1,745,079	2,460,079	4,205,158
8/1/2027	-	6.150%	1,724,165	1,724,165	
2/1/2028	755,000	6.150%	1,724,165	2,479,165	4,203,330
8/1/2028	-	6.450%	1,700,949	1,700,949	
2/1/2029	805,000	6.450%	1,700,949	2,505,949	4,206,898
8/1/2029	-	6.750%	1,674,988	1,674,988	
2/1/2030	860,000	6.750%	1,674,988	2,534,988	4,209,976
8/1/2030	-	7.000%	1,645,963	1,645,963	
2/1/2031	915,000	7.000%	1,645,963	2,560,963	4,206,926
8/1/2031	-	7.250%	1,613,938	1,613,938	
2/1/2032	980,000	7.250%	1,613,938	2,593,938	4,207,876
8/1/2032	-	7.250%	1,578,413	1,578,413	
2/1/2033	1,050,000	7.250%	1,578,413	2,628,413	4,206,826
8/1/2033	-	7.250%	1,540,350	1,540,350	
2/1/2034	1,125,000	7.250%	1,540,350	2,665,350	4,205,700
8/1/2034	-	7.250%	1,499,569	1,499,569	
2/1/2035	1,205,000	7.250%	1,499,569	2,704,569	4,204,138
8/1/2035	-	7.250%	1,455,888	1,455,888	
2/1/2036	1,295,000	7.250%	1,455,888	2,750,888	4,206,776
8/1/2036	-	7.500%	1,408,944	1,408,944	
2/1/2037	1,390,000	7.500%	1,408,944	2,798,944	4,207,888
8/1/2037	-	7.500%	1,356,819	1,356,819	
2/1/2038	1,490,000	7.500%	1,356,819	2,846,819	4,203,638
8/1/2038	-	7.500%	1,300,944	1,300,944	
2/1/2039	1,605,000	7.500%	1,300,944	2,905,944	4,206,888
8/1/2039	-	7.500%	1,240,756	1,240,756	
2/1/2040	1,725,000	7.500%	1,240,756	2,965,756	4,206,512
8/1/2040	-	7.500%	1,176,069	1,176,069	
2/1/2041	1,855,000	7.500%	1,176,069	3,031,069	4,207,138
8/1/2041	-	7.750%	1,106,506	1,106,506	
2/1/2042	1,995,000	7.750%	1,106,506	3,101,506	4,208,012
8/1/2042	-	7.750%	1,029,200	1,029,200	

City of Industry
Schedule of Long-Term Debt (Continued)
$51,456,000 Taxable Sale Tax Revenue Refunding Bonds, Series 2015B - Maturity Schedule
For the Year Ended June 30, 2016

Period Ending	Principal	Interest Rate	Interest	Debt Service	Annual Debt Service
2/1/2043	2,150,000	7.750%	1,029,200	3,179,200	4,208,400
8/1/2043	-	7.750%	945,888	945,888	
2/1/2044	2,315,000	7.750%	945,888	3,260,888	4,206,776
8/1/2044	-	7.750%	856,181	856,181	
2/1/2045	2,495,000	7.750%	856,181	3,351,181	4,207,362
8/1/2045	-	7.750%	759,500	759,500	
2/1/2046	2,685,000	7.750%	759,500	3,444,500	4,204,000
8/1/2046	-	7.750%	655,456	655,456	
2/1/2047	2,900,000	7.750%	655,456	3,555,456	4,210,912
8/1/2047	-	7.750%	543,081	543,081	
2/1/2048	3,120,000	7.750%	543,081	3,663,081	4,206,162
8/1/2048	-	7.750%	422,181	422,181	
2/1/2049	3,365,000	7.750%	422,181	3,787,181	4,209,362
8/1/2049	-	7.750%	291,788	291,788	
2/1/2050	3,625,000	7.750%	291,788	3,916,788	4,208,576
8/1/2050	-	7.750%	151,319	151,319	
2/1/2051	3,905,000	7.750%	151,319	4,056,319	4,207,638
	$ 51,460,000		$ 95,890,946	$ 147,350,946	$ 147,350,946

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Industry
14651 East Stafford Street
City of Industry, California 91744

$34,340,000
City of Industry
Senior Sales Tax Revenue Refunding Bonds
Series 2017 (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the City of Industry (the "City") of its aggregate principal amount of City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable) (the "Bonds"). The Bonds are being issued by the City under the City of Industry Sales and Use Tax Financing Law, constituting Chapter 3.60 of Title 3 of the Industry Municipal code (the "Bond Law"), and an Indenture of Trust, dated as of April 1, 2017 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee. Capitalized terms used herein but not defined shall have the meanings ascribed to them in the Indenture.

As Bond Counsel, we have examined applicable provisions of the Bond Law and copies certified to us as being true and complete copies of the proceedings of the City for the authorization and issuance of the Bonds. Our services as Bond Counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the City as we have considered necessary for the purposes of this opinion.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the City as provided in the Indenture, and are entitled to the benefits of the Indenture. The Bonds are payable from Sales Tax Revenues and the pledge of certain amounts held by the Trustee under the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the City and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the City, enforceable against the City in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Sales Tax Revenues and 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 for other purposes and on the terms and conditions set forth therein.

3. Under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 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. The enforceability of the 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 California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 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; 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,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of Industry, California (the "City") and Digital Assurance Certification LLC, as dissemination agent (the "Dissemination Agent"), in connection with the issuance of the City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2017, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth above and 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who (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.

"Dissemination Agent" shall mean Digital Assurance Certification LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed a written acceptance of such designation.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the City, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Holder" shall mean either the registered owners of the Bonds or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean 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 Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at *http://emma.msrb.org*.

"Official Statement" shall mean the Official Statement for the Bonds dated April 11, 2017.

"Participating Underwriter" shall mean any of the original underwriter of the Bonds listed in the Official Statement required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; *provided,* that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit the audited financial statements as soon as available. In addition, if the Report on Internal Control Related Matters Identified in the Audit (as described in Section 4(c) below) is not available by the date required above for filing, the City shall, or shall cause the Dissemination Agent to, provide to the MSRB such Report on Internal Control Related Matters Identified in the Audit not less than 60 days following the receipt of such report by the City. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, to the MSRB a notice in substantially the form attached hereto as Exhibit A.

(c) 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 City 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 City's Annual Report shall contain or include by reference the following categories or similar categories of information updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Bonds):

(a) The audited financial statements of the City 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 City's 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, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing (all capitalized terms have the meaning of such terms in the Official Statement): (i) the total amount of Sales Tax Revenues received by the City for the most recent completed Fiscal Year; (ii) the percent by which annual Sales Tax Revenues have provided coverage for debt service on the Bonds, the 2015 Bonds and Parity Debt (if any) for the most recent completed Fiscal Year; (iii) an update of the information presented in the table in the Official Statement entitled "CITY OF INDUSTRY – Permits and Taxable Transactions" for the most current year of information made available by the California State Board of Equalization; and (iv) an update of the information presented in the table in the Official Statement entitled "CITY OF INDUSTRY – Sales Tax Rates" for the then current Fiscal Year.

(c) The Report on Internal Control Related Matters Identified in the Audit prepared by the Pun Group, as independent auditor for the City (or any similar report prepared by the City's then-current auditor) for the prior Fiscal Year commencing with the Report on Internal Control Related Matters Identified in the Audit for the Fiscal Year 2016-17; provided that if the Report on Internal Control Related Matters Identified in the Audit is not available by the date required for filing in Section 3(a) above, the City shall, or shall cause the Dissemination Agent to, provide to the MSRB such Report on Internal Control Related Matters Identified in the Audit not less than 60 days following the receipt of such report by the City.

(d) In addition to any of the information expressly required to be provided under paragraphs (a), (b) and (c) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading;

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the SEC. If any document included by reference is a final official statement, it must be available from the MSRB. The City 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, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the City shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;

2. non-payment related defaults, if material;

3. modifications to the rights of the Bondholders, if material;

4. Bond calls, if material, and tender offers;

5. defeasances;

6. rating changes;

7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on the credit enhancements reflecting financial difficulties;

10. substitution of the credit or liquidity providers or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds, if material;

12. bankruptcy, insolvency, receivership or similar proceedings of the City, which shall occur as described below;

13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;

14. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(b) Upon receipt of notice from the City and instruction by the City to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The City, or the Dissemination Agent, if the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The City'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 City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent shall receive compensation for the services provided pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to the City. If at any time there is no designated Dissemination Agent appointed by the City, of the Dissemination Agent is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, 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. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City.

SECTION 9. 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City 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 City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City 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 City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure 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 City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance hereunder.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations on liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Trustee and the Dissemination Agent, their 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 any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders of the Bonds or any other party. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Disclosure Agreement has been executed on behalf of the City and the Dissemination Agent by their duly authorized representatives as of April 26, 2017.

THE CITY OF INDUSTRY

By:____

City Manager

DIGITAL ASSURANCE CERTIFICATION LLC, as Dissemination Agent

By:____________________________________

Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Authority: City of Industry

Name of Bond Issues: City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable)

Date of Issuance: April 26, 2017

NOTICE IS HEREBY GIVEN that the City of Industry (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated April 26, 2017, by and between the City and Digital Assurance Certification LLC. The City anticipates that the Annual Report will be filed by ___________, 20__.

Dated: ______________, 20__

DIGITAL ASSURANCE CERTIFICATION LLC., as
Dissemination Agent on behalf of the City

By:____________________________________
Authorized Officer

cc: City of Industry

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this Appendix E concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's Book-Entry System has been obtained from DTC and the City of Industry (the "City"), U.S. Bank National Association, as trustee (the "Trustee") and Stifel, Nicolaus & Company, Incorporated takes no responsibility for the completeness or accuracy thereof.

The City, the Trustee and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants (each as defined below) or others will distribute any (a) payments of principal or purchase price or interest with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. The City, the Trustee and the Underwriter are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a beneficial owner with respect to the Bonds or an error or delay relating thereto.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*. The information set forth on this website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 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).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on a 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text of the Indenture. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

"Authorized Denomination" means the denomination of $5,000 or any integral multiple thereof.

"Authorized Representative" means: (a) with respect to the City, its Mayor or City Manager or their respective designee; and (b) with respect to the Trustee, the President, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

"Bond Counsel" means Norton Rose Fulbright US LLP, or a successor thereto or a firm of attorneys acceptable to the City of nationally recognized standing in matters pertaining to the municipal bonds.

"Bond Law" means the provisions of the City of Industry Sales Tax Revenue Financing Law, constituting Chapter 3.60 of Title 3 of the Industry Municipal Code as in effect on the Closing Date or as thereafter amended in accordance with its terms.

"Bond Year" means each twelve-month period beginning on January 2 of each year and ending on January 1 of the following year. With respect to the Bonds, the first such Bond Year shall begin on the Closing Date and end on January 1, 2017.

"Bonds" means the aggregate principal amount of City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2017A (Taxable).

"Business Day" means a day which is not a Saturday, a Sunday or a day on which banks located in the city where the Principal Office of the Trustee is located are required or authorized to remained closed.

"City" means the City of Industry, California.

"Closing Date" means, with respect to the Bonds, the date on which the Bonds are delivered to the Original Purchaser.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the initial fees and expenses of the Trustee, rating agency fees, fees and expenses of Bond Counsel and Disclosure Counsel, other legal fees and expenses relating to the approval of the Bonds, the Indenture, other related documents and certificates, and matters related thereto, costs of preparing the Bonds and printing the Official Statement, fees of financial consultants, bond insurance premium, if any, surety bond premium, if any, and other fees and expenses set forth in a Written Certificate of the City.

"Costs of Issuance Fund" means the trust fund established in the Indenture.

"Defeasance Obligations" means:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — "SLGS")

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

    (a) U.S. Export-Import Bank (Eximbank)

        (i) Direct obligations or fully guaranteed certificates of beneficial ownership

    (b) Farmers Home Administration (FmHA)

        (i) Certificates of beneficial ownership

    (c) Federal Financing Bank

    (d) General Services Administration

        (i) Participation certificates

    (e) U.S. Maritime Administration

        (i) Guaranteed Title XI financing

    (f) U.S. Department of Housing and Urban Development (HUD)

(i) Project Notes

(ii) Local Authority Bonds

(iii) New Communities Debentures – U.S. government guaranteed debentures

(iv) U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

“Depository” means the securities depository acting as Depository pursuant to the Indenture.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, electronic notice (email) or other similar electronic means of communication confirmed by writing or written transmission.

“Escrow Agent” means U.S. Bank National Association, or its successor, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement, dated as of April 1, 2017, by and between City and U.S. Bank National Association, as escrow agent, relating to the defeasance and redemption of the Refunded Bonds.

“Event of Bankruptcy” means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

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

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

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official fiscal year period of the City and certified to the Trustee in writing by an Authorized Representative of the City.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at *www.emma.msrb.org*; provided, however, in accordance with the then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the City may designate in a Written Certificate of the City delivered to the Trustee.

"Insurer" means National Public Finance Guarantee Corporation, or any successor or assignee thereof, as issuer of the Policy and the Reserve Policy.

"Interest Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

"Interest Payment Date" means January 1 and July 1, commencing July 1, 2017.

"Maximum Annual Debt Service" means, with respect to the Outstanding 2015A Bonds, Bonds or Parity Debt, the largest amount of principal (including principal coming due and payable by operation of mandatory sinking fund redemption) and interest coming due with respect to the Outstanding 2015A Bonds, Bonds or Parity Debt during the current or any future Bond Year.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated or any other original purchaser of Parity Debt issued under the Indenture.

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

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

"Parity Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the City that are secured by a pledge of and lien on the Sales Tax Revenues on a parity with the 2015A Bonds and the Bonds under the Indenture.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Written Request of the City directing investment in such Permitted Investment as a certification by the City to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

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

(1) U.S. Export-Import Bank (Eximbank)

i. Direct obligations or fully guaranteed certificates of beneficial ownership

(2) Federal Financing Bank

(3) Federal Housing Administration Debentures (FHA)

(4) General Services Administration

i. Participation certificates

(5) General Services Administration

i. GNMA - guaranteed mortgage-backed bonds

ii. GNMA - guaranteed pass-through obligations

iii. not acceptable for certain cash-flow sensitive issues

(6) Bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies.

i. Project Notes

ii. Local Authority Bonds

iii. New Communities Debentures - U.S. government guaranteed debentures

iv. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(1) Federal Home Loan Bank System

Senior debt obligations

(2) Resolution Funding Corp. (REFCORP) obligations

(3) Farm Credit System

Consolidated system wide bonds and notes

(d) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(e) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(f) Bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies.

(g) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime - 1 or A3 or better by Moody's and A-1 or A or better by S&P including the Trustee and its affiliates.

(h) Repurchase Agreements for 30 days or less, subject to the following criteria:

(1) Repos must be between the municipal entity and a dealer bank or securities firm

i. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

ii. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAm-G or AAAm and rated in one of the two highest rating categories by Moody's, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision of the Indenture.

"**Policy**" means the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Bonds when due.

"Principal Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Principal Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the City, initially being Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted, initially such office of the Trustee located in St. Paul, Minnesota.

"Principal Payment Date" means January 1 of each year, commencing January 1, 2018, so long as any Bonds remain Outstanding under the Indenture.

"Project Fund" means the fund by that name established with the Trustee as provided in the Indenture.

"Project Costs" means an expenditure for any land, improvements, facilities, equipment or other property of any nature whatsoever, that constitutes property for which the City is authorized to expend Sales Tax Revenues.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) at the time of delivery of such letter of credit or surety bond, the long-term credit rating of such bank is within the two highest rating categories (without regards to modifier) of Moody's or S&P, or the claims paying ability of such insurance company is rated within the three highest rating categories of A.M. Best & Company and S&P; (ii) such letter of credit or surety bond has a term which ends no earlier than the last Interest Payment Date of the series of Bonds to which the Reserve Requirement applies; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw under the Indenture amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account.

"Record Date" means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

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

"Reserve Account" means the account by that name established with the Trustee as provided in the Indenture.

"Reserve Policy" means the debt service reserve insurance policy issued by the Insurer and deposited into the Reserve Account.

"Reserve Requirement" means, as of the date of any calculation, an amount equal to the Maximum Annual Debt Service on the Bonds then Outstanding.

"Sales Tax Revenues" means all of the sales and use taxes levied by the City on taxable sales transactions within the City which are collected by the State Board of Equalization and payable to the City periodically under Section 7204 of the Revenue and Taxation Code of the State of California, constituting the Bradley-Burns Uniform Local Sales and Use Tax Law.

"S&P" means Standard & Poor's Ratings Services, its successors and assigns.

"Securities Depositories" means: The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax: (212) 855-1000 or 7320, or such other addresses and/or such other securities depositories as the City may designate in writing to the Trustee.

"State" means the State of California.

"Subordinate Bonds" means the $51,460,000 aggregate principal amount of City of Industry Subordinate Sales Tax Revenue Bonds, Series 2015B (Taxable).

"Subordinate Sales Tax Revenues" means amounts transferred from the Surplus Account under the Indenture.

"Supplemental Indenture" means a Supplemental Indenture of Trust providing for any matter in the Indenture authorized, entered into by and between the City and the Trustee pursuant to the provisions of the Indenture.

"Trustee" means U.S. Bank National Association, or its successor, as Trustee under the Indenture as provided in the Indenture, or such other trustee as shall be named, provided such other trustee shall meet the requirements of the Indenture.

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

"2015A Bonds" means the $336,570,000 aggregate principal amount of City of Industry Senior Sales Tax Revenue Refunding Bonds, Series 2015A (Taxable).

"2015 Indenture" means the indenture under which the 2015 Senior Bonds were issued and are outstanding.

THE INDENTURE

Security of Bonds; Equal Security.

For the security of the Bonds, the City grants a first pledge of and lien on, and a security interest in, all of the Sales Tax Revenues on a parity with the pledge, lien and security interest which secures the 2015A Bonds, the Bonds and any Parity Debt. Such pledge, lien and security interest are for the equal security of the 2015A Bonds, the Bonds and any Parity Debt without preference or priority for number, date of execution or date of delivery. In addition, the Bonds (but not the 2015A Bonds or any Parity Debt) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Interest Account, the Principal Account and the Reserve Account. Except for the Sales Tax Revenues and such other moneys, no funds of the City are pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds. Nothing in the Indenture prevents the City from paying principal of and interest on the Bonds from any source of legally available funds of the City. In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Indenture constitutes a contract between the City and the Owners from time to time of the Bonds, and the covenants and agreements in the Indenture set forth to be performed on behalf of the City are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date of the Indenture or the time of sale, execution and delivery of the Indenture, or otherwise for any cause whatsoever, except as expressly provided tin the Indenture or in the Indenture.

Deposit of Sales Tax Revenues; Transfer of Amounts to Trustee.

Pursuant to the Indenture, there is continued the "Sales Tax Revenues Fund," which was previously established under the 2015 Indenture and shall be held by U.S. Bank National Association, as Trustee and as trustee under the 2015 Indenture, for the benefit of the Owners and the owners of the 2015 Senior Bonds, respectively, and any Parity Debt. If the 2015 Senior Bonds are no longer outstanding, the Sales Tax Revenues Fund shall continue to be maintained by the Trustee pursuant to this Indenture. The City shall cause the State Board of Equalization to transmit all Sales Tax Revenues directly to U.S. Bank National Association, as Trustee and as trustee under the 2015 Indenture and for any Parity Debt. U.S. Bank National Association, as Trustee and trustee under the 2015 Indenture, shall deposit all such Sales Tax Revenues, when and as received, into the Sales Tax Revenues Fund. U.S. Bank National Association, as Trustee and trustee under the 2015 Indenture, shall transfer money from the Sales Tax Revenues Fund as follows in the order set forth below:

(a) On the date that is the 5th Business Day prior to each January 1 or July 1, after taking into account amounts in the Debt Service Fund established under the Indenture and the debt service funds established for the 2015A Bonds and any Parity Debt, the Trustee shall transfer amounts necessary to pay the principal of and interest on the Outstanding Bonds, the 2015A Bonds and any Parity Debt coming due on such January 1 or July 1 to the Debt Service Fund established pursuant to the Indenture or to the trustees for the 2015A Bonds or any Parity Debt, as applicable, in the amounts necessary to make such payments; provided that the Trustee will not be required to make such transfers if amounts on deposit in the Debt Service Fund and the debt service funds established for the 2015 Senior Bonds and any Parity Debt are sufficient to pay the principal of and interest on the Outstanding Bonds, the 2015A Bonds and any Parity Debt coming due on such January 1 or July 1; provided further, that if such transfer is necessary and that if on the date that is five Business Days prior to any July 1 or January 1, there are insufficient amounts on deposit in the Sales Tax Revenues Fund to pay the entire amount of principal or interest coming due on such date for all of the Outstanding Bonds, outstanding 2015A Bonds and the outstanding Parity Debt, then amounts in Sales Tax Revenues Fund shall be allocated on a *pro rata* basis based on the relative amounts of principal and/or interest coming due on such date for the Outstanding Bonds, the outstanding 2015A Bonds and any outstanding Parity Debt.

(b) On the date that amounts on deposit in the Sales Tax Revenues Fund, together with amounts held in the Debt Service Fund established under the Indenture and the debt service funds established for the 2015A Bonds and any Parity Debt are sufficient to pay the principal of and interest on the Bonds, the 2015A Bonds and any Parity Debt coming due in the then-current Fiscal Year and the Bond Year beginning in that Fiscal Year and to cure any deficiency in the Reserve Account, the reserve account for the 2015A Bonds and the reserve account for any Parity Debt, the Trustee shall transfer amounts necessary to pay the principal of and interest on the Outstanding Bonds, outstanding 2015A Bonds and any outstanding Parity Debt coming due in the then-current Fiscal Year and the Bond Year beginning in the then current Fiscal Year and to cure any deficiency in the Reserve Account, the reserve account for the 2015A Bonds, and the reserve account for any Parity Debt, as applicable, to the Debt Service Fund and to the trustees for the 2015A Bonds and any Parity Debt in the amounts necessary to make such payments and cure such deficiencies. All amounts in the Sales Tax Revenues Fund in excess of the amounts required to be transferred pursuant to the prior sentence, and all additional amounts deposited in the Sales Tax Revenues Fund through June 30 of such Fiscal Year after the transfer described in such sentence has been made shall be transferred as soon as practicable after receipt into the Surplus Account. Notwithstanding anything in the Indenture to the contrary, the trustee for the Bonds, the 2015A Bonds and any Parity Debt and the Subordinate Bonds shall be the same financial institution.

Under the Indenture, there is established a fund to be known as the "Debt Service Fund" which will be held by the Trustee in trust for the benefit of the Owners. The Trustee will hold the Debt Service Fund for the uses and purposes set forth therein, so long as any of the Bonds remain Outstanding. The Trustee will deposit Sales Tax Revenues transferred from the Sales Tax Revenues Fund pursuant to (a) and (b) above, as applicable, in the following respective special accounts within the Debt Service Fund, which accounts are established under the Indenture with the Trustee with respect to the Bonds, as soon as practicable after transfer of the Sales Tax Revenues into the Debt Service Fund and in any event no later than the dates set forth below, in the following order of priority:

First *Interest Account*. (i) With respect to amounts transferred pursuant to (a) above, on or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the Trustee will deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date and (ii), with respect to amounts transferred pursuant to (b) above, the Trustee will deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the interest coming due and payable on the Outstanding Bonds in the then-current Fiscal Year and in the Bond Year beginning in such Fiscal Year. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.

Second *Principal Account*. (i) With respect to amounts transferred pursuant to (a) above, on or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity, the Trustee will deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds and (ii), with respect to amounts transferred pursuant to (b) above, the Trustee will deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the principal coming due and payable on the Outstanding Bonds in the then-current Fiscal Year and in the Bond Year beginning in the such Fiscal Year. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof.

Third *Reserve Account*. The Trustee will value the balance in the Reserve Account on each July 2. If the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee will deposit an amount sufficient to maintain the amount of the Reserve Requirement on deposit in the Reserve Account. The Trustee will apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the Bonds is due and payable under the Indenture, if there is a deficiency at any time in any of such accounts, or (ii) at any time for the retirement of all the Outstanding Bonds at the Written Request of the City. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement no later than the 5th Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account. For purposes of determining the value of Permitted Investments credited to the Reserve Account, such Permitted Investments shall be valued at the lesser of the cost thereof (excluding accrued interest, if any) or the maturity value thereof. If the Reserve Requirement is satisfied through the deposit of a Qualified Reserve Account Credit Instrument, the Reserve Account shall be valued at the face amount of such Qualified Reserve Account Credit Instrument. On the date on which all of the Outstanding Bonds mature or are scheduled to be redeemed, the City may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal of the Bonds on that date. Any amounts remaining in the Reserve Account following payment of the Outstanding Bonds in full shall be withdrawn therefrom by the Trustee and paid to the City to be used for any lawful purposes.

The Reserve Requirement will initially be satisfied through the deposit of the Reserve Policy with the Trustee. If the Reserve Account contains both the Reserve Policy and cash, the cash shall be drawn down completely before any demand is made on the Reserve Policy. In any event where the Reserve Account contains a Qualified Reserve Account Credit Instrument other than the Reserve Policy and the Reserve Policy, such Qualified Reserve Account Credit Instrument and the Reserve Policy shall be drawn upon on a pro-rata basis. As long as the Reserve Account is funded with the Reserve Policy, any available Sales Tax Revenues shall be used first to reimburse the Insurer, in order to reinstate the Reserve Policy to its required amount, and second to replenish the cash, if any, in the Reserve Account. So long as the Reserve Policy is in effect, the Trustee must deliver a demand for payment, in the form provided by the Insurer, at least three days prior to the date on which funds are required.

Fourth *Surplus Account*. As long as the amounts on deposit in the Interest Account, the Principal Account and the Reserve Account are equal to amounts sufficient to pay, as applicable, the principal of and interest on the Outstanding Bonds coming due in the then-current Fiscal Year and the Bond Year beginning in such Fiscal Year and satisfy the Reserve Requirement and no Event of Default relating to the payment of principal of and interest on the Bonds has occurred and is continuing, then on June 30 of each year, commencing June 30, 2017, the Trustee shall transfer any amounts on deposit in the Surplus Account following the deposits required by First, Second and Third above and otherwise pursuant to the transfer required by the last sentence of (b) above to the trustee for the 2015 Subordinate Bonds, and such amounts transferred will constitute "Subordinate Sales Tax Revenues" and will be released from the pledge and lien which secures the Bonds.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the City solely in Permitted Investments, or, if such fund or account is held by the Trustee solely in Permitted Investments, as directed in writing by the City two (2) Business Days prior to the making of such investment. Such investment instructions shall certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the City shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee pursuant to a Written Request of the City. Moneys in any funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the City, the Trustee shall invest any funds held by it in Permitted Investments described in clause (i) of the definition of the Indenture; 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 Written Request of the City specifying a specific fund described in clause (i) of the definition of Permitted Investments. The Trustee shall not be liable for any losses from investments made by the Trustee in accordance with the Indenture. Moneys in the Reserve Account shall be invested by the Trustee in (i) Permitted Investments which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or to replenish the Reserve Account.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Debt Service Fund, unless otherwise provided in the Indenture. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid. Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund or account shall be valued at the lesser of cost or market value exclusive of accrued interest, if any. The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee therefor. Upon the Written Request of the City, or as required for the purposes of the provisions of the Indenture, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

Duties, Immunities and Liabilities of Trustee.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any Co-Trustee shall be bound by the same standard of care, duties and obligations as the Trustee as if such Co-Trustee were the sole Trustee. The City may remove the Trustee at any time unless an Event of Default, or an event that with the passage of time or giving of notice would constitute an Event of Default, shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with this provision, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City, and to the Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction at the expense of the City for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance of the Indenture, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and after payment by the City of all unpaid fees and expenses of the predecessor Trustee, the successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided for in this provision, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then maintains a rating on the Bonds and to the Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City. Any Trustee appointed under the provisions of this provision in succession to the Trustee shall be a trust company, national banking association or bank having trust powers, having a combined capital and surplus of at least seventy-five million dollars ($75,000,000), and subject to supervision or examination by federal or state agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this provision the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this provision, the Trustee shall resign immediately in the manner and with the effect specified in this provision.

Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under the Indenture, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds or shall incur any responsibility in respect of the Indenture, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture, or of any Bonds or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect of the Indenture. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds of the Indenture except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the City or others in accordance with the Indenture except as the application of any moneys paid to the Trustee in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct and the negligence and willful misconduct of its officers, directors, agents or employees. Absent negligence or willful misconduct, the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds as determined pursuant to the Indenture, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

Absent negligence or willful misconduct, the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee shall not be deemed to have knowledge of any default or Event of Default under the Indenture unless and until it shall have actual knowledge of the Indenture, or shall have received written notice of the Indenture, at its Principal Office. Except as otherwise provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default under the Indenture. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee shall be under no obligation to institute any suit or take any remedial action under the Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trust created or in the exercise of any rights or powers under the Indenture at the request, order, or direction of any Owners of Bonds or otherwise unless it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct. The Trustee shall have no duty to expend or risk its own funds in the performance of its duties under the Indenture.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties. The Trustee shall have no responsibility for, and makes no representations with respect to, any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Events of Default and Remedies of Owners.

The following events shall be Events of Default under the Indenture: (a) failure to pay any installment of the principal of any Bonds when due, whether at maturity as tin the Indenture expressed, by proceedings for redemption, by acceleration, or otherwise; (b) failure to pay any installment of interest on the Bonds when due; (c) failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of sixty (60) days after written notice of the Indenture, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; provided, however, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an Event of Default if the City institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time; (d) the occurrence of an Event of Bankruptcy with respect to the City; or (e) the occurrence and continuation of an event of default under and as defined in the 2015 Indenture or under any Supplemental Indenture authorizing the issuance of Parity Debt.

Whenever any Event of Default has happened and is continuing, the Trustee has the right, at its option and without any further demand upon or notice to the City, to take any one or more of the following actions: (a) subject to the prior written consent of the Insurer and the provisions of the Indenture, the Trustee may declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the respective rates of interest borne by those Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon; (b) take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the City under the Indenture; or (c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Owners under the Indenture, the Trustee may cause the appointment of a receiver or receivers of the Sales Tax Revenues and other amounts pledged under the Indenture, with such powers as the court making such appointment shall confer.

Application of Sales Tax Revenues and other Funds After Default. (1) Upon the occurrence of an Event of Default, all amounts on deposit in, or during the continuance of an Event of Default, all amounts deposited in, the Sales Tax Revenues Fund and the Surplus Account shall be allocated *pro rata* among the Bonds, the 2015A Bonds and any Parity Debt based on the relative amounts of principal of and interest on the Bonds, the 2015A Bonds and any Parity Debt due and payable, and transferred to the applicable trustee. (2) The amount allocated to the Trustee under (1) above and all sums in the funds and accounts (other than the Sales Tax Revenues Fund and the Surplus Account) established and held by the Trustee under upon the occurrence of an Event of Default, and all other sums thereafter received by the Trustee under the Indenture, will be applied by the Trustee as follows and in the following order:

First, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee under the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Trustee to Represent Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law 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 upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, any applicable Supplemental Indenture, the Bond Law 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 Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture, the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production of the Indenture 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 the Owners of such Bonds, subject to the provisions of the Indenture.

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

Limitation on Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Agreement, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then

Outstanding, as determined pursuant to the Indenture, shall have made written request upon the Trustee to exercise the powers in the Indenture granted or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and the tender of indemnity shall have been made to, the Trustee.

Discharge of Indenture. The Bonds or any portion of the Indenture may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable under the Indenture by the City: (a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion of the Indenture, as and when the same become due and payable; (b) by irrevocably depositing with the Trustee, or an escrow agent in irrevocable escrow (pursuant to an escrow agreement), at or before maturity, money or Defeasance Obligations in the necessary amount to pay or redeem all or any portion of the Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding. If the City shall also pay or cause to be paid all other sums payable under the Indenture by the City including without limitation any compensation or other amounts due and owing the Trustee under the Indenture, then and in that case, at the election of the City (evidenced by a Written Certificate of the City, filed with the Trustee, signifying the intention of the City 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 Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture shall cease, terminate, become void and be completely discharged and satisfied with respect to the Bonds so paid or defeased. In such event, upon the Written Request of the City, and upon receipt of a Written Certificate of an Authorized Representative of the City and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent in the Indenture provided for relating to the discharge and satisfaction of the obligations of the City have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City 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 all moneys or securities or other property held by it pursuant to the Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not surrendered for such payment or redemption, to the City. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners of the Indenture shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Insurance Policy Requirements.

Defeasance. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, the investments in the defeasance escrow shall be limited to noncallable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or otherwise be approved by the Insurer. With respect to any advance refunding of the Bonds, the City agrees to provide the Insurer: (i) 15 days prior notice of any such advance refunding; (ii) verification by an independent firm acceptable to the Insurer of the sufficiency of the escrow to timely retire the refunded bonds ("Verification Report"); and, to the extent that such advance refunding is intended to discharge or defease the City's obligations under the Indenture, (iii) an opinion of counsel stating that the Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Bonds within the meaning of the Indenture. Such opinions and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer.

Trustee. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, the Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (C) otherwise approved by the Insurer in writing. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be qualified and appointed.

Amendments, Supplements and Consents**.** So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, the Insurer's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. The City shall send copies of any such amendments or supplements to the Insurer and the rating agencies which have assigned a rating to the Bonds.

Consent of the Insurer. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, any amendments or supplements to the Indenture shall require the prior written consent of the Insurer with the exception of amendments or supplements: to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or to grant or confer upon the Owners any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Owners, or to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the transaction documents other conditions, limitations and restrictions thereafter to be observed, or to add to the covenants and agreements of the City in the transaction documents thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City.

Consent of the Insurer in Addition to Owner Consent. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, any amendment, supplement, modification to, or waiver of, any of the Indenture that requires the consent of holders of the Bonds or adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

Consent of the Insurer Upon Default. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture. The Trustee may not waive any default or event of default without the Insurer's written consent.

The Insurer as Owner. So long as the Policy is in full force and effect and the Insurer is not in default thereunder, and notwithstanding anything to the contrary in the Indenture, upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

Insurer as Owner. So long as the Policy is in effect and the Insurer is not in default in respect of its payment obligations thereunder, the Insurer shall be deemed to be the sole and exclusive Owner of the Bonds for purposes of all approvals, consents, waivers institution of any action, and the direction of all remedies.

Special Provisions for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in the paragraphs above to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

The Insurer As Third Party Beneficiary**.** The Insurer is recognized as and shall be deemed to be a third party beneficiary of the Indenture and may enforce any right, remedy, or claim conferred, given or granted under the Indenture as if it were a party thereto.

Payment Procedure Under the Policy**.** In the event that on the second business day prior to the payment date of principal and/or interest due on the Bonds the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligation due on the second following business day, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone and email, confirmed in writing by registered or certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee. In addition, if the Trustee has notice that any holder of the Bonds (the "Bondholder") has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone, confirmed in writing by registered or certified mail. The Trustee is irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders as follows: if and to the extent there is a deficiency in amounts required to pay interest on the Bonds, (a) the Bondholders appoint the Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and assign to the Insurer the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) the Trustee shall receive as designee of the respective Bondholders (and not as Trustee) in accordance with the tenor of the Policy payment from U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Trustee") with respect to the claims for interest so assigned, and (c) the Trustee shall disburse the same to such respective Bondholders; and if and to the extent of a deficiency in amounts required to pay principal of the Bonds, (a) the Bondholders appoint the Insurer as agent for such Bondholders in any legal proceeding relating to the payment of such principal and assign to the Insurer of any of the Insured Obligation surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (b) the Trustee shall receive as designee of the respective Bondholders (and not as Trustee) in accordance with the tenor of the Policy payment therefor from the Insurance Trustee, and (c) the Trustee shall disburse the same to such Bondholders.

The Trustee acknowledges such appointment, delegation, and assignment by each Bondholders for the Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Insured Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee agree for the benefit of the Insurer that: they recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Bondholders to take all actions and enforce all rights of such Bondholders and to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in the authorizing document and the Bonds; and they will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the authorizing document and the Insured Obligation, but only from the sources and in the manner provided for the payment of principal of and interest on the Bonds to Bondholders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Additional Payments**.** The City agrees unconditionally that it will pay or reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorney's fees and expenses, incurred by the Insurer in connection with the enforcement by the Insurer of the City's obligations, or the preservation or defense of any rights of the Insurer, under the Indenture, and any other document executed in connection with the issuance of the Bonds.

Reserve Account**.** The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account, if any. Amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

Exercise of Rights by the Insurer. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of the Insurer. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a claim upon the Policy.

Notices. The Insurer shall receive copies of all notices required to be delivered to Bondholders and any notices of Listed Events, as defined by SEC Rule 15c2-12, as amended. All notices required to be given to the Insurer shall be in writing and shall be sent by registered or certified mail addressed to National Public Finance Guarantee Corporation at the address set forth in the Indenture.

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APPENDIX G

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY
National Public Finance Guarantee Corporation
Purchase, New York 10577

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]
[FIRST LINE OF LEGAL TITLE]
[SECOND LINE OF LEGAL TITLE]
[THIRD LINE OF LEGAL TITLE]
[FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

National Public Finance Guarantee Corporation

President

Attest:

Secretary

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APPENDIX H

SBOE AGREEMENT

City of INDUSTRY

AGREEMENT FOR STATE ADMINISTRATION OF LOCAL SALES AND USE TAXES

To carry out Part 1.5 of Division 2 of the Revenue and Taxation Code and the sales and use tax ordinance of the City hereinabove designated, hereinafter called the City, copy of which ordinance is attached hereto, the City and the State Board of Equalization, hereinafter called the Board, do agree as follows:

ARTICLE I

DEFINITIONS

Unless the context requires otherwise, wherever the following terms appear in this Agreement they shall be interpreted to mean the following:

1. "Local Taxes" shall mean the sales and use taxes, penalties, and interest imposed by the City under an ordinance which complies with Part 1.5, Division 2, of the Revenue and Taxation Code.

2. "Conforming Taxing Jurisdiction" shall mean any county, city, or city and county of this State which has adopted a sales and use tax ordinance of the kind described in Part 1.5 of Division 2 of the Revenue and Taxation Code and which has entered into a contract with the State Board of Equalization to perform all functions incident to the administration and operation of the ordinance.

3. "City Ordinance" shall mean the Uniform City Sales and Use Tax Ordinance attached hereto, as amended from time to time.

ARTICLE II

ADMINISTRATION AND COLLECTION OF LOCAL TAXES

A. Administration. The Board and the City agree that the Board shall perform exclusively all functions incident to the administration and operation of the City ordinance.

B. Other applicable laws. The City agrees that all provisions of law applicable to the administration and operation of the State Sales and Use Tax Law shall be applicable to the administration and operation of the City ordinance and that money collected pursuant to the City ordinance may be deposited in the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for the purpose of making refunds, for the purpose of compensating and reimbursing the Board pursuant to Article IV of this Agreement and for the purpose of transmitting to the City the amount to which the City is entitled.

C. Transmittal of money. Except as otherwise provided herein, all local taxes collected under the provisions of the City ordinance shall be transmitted to the City periodically as promptly as feasible. Such transmittals shall be made at least twice in each calendar quarter. Transmittals may be made by mail or by deposit to the account of the City in a bank in Sacramento designated by the City. A statement shall be furnished indicating the amount withheld pursuant to Article IV of this agreement.

D. Rules. The Board shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the City ordinance and the distribution of the local taxes collected thereunder.

E. **Preference.** Unless the payor instructs otherwise and except as otherwise provided in this Agreement, the Board shall give no preference in applying money received for sales and use taxes owed by a taxpayer but shall apply all monies collected to the satisfaction of the claims of the State and the claims of the City as their interests appear.

F. **Security.** The Board agrees that any security which it hereafter requires to be furnished under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of the City for local taxes owing to it as its interest appears. The Board shall not be required to change the terms of any security now held by it and the City shall not participate in any security now held by the Board.

G. **Names of sellers.** The Board agrees to furnish the names, addresses, account numbers, and the business classification codes of all sellers holding sellers' permits within the City.

H. **Records of the Board.** When requested by resolution of the City Council of the City, the Board shall permit any duly authorized officer or employee of the City to examine the sales and use tax records of the Board pertaining to sales and use taxes collected for the City by the Board pursuant to this Agreement. Information obtained by the City from the examination of the Board's records shall be used by the City only for purposes related to the collection of local sales and use taxes by the Board pursuant to this Agreement.

I. **City tax rate.** The City agrees that any change in the rate of its conforming local sales and use tax will be made effective at the beginning of a calendar quarter and that it will give the Board at least two months' notice thereof and that it will also give notice to the Board of Supervisors of the County in which the City lies.

J. **Annexation.** The City agrees that the Board shall not be required to give effect to an annexation, for the purpose of collecting and distributing city sales and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Board. The notice shall include two maps of the annexed area together with the address of the property nearest to the extended city boundary on every street crossing that boundary.

ARTICLE III

ALLOCATION OF TAX

A. **Deficiency determination.** All local taxes collected as a result of determinations or billings made by the Board, and all amounts refunded or credited may be distributed or charged to the respective conforming taxing jurisdictions in the same ratio as the taxpayer's self-declared local tax for the period for which the determination, billing, refund, or credit applies.

B. **Allocation.** When the local tax is collected from or refunded or credited to the following:

(1) Retailers having traveling sellers' permits or certificates of authority to collect use tax issued by the Board;

(2) Persons regarded by the Board as retailers pursuant to Section 6015 of the Revenue and Taxation Code;

(3) Persons for whom no continuing account number was active at the date of payment; or

(4) Other retailers or purchasers having no permanent place of business within the State as determined by the Board;

or when the local tax is collected by way of deduction from, or when a refund of local tax is made in conjunction with, refunds of motor vehicle fuel license taxes, or when local tax is collected and direct allocation is impractical, the Board may distribute or charge such local tax to all conforming taxing jurisdictions in the county in which the sale or use occurred using the ratios reflected by the distribution of taxes collected from all other taxpayers in that county. To the extent that this cannot be done in a manner consistent with the economic and efficient performance of the duties of the Board under the Revenue and Taxation Code and the provisions of this Agreement, the Board may distribute or charge such local tax to all conforming taxing jurisdictions of this State using the ratios reflected by the distribution of taxes collected from all other taxpayers in the State. In making allocations under this paragraph county tax imposed at a rate in excess of 1 percent shall be excluded.

C. **Vehicles, Vessels, and Aircraft.** For the purposes of allocating local tax with respect to vehicles required to be registered or identified under the Vehicle Code, and with respect to vessels and aircraft, the address of the registered owner appearing upon the application for registration or identification may be used by the Board in determining the city of use. To the extent this cannot be done in a manner consistent with the economic and efficient performance of the duties of the Board under the Revenue and Taxation Code and this Agreement, the Board may allocate tax with respect to such vehicles, vessels, and aircraft in the manner provided in Paragraph B of this Article.

ARTICLE IV

COMPENSATION

The City agrees to pay the Board as the Board's cost of administering the City ordinances such amount as is provided by law. Such amounts shall be deducted from the taxes collected by the Board for the City.

ARTICLE V

MISCELLANEOUS PROVISIONS

A. **Communications.** Communications and notices may be sent by first-class United States Mail. A notification is complete when deposited in the mail. Communications and notices to be sent to the Board shall be addressed to:

State Board of Equalization
P.O. Box 1799
Sacramento, California 95808

Attention: Executive Secretary

Communications and notices to be sent to the City shall be addressed to:

City of Industry
P. O. Box 3366
City of Industry, Ca. 91744

Attn: City Manager

B. Term. The date of this Agreement is the date on which it is approved by the Department of General Services. The Agreement shall take effect on the first day of the calendar quarter next succeeding the date of such approval, but in no case before the operative date of the City ordinance, nor on a day other than the first day of a calendar quarter. This Agreement shall continue until September 30 next following the operative date of the City ordinance, and shall thereafter be renewed automatically from year to year unless one of the parties gives written notice of termination at least two months before the end of the term. The Board may terminate this Agreement in the manner provided by law.

C. This Agreement replaces and supersedes the Agreement dated June 28, 1957 heretofore entered into by the Board and the City, which prior Agreement is hereby terminated.

STATE BOARD OF EQUALIZATION

By W. W. Dunlop
Executive Secretary

CITY OF INDUSTRY

By John Ferrero
(Signature on this line)

John Ferrero
(Type name here)

Mayor of City of Industry
(Type title here)

W. W. Dunlop.

DEC 28 1973

AMENDMENT NO. 1 OF

AGREEMENT FOR STATE ADMINISTRATION OF LOCAL SALES AND USE TAXES

Whereas, the City hereinabove designated, hereinafter called the City, and the State Board of Equalization, hereinafter called the Board, have heretofore entered into an agreement for state administration of local sales and use taxes as contemplated under part 1.5 of Division 2 of the Revenue and Taxation Code, dated December 28, 1973 (the "Agreement") and are now desirous of amending the Agreement in the manner hereinafter set forth, the City and the Board do hereby agree that the Agreement shall be amended in the following particulars, to wit:

Paragraph C of Article II of the Agreement is amended to read:

C. Transmittal of money. Except as otherwise provided herein, all local taxes collected under the provisions of the City Ordinance shall be transmitted to the City or Trustee of the City periodically as promptly as feasible. Such transmittals shall be made at least twice in each calendar quarter. Transmittals may be made by mail or by deposit to the account of the City designated by the City. A statement shall be furnished indicating the amount withheld pursuant to Article IV of the Agreement.

Notwithstanding anything herein to the contrary, so long as any bonds issued by the City secured by a pledge of all or a portion of the taxes imposed under the City Ordinance (the "Bonds") are outstanding, all local taxes collected under the provisions of the City Ordinance shall be transmitted directly to U.S. Bank National Association, as the initial trustee under the indentures relating to the Bonds, and thereafter to the bank corporation, banking association or other financial institution serving as trustee for the benefit of the owners of the Bonds pursuant to the indentures relating to the Bonds, including any successor (the "Trustee"). The corporate trust office of the initial Trustee is set forth below:

U.S. Bank National Association
633 W. Fifth Street 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services
Telephone: (213) 615-6024

The account of the Trustee into which transmittals of the taxes shall be made as follows:

Via ACH.

If any successor to U.S. Bank National Association is selected as the Trustee, the City shall give written notice to the Board of the name of the Trustee, the address of the corporate trust office of the Trustee and the account of the Trustee into which transmittals of the taxes shall be made. The Board shall assume that Bonds are outstanding unless the City and the Trustee have both delivered 30 days' written notice to the Board stating that no Bonds remain outstanding.

Capitalized terms not herein defined shall have the meanings ascribed to such terms as provided in the Agreement.

The foregoing Amendment is to confirm the Agreement to a plan for transmittal of money to the City or Trustee of the City. This Amendment shall become effective December 1, 2016.

STATE BOARD OF EQUALIZATION

By______________________________
~~*Executive Director*~~
ADMINISTRATOR

CITY OF INDUSTRY

By______________________________
(Signature on this line)

Mark D. Radecki
____
(Type name here)

Mayor
____
(type title here)

ACKNOWLEDGEMENT BY THE TRUSTEE

The Trustee hereby acknowledges the provisions of this Amendment No. 1 of Agreement for State Administration of Retail Transactions and Use Tax as they relate to it as Trustee hereunder.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:____________________________
Authorized Officer

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CITY OF INDUSTRY • Senior Sales Tax Revenue Refunding Bonds, Series 2017 (Taxable)

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