NEW ISSUE—BOOK-ENTRY ONLY

RATING:
S&P: "AA+"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds issued as Tax-Exempt Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. The Bonds issued as Tax-Exempt Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds issued as Build America Bonds is not excluded from gross income for federal income tax purposes. With respect to Bonds issued as Build America Bonds, Bond Counsel provides no opinion as to any federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, such Bonds. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. In addition, in the opinion of Bond Counsel, interest on the Bonds, whether issued as Tax-Exempt Bonds or as Build America Bonds, is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$9,095,000
WHITTIER UTILITY AUTHORITY
Water Revenue Bonds, 2009 Series A

consisting of

$3,150,000 Tax-Exempt Bonds (Bank Qualified)	$5,945,000 Taxable Direct Payment Build America Bonds

Dated: Date of Delivery **Due: June 1, as shown below**

The $9,095,000 Whittier Utility Authority Water Revenue Bonds, 2009 Series A (the "Bonds"), will bear interest at the rates shown below, payable semiannually on each June 1 and December 1, commencing December 1, 2009 (each an "Interest Payment Date"), and are issuable in fully registered form in the denomination of $5,000 or any integral multiple thereof. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds will not receive certificates representing their interests therein.

A portion of the Bonds ($3,150,000) will be issued as bonds the interest on which is excluded from gross income for purposes of federal income taxation ("Tax-Exempt Bonds"). The remaining portion of the Bonds ($5,945,000) will be issued as bonds designated as "Direct Payment Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 ("Build America Bonds"), the interest on which is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS" herein. With respect to the Bonds issued as Build America Bonds, the Authority expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such Bonds (the "Subsidy Payments"). See "THE BONDS—Designation of Bonds as Build America Bonds."

The principal of and premium, if any, on the Bonds will be payable upon presentation and surrender of such Bonds, when due, at the principal corporate trust office of U.S. Bank National Association (the "Trustee"). On each Interest Payment Date, the Trustee will pay interest by check mailed by first class mail to the person appearing on the applicable record date as the registered owner thereof, to the address shown on the registration books of the Trustee, or by wire transfer to any owner of $1,000,000 or more in aggregate principal amount of the Bonds to a bank account in a state or national bank in the United States designated by such owner for such purpose prior to said record date. For so long as the Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal of and interest on the Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds.

The Bonds are subject to optional, mandatory and special redemption prior to maturity as described herein.

The Bonds are being issued by the Whittier Utility Authority (the "Authority") to (a) finance various improvements to the City of Whittier's water production, storage and distribution enterprise (the "Water System"), (b) fund a reserve fund for the Bonds, and (c) pay the costs of issuance of the Bonds.

The Bonds are being issued under the provisions of section 6546 of the California Government Code, an indenture of trust, dated as of October 1, 2009, by and between the Authority and the Trustee (the "Indenture"), and a resolution adopted by the Board of Directors of the Authority.

The Bonds are special obligations of the Authority and are payable solely from and secured by a pledge of net revenues (the "Net Revenues") of the Water System, derived primarily from charges and revenues received by the Authority from the operation of the Water System (less the costs of the operation and maintenance of the Water System), the Subsidy Payments and certain funds and accounts held under the Indenture, and the Net Revenues and the Subsidy Payments are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds, on the Authority's outstanding Water Revenue Bonds, 2003 Series A (the "2003 Bonds"), and on any parity obligations hereafter issued or incurred by the Authority in accordance with the Indenture, as described therein (the "Parity Obligations"). The Authority has covenanted, to the maximum extent permitted by law, to set rates and charges for the service and facilities of the Water System sufficient to provide Net Revenues each year equal to at least 1.25 times the aggregate annual amount of principal of and interest due on the Bonds, the 2003 Bonds and all Parity Obligations, less an amount equal to the Subsidy Payments expected to be received in such year. Subsidy Payments are the amounts, with respect to Bonds issued as Build America Bonds, which are payable by the Federal government under Section 6431 of the Code, which the Authority will elect to receive under Section 54AA(g)(1) of the Code.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$3,150,000 Tax-Exempt Bonds

CUSIP Prefix: 96678J†

Maturity June 1	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity June 1	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2011	$185,000	2.00%	0.84%	AV9	2018	$220,000	4.00%	2.87%	BC0
2012	190,000	2.00	1.23	AW7	2019	230,000	4.00	3.02	BD8
2013	195,000	2.00	1.51	AX5	2020	240,000	4.00	3.20c	BE6
2014	195,000	3.00	1.85	AY3	2021	250,000	4.00	3.43c	BF3
2015	205,000	3.00	2.12	AZ0	2022	260,000	4.25	3.65c	BG1
2016	210,000	3.00	2.40	BA4	2023	270,000	4.50	3.75c	BH9
2017	215,000	3.00	2.67	BB2	2024	285,000	4.50	3.85c	BJ5

c Priced to the 6/1/2019 par call date.

$1,605,000 6.20% Taxable Direct Payment Build America Bonds maturing June 1, 2029—Price: 99.375%, to Yield 6.255%; CUSIP 96678J BN6

$4,340,000 6.28% Taxable Direct Payment Build America Bonds maturing June 1, 2039—Price: 98.668%, to Yield 6.38%; CUSIP 96678J BP1

This cover page and the inside cover page hereof contain information for quick reference only. They are not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by Jones & Mayer, Fullerton, California, as Authority Counsel, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds will be delivered in definitive form through the facilities of DTC on or about October 22, 2009.

STONE & YOUNGBERG

Dated: October 8, 2009

WHITTIER UTILITY AUTHORITY
CITY OF WHITTIER

AUTHORITY BOARD/CITY COUNCIL
Bob Henderson, *Chair/Mayor*
J. Greg Nordbak, *Vice Chair/Mayor Pro Tem*
Owen Newcomer, *Board Member/Council Member*
Joe Vinatieri, *Board Member/Council Member*
Cathy Warner, *Board Member/Council Member*

AUTHORITY/CITY OFFICIALS
Stephen W. Helvey, *Executive Director/City Manager*
Nancy Mendez, *Deputy Executive Director/Assistant City Manager*
Kathryn A. Marshall, *Secretary-Treasurer/City Clerk-Treasurer*
Rod Hill, *Auditor/City Controller*
David A. Pelser, *City Director of Public Works*

SPECIAL SERVICES

AUTHORITY COUNSEL/CITY ATTORNEY
Jones & Mayer
Fullerton, California

BOND COUNSEL/DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

TRUSTEE
U.S. Bank National Association
Los Angeles, California

FINANCIAL ADVISOR
Ross Financial
San Francisco, California

Whittier Utility Authority
City of Whittier
13230 Penn Street
Whittier, CA 90602
Main Telephone: 562-945-8200
Fax: 562-464-3572
www.whittierch.org

No dealer, broker, salesperson or other person has been authorized by the Authority to provide any information or to make any representations in connection with the offering or sale of the Bonds other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. 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. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority.

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

The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or the Authority. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE WATER SYSTEM." The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

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Whittier Utility Authority
Water Revenue Bonds, 2009 Series A
(Los Angeles County, California)

Regional Location Map

OFFICIAL STATEMENT

$9,095,000
WHITTIER UTILITY AUTHORITY
Water Revenue Bonds,
2009 Series A

consisting of

$3,150,000 Tax-Exempt Bonds (Bank Qualified)	**$5,945,000 Taxable Direct Payment Build America Bonds**

This Official Statement, which includes the cover page and the inside cover page hereof and the appendices hereto (the "Official Statement"), is provided to furnish certain information concerning the Whittier Utility Authority (the "Authority"), a joint exercise of powers authority, and the City of Whittier's water production and distribution enterprise (the "Water System"), the Authority's $9,095,000 Water Revenue Bonds, 2009 Series A (the "Bonds").

A portion of the Bonds ($3,150,000) will be issued as bonds the interest on which is excluded from gross income for purposes of federal income taxation ("Tax-Exempt Bonds"). The remaining portion of the Bonds ($5,945,000) will be issued as bonds designated as "Direct Payment Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 ("Build America Bonds"), the interest on which is not excluded from gross income for purposes of federal income taxation. The Authority expects to receive cash subsidy payments from the United States Treasury (the "Subsidy Payments") equal to 35% of the interest payable on the Build America Bonds. See "THE BONDS—Designation of Bonds as Build America Bonds."

INTRODUCTION

This Introduction contains only a brief description of the Bonds and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. All capitalized terms used in this Official Statement, unless otherwise defined herein, shall have the same meaning as in the Indenture described herein. See APPENDIX D—"SUMMARY OF THE INDENTURE."

The Authority

The Authority was established in February 2002 by the City of Whittier (the "City") and the Whittier Public Financing Authority (the "Members"), to provide for the lease, ownership, operation, management and maintenance of any utility system or service, the financing of public capital improvements for and working capital requirements and insurance programs of the Members and any local agency, including without limitation, financings relating to any utility system or service through the lease, acquisition or construction by the Authority of such public capital improvements, and the purchase by the Authority of indebtedness of any of the Members or a local agency. See "THE AUTHORITY" herein.

The City

The City is located in Los Angeles County (the "County"), approximately 14 miles east of the City of Los Angeles at the base of the Puente Hills. Incorporated in 1898, the City operates as a charter city with a Council-Manager form of government. The Mayor is selected by the City Council from among its members. For certain information with respect to the City, see APPENDIX A—"CITY OF WHITTIER ECONOMIC AND FINANCIAL INFORMATION."

The Water System

The Water System, currently serving approximately 53% of the residences and businesses in the City, includes the total production, storage and transmission needs of its customers. See "THE WATER SYSTEM" herein.

Authority for Issuance of the Bonds

The Bonds are being issued under the provisions of section 6546 of the California Government Code (the "Bond Law"), an Indenture of Trust, dated as of October 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution adopted by the Board of Directors of the Authority on September 22, 2009. See "THE BONDS—Authority for Issuance" herein.

Purpose of the Bonds

The Bonds are being issued to (a) finance improvements (the "Improvements") to the Water System, (b) fund a reserve account for the Bonds, and (c) pay the costs of issuance related to the sale and delivery of the Bonds. See "THE FINANCING PLAN" herein.

Security and Source of Repayment

Pledge of Net Revenues and Subsidy Payments. The Bonds are secured equally by a first lien upon and pledge of all of the Net Revenues of the Water System, being the Gross Revenues of the Water System, less Maintenance and Operation Costs, and the Subsidy Payments (if any Bonds are issued as Build America Bonds). The Bonds are being issued on a parity with the Authority's outstanding Water Revenue Bonds, 2003 Series A (the "2003 Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment; Bond Fund."

Rate Covenant. The Authority has covenanted in the Indenture to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the Authority for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) all Maintenance and Operation Costs estimated by the Authority to become due and payable in such Fiscal Year;

(ii) the principal of and interest on the Outstanding Bonds and Parity Obligations becoming due and payable during such Fiscal Year, including all Mandatory Sinking Account payments during such Fiscal Year, but excluding an amount equal to the Subsidy Payments expected to be received in such year;

(iii) all other payments required for compliance with this Indenture and the instruments pursuant to which any Parity Obligations shall have been issued;

(iv) all payments required to meet any other obligations of the Authority which are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues; and

(v) any other lawful purposes of the Authority, including, but not limited to, deposits to the Rate Stabilization Fund.

In addition, the Authority has covenanted in the Indenture to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues, including connection charges together with other funds which are lawfully available to the Authority for payment of the debt service on the Bonds and any Parity Obligations, at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding clause (ii) in such Fiscal Year.

Bond Reserve Account. A Bond Reserve Account is established by the Indenture and is required to be funded in an amount equal to the Bond Reserve Account Requirement. "Bond Reserve Account Requirement" means, as of any date of calculation, to be equal to the least of (a) Maximum Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, (b) 125% of average Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, and (c) 10% of the original principal amount of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Reserve Account."

Parity Obligations. Additional revenue bonds issued or incurred on a parity with the Bonds and the 2003 Bonds may be issued or incurred pursuant to and subject to the limitations of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Limitations on Future Obligations Secured by Net Revenues."

THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY AND IS PAYABLE SOLELY FROM THE NET REVENUES, FROM SUBSIDY PAYMENTS (IF ANY BONDS ARE ISSUED AS BUILD AMERICA BONDS) AND THE OTHER FUNDS AS PROVIDED IN THE INDENTURE, AND DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Redemption of the Bonds

The Bonds are subject to redemption prior to their stated maturity dates, as provided herein. See "THE BONDS—Redemption."

Continuing Disclosure

The Authority 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 Water System by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events, if material. See

"CONTINUING DISCLOSURE" herein and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Book-Entry Form

The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in denominations of $5,000 or any integral multiple thereof, in book-entry form only. Upon receipt of payments of principal, prepayment premium, if any, and interest with respect to the Bonds, DTC will in turn remit such principal, prepayment premium, if any, and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System" below and APPENDIX H—"BOOK-ENTRY ONLY SYSTEM."

Additional Information

Additional information regarding this Official Statement may be obtained by contacting Mr. Rod Hill, City Controller, City of Whittier, 13230 East Penn Street, Whittier, CA 90602, Telephone: (562) 464-3340; Fax: (562) 464-3572; E-mail: rhill@cityofwhittier.org.

FINANCING PLAN

Purposes of the Bonds

The Bonds are being issued to (a) finance the Improvements, (b) establish a debt service reserve fund for the Bonds, and (c) pay certain costs of issuing the Bonds.

See "THE WATER SYSTEM—Capital Improvement Program Summary" for a description of the water utility improvements to be financed with the proceeds of the Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are as follows:

<u>Sources</u>	
Principal Amount of Bonds	$9,095,000.00
Less: Underwriter's Discount	(91,004.25)
Plus: Original Issue Premium	150,681.10
Less: Original Issue Discount	(67,840.05)
TOTAL SOURCES	$9,086,836.80
<u>Uses</u>	
Deposit to Project Fund (1)	$8,281,949.80
Deposit to Reserve Account (2)	669,887.00
Deposit to Costs of Issuance Fund (3)	135,000.00
TOTAL USES	$9,086,836.80

(1) Amounts in the Project Fund will be used to pay the costs of the Improvements.
(2) Equal to the Reserve Requirement, being maximum annual debt service on the Bonds, exclusive of the Subsidy Payments.
(3) Amounts in the Costs of Issuance Fund will be used to pay the costs of issuance of the Bonds including financial advisor fees, legal fees, printing costs, rating agency fees and other miscellaneous expenses.

Annual Debt Service

Annual debt service on the Bonds (assuming no redemptions of the Bonds) is presented below.

Year Ending June 1	Principal (1)	Interest	Total Debt Service	Less: Subsidy Payment (2)	Net Debt Service
6/1/10	—	$293,117.51	$293,117.51	($ 79,218.20)	$213,899.31
6/1/11	$185,000	481,837.00	666,837.00	(130,221.70)	536,615.30
6/1/12	190,000	478,137.00	668,137.00	(130,221.70)	537,915.30
6/1/13	195,000	474,337.00	669,337.00	(130,221.70)	539,115.30
6/1/14	195,000	470,437.00	665,437.00	(130,221.70)	535,215.30
6/1/15	205,000	464,587.00	669,587.00	(130,221.70)	539,365.30
6/1/16	210,000	458,437.00	668,437.00	(130,221.70)	538,215.30
6/1/17	215,000	452,137.00	667,137.00	(130,221.70)	536,915.30
6/1/18	220,000	445,687.00	665,687.00	(130,221.70)	535,465.30
6/1/19	230,000	436,887.00	666,887.00	(130,221.70)	536,665.30
6/1/20	240,000	427,687.00	667,687.00	(130,221.70)	537,465.30
6/1/21	250,000	418,087.00	668,087.00	(130,221.70)	537,865.30
6/1/22	260,000	408,087.00	668,087.00	(130,221.70)	537,865.30
6/1/23	270,000	397,037.00	667,037.00	(130,221.70)	536,815.30
6/1/24	285,000	384,887.00	669,887.00	(130,221.70)	539,665.30
6/1/25	295,000	372,062.00	667,062.00	(130,221.70)	536,840.30
6/1/26	310,000	353,772.00	663,772.00	(123,820.20)	539,951.80
6/1/27	320,000	334,552.00	654,552.00	(117,093.20)	537,458.80
6/1/28	335,000	314,712.00	649,712.00	(110,149.20)	539,562.80
6/1/29	345,000	293,942.00	638,942.00	(102,879.70)	536,062.30
6/1/30	360,000	272,552.00	632,552.00	(95,393.20)	537,158.80
6/1/31	375,000	249,944.00	624,944.00	(87,480.40)	537,463.60
6/1/32	390,000	226,394.00	616,394.00	(79,237.90)	537,156.10
6/1/33	405,000	201,902.00	606,902.00	(70,665.70)	536,236.30
6/1/34	425,000	176,468.00	601,468.00	(61,763.80)	539,704.20
6/1/35	440,000	149,778.00	589,778.00	(52,422.30)	537,355.70
6/1/36	460,000	122,146.00	582,146.00	(42,751.10)	539,394.90
6/1/37	475,000	93,258.00	568,258.00	(32,640.30)	535,617.70
6/1/38	495,000	63,428.00	558,428.00	(22,199.80)	536,228.20
6/1/39	515,000	32,342.00	547,342.00	(11,319.70)	536,022.30

(1) Includes mandatory sinking fund installments.
(2) Represents 35% interest subsidy received by the Authority with respect to each Interest Payment Date on Bonds issued as Build America Bonds.

Set forth below is the combined annual debt service on the Bonds and the 2003 Bonds secured by Net Revenues (assuming no optional redemption).

Year Ending June 1	2003 Bonds	Bonds (1)	Total
2010	$665,323	$213,899.31	$ 879,222.31
2011	663,063	536,615.30	1,199,678.30
2012	665,188	537,915.30	1,203,103.30
2013	666,375	539,115.30	1,205,490.30
2014	671,820	535,215.30	1,207,035.30
2015	676,420	539,365.30	1,215,785.30
2016	679,870	538,215.30	1,218,085.30
2017	682,545	536,915.30	1,219,460.30
2018	679,125	535,465.30	1,214,590.30
2019	679,950	536,665.30	1,216,615.30
2020	679,275	537,465.30	1,216,740.30
2021	682,888	537,865.30	1,220,753.30
2022	680,550	537,865.30	1,218,415.30
2023	682,500	536,815.30	1,219,315.30
2024	683,500	539,665.30	1,223,165.30
2025	682,500	536,840.30	1,219,340.30
2026	680,500	539,951.80	1,220,451.80
2027	682,500	537,458.80	1,219,958.80
2028	683,250	539,562.80	1,222,812.80
2029	682,750	536,062.30	1,218,812.30
2030	681,000	537,158.80	1,218,158.80
2031	683,000	537,463.60	1,220,463.60
2032	683,500	537,156.10	1,220,656.10
2033	682,500	536,236.30	1,218,736.30
2034	—	539,704.20	539,704.20
2035	—	537,355.70	537,355.70
2036	—	539,394.90	539,394.90
2037	—	535,617.70	535,617.70
2038	—	536,228.20	536,228.20
2039	—	536,022.30	536,022.30

(1) Net of 35% interest subsidy expected to be received by the Authority with respect to each Interest Payment Date on Bonds issued as Build America Bonds.

THE BONDS

Authority for Issuance

The Bonds are authorized pursuant to the Bond Law, the Indenture and the Resolution.

General

Repayment of the Bonds. The Bonds are issued under the Indenture as fully registered bonds in denominations of $5,000 or any integral multiple thereof and will be dated their date of delivery. The Bonds will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) authenticated after a Record Date and on or before the following Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or (b) unless authenticated on or before the first Record Date, in which event they shall bear interest from their date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds will initially be issued in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See "THE BONDS—Book-Entry Only System" below and APPENDIX H—"BOOK-ENTRY ONLY SYSTEM."

The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2009, by check, mailed by the Trustee on each Interest Payment Date to the registered owners of record on the fifteenth day of the month preceding such Interest Payment Date, at their addresses as they appear on the Registration Books maintained by the Trustee; provided, however, that payment of interest will be made by wire transfer in immediately available funds to DTC, so long as the Bonds are held in book-entry only form, or to any Owner of Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to an account in a state or national bank in the United States of America to the Trustee before the applicable Record Date. Interest on the Bonds will be calculated based on a 360-day year of twelve 30-day months.

Principal of and premium, if any, on the Bonds is payable upon surrender of the Bonds to the Trustee at its Trust Office.

Transfer or Exchange of the Bonds. The Bonds may be transferred or exchanged at the principal office of the Trustee, to the extent and upon the conditions set forth in the Indenture. The Trustee may require the payment of a reasonable service charge by the owner of any Bond requesting exchange, and the Trustee will require payment of a sum sufficient to cover any tax or other governmental charge required to be paid with respect thereto. The Trustee may refuse to transfer or exchange any Bonds during the period established for the selection of Bonds for redemption or the portion of any Bond selected for redemption.

If a Bond is mutilated, lost, stolen or destroyed, the Trustee, at the expense of the owner of such Bond, will authenticate, subject to the provisions of the Indenture, a new Bond of like tenor and amount. In the case of a lost, stolen or destroyed Bond, the Trustee may require that an indemnity be furnished and payment of an appropriate fee for each new Bond delivered in replacement of such Bond and may require payment of the expenses of the Authority and the Trustee incurred in connection therewith.

Designation of Bonds as Build America Bonds

Section 1531 (pertaining to Build America Bonds) of the American Recovery and Reinvestment Act, which was signed into law by President Obama on February 17, 2009, added Section 54AA and Section 6431 to the Internal Revenue Code of 1986, as amended (the "Code"). If any Bonds are issued as Build America Bonds, the Authority intends to elect to treat such Bonds as Build America Bonds under Section 54AA of the Code and intends that such Bonds be "qualified bonds" under Section 54AA(g)(2) of the Code which make the Authority eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such Bonds. Such cash subsidy payments received by the Authority, referred to in the Indenture as "Subsidy Payments," will be pledged to the payment of the Bonds, the 2003 Bonds and all Parity Debt. Subsidy Payments are expected to be received contemporaneously with each Interest Payment Date, upon timely receipt by the Internal Revenue Service of IRS Form 8038-CP, which is due at least 45 days (but not more than 90 days) before each Interest Payment Date. If any Bonds are issued as Build America Bonds, any Subsidy Payments will be deposited in the Interest Account of the Bond Fund. If any Bonds are issued as Build America Bonds, the Authority, or the City on behalf of the Authority, will covenant to submit all documentation and take all actions as may be required to receive the Subsidy Payments.

Redemption

*The following redemption provisions apply to the **Tax-Exempt Bonds**:*

Optional Redemption. The Tax-Exempt Bonds maturing on or before June 1, 2019, are not subject to optional redemption prior to maturity. The Tax-Exempt Bonds maturing on or after June 1, 2020, are subject to redemption prior to their respective maturity dates, at the option of the Authority, as a whole or in part, in such order of maturity as shall be selected by the Authority (or in inverse order of maturity if the Authority shall fail to select a particular order) and by lot within a maturity, on any date on or after June 1, 2019, from any source of available funds, at a redemption price equal to the principal amount of the Tax-Exempt Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

*The following redemption provisions apply to the **Build America Bonds**:*

Optional Redemption. The Build America Bonds are subject to redemption prior to their respective maturity dates, at the option of the Authority, as a whole or in part, in such order of maturity as shall be selected by the Authority (or in inverse order of maturity if the Authority shall fail to select a particular order) and by lot within a maturity, on any date on or after June 1, 2019, from any source of available funds, at a redemption price equal to the principal amount of the Build America Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Account Redemption. The Build America Bonds maturing on June 1, 2029, are also subject to mandatory redemption, on June 1 in each year, commencing June 1, 2025, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, from mandatory sinking fund account payments made by the Authority under the Indenture in the years and amounts as follows:

Sinking Fund Account Redemption Date (June 1)	Sinking Fund Installments Redeemed or Purchased
2025	$295,000
2026	310,000
2027	320,000
2028	335,000
2029†	345,000

†Maturity

The Build America Bonds maturing on June 1, 2039, are also subject to mandatory redemption, on June 1 in each year, commencing June 1, 2030, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, from mandatory sinking fund account payments made by the Authority under the Indenture in the years and amounts as follows:

Sinking Fund Account Redemption Date (June 1)	Sinking Fund Installments Redeemed or Purchased
2030	$360,000
2031	375,000
2032	390,000
2033	405,000
2034	425,000
2035	440,000
2036	460,000
2037	475,000
2038	495,000
2039†	515,000

†Maturity

Special Optional Redemption upon the Occurrence of a Federal Subsidy Termination Event. Before June 1, 2019, the Build America Bonds will be subject to redemption prior to their maturity at the option of the Authority, as a whole or in part, upon the occurrence of a Federal Subsidy Termination Event (hereinafter defined), at a redemption price (the "Federal Subsidy Termination Optional Redemption Price") equal to the greater of (1) 100% of the principal amount of the Build America Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Build America Bonds are to be redeemed, discounted to the date on which the Build America Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of twelve 30–day months, at the Treasury Rate (as defined below), plus 100 basis points; plus, in each case, accrued interest on the Build America Bonds to be redeemed to the redemption date.

A "Federal Subsidy Termination Event" will have occurred if the Authority determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the Authority to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Treasury, pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

For purposes of determining the Federal Subsidy Termination Optional Redemption Price, the following meanings apply:

"*Treasury Rate*" means, with respect to any redemption date for a particular Build America Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"*Comparable Treasury Issue*" means, with respect to any redemption date for a particular Build America Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Build America Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Build America Bonds to be redeemed.

"*Comparable Treasury Price*" means, with respect to any redemption date for a particular Build America Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"*Designated Investment Banker*" means one of the Reference Treasury Dealers appointed by the Authority. "Reference Treasury Dealer" means each of the four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the Authority of New York (each a "Primary Treasury Dealer"); *provided, however*, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Build America Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

Selection of Redeemed Bonds. Whenever provision is made for the redemption of less than all of the Bonds, the Trustee shall select the Bonds for redemption among maturities at the direction of the Authority and by lot within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any such redemption shall be given by the Trustee on behalf of the Authority by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 15 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books. The Trustee will mail a notice of redemption (i) to the respective Owners of all Bonds selected for redemption in whole or in part, and (ii) to all securities information services selected by the Authority to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the Authority in its sole discretion. Such notice will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number of the maturity or maturities and, if less than all of the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and will give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered for redemption at the address of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond chosen for redemption will not be redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion. In the event of an optional redemption of Bonds, the Trustee will mail a notice of redemption only after receipt of a Written Request of the Authority; provided, that if the Authority will not have deposited or otherwise made available to the Trustee the money required for the payment of the redemption price of the Bonds to be redeemed at the time of such mailing, such notice of redemption will state that the redemption is expressly conditioned upon the timely deposit of sufficient funds for such purpose with the Trustee.

Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the registered owner thereof at the expense of the Authority a new Bond or Bonds of the same maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

If notice of redemption has been duly given and money for the payment of the principal of and redemption premiums, if any, and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

Book-Entry Only System

The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry form. One fully registered Bond certificate will be issued for each series and maturity of the Bonds having the same interest rate, in the aggregate principal amount of such maturity and will be deposited with DTC. Purchasers will not receive a certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" shall mean the person for whom a DTC Participant acquires an interest in the Bonds. See APPENDIX G—"BOOK-ENTRY ONLY SYSTEM."

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX G—"BOOK-ENTRY ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge and Assignment; Water Fund; Flow of Funds

The Authority pledges, to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Net Revenues, the Subsidy Payments (if any Bonds are issued as Build America Bonds) and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, other than amounts in the Project Fund, the Costs of Issuance Fund, the Maintenance and Operation Fund and the Rate Stabilization Fund. Said pledge constitutes a lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act. For a projection of Net Revenues available for debt service and other costs associated with the Water System and a description of the financial condition of the Water System, see "THE WATER SYSTEM" herein, APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008," and APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008," which includes the financial results of the Water System.

The Authority agrees that, so long as any of the Bonds remain Outstanding, all of the Gross Revenues will be deposited as soon as practicable upon receipt in a fund or funds, collectively designated as the "Water Fund" which the City has previously created and maintains. The Authority may commingle amounts in said fund with other monies of the Authority for investment purposes, so long as it maintains accounting records which at all times identify the amount therein and any investment gains or losses thereon.

The Authority pledges, and to the extent permitted by law, grants a security interest to the Trustee and the holders of Parity Obligations in, the Water Fund to secure the payment of the principal of and interest on the Bonds and any payment required with respect to Parity Obligations.

Application of Gross Revenues. All of the Gross Revenues shall be deposited by the City, on behalf of the Authority, immediately upon receipt in the Water Fund. All Gross Revenues shall be held in trust by the City, on behalf of the Authority, in the Water Fund and shall be applied, transferred, used and withdrawn only for the following purposes:

(i) **Maintenance and Operation Costs**. The Authority shall first pay from the moneys in the Water Fund the budgeted Maintenance and Operation Costs as such Maintenance and Operation Costs become due and payable.

(ii) **Payment of Debt Service**. On or before the 15th day of each May and November, the City, on behalf of the Authority, shall withdraw from the Water Fund and (A) transfer to the Trustee, for deposit in a special fund designated as the "Bond Fund" which the Trustee has previously established with respect to the 2003 Bonds and which it shall continue to maintain and hold in trust, an amount which, together with the balance then on deposit in the Bond Fund, the Interest Account and the Principal Account (other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), that is equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on the next succeeding Interest Payment Date and (B) transfer to the Trustee an amount equal to the aggregate amount of principal of and interest coming due and payable on any Parity Obligations on the next succeeding Interest Payment Date.

(iii) **Reserve Account**. After making the payments, allocations and transfers provided for in subparagraphs (i) and (ii) above, (A) if the balance in the Reserve Account is less than the Reserve Requirement, the notice of which deficiency shall have been given by the Trustee to the Authority, or (B) if the balance in a bond reserve account established for any Parity Obligations is less than the bond reserve requirement established for such Parity Obligations, the notice of which deficiency shall have been given to the Authority, or (C) if any reserve surety bond for the Bonds or for any Parity Obligations has been drawn upon to make delinquent payments, the notice of which deficiency shall have been given to the Authority, the deficiency shall be restored by transfers from the first moneys which become available in the Water Fund to the Trustee for deposit in the Reserve Account and for deposit in the bond reserve account established for such Parity Obligations, such transfers to be made no less than semiannually.

(iv) **Surplus**. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsections (ii) and (iii), inclusive, any moneys remaining in the Water Fund may at any time be treated as surplus and applied for any lawful purpose.

Application of Net Revenues. On or before the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Net Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding;

Second: to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date, if any; and

Third: to the Reserve Account, the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account; provided that no deposit need be made into the Reserve Account so long as the balance in said account shall be at least equal to the Reserve Account Requirement.

Subsidy Payments, as received, will be deposited in the Interest Account of the Bond Fund.

"Water System" means any and all facilities, properties and improvements at any time controlled or operated by the Authority used or pertaining to the supply of water, consisting of the entire water production and distribution enterprise of the Authority, including all additions, extensions, expansions, improvements and betterments thereto and equippings thereof and any necessary lands, rights of way and other real and personal property useful in connection therewith, but exclusive of any portion of the existing system not required for the continued operation thereof; provided, however, that to the extent the Authority is not the sole owner of an asset or property, or lessee thereof from the City, only the Authority's ownership interest in such asset or property or leasehold interest therein from the City, will be considered a part of the Water System.

"Gross Revenues" means all gross charges received for, and all other gross income and revenues derived by the Authority from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) all fees and charges received by the Authority for the services of the Water System, (b) charges received by the Authority for water connections, and (c) all receipts derived from the investment of such income or revenues.

"Maintenance and Operation Costs" means the reasonable and necessary costs of maintaining and operating the Water System, calculated based upon accounting principles consistently applied, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature. Maintenance and Operation Costs do not include lease payment, if any, paid by the Authority to the City for the lease of the Water System.

"Net Revenues" means, with respect to any period, the amount of the Gross Revenues received during such period less the amount of Maintenance and Operation Costs becoming payable during such period.

Rates and Charges; Rate Stabilization Fund

Rates and Charges. The Authority will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the Authority for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) all Maintenance and Operation Costs estimated by the Authority to become due and payable in such Fiscal Year;

(ii) the principal of and interest on the Outstanding Bonds becoming due and payable during such Fiscal Year, including all Mandatory Sinking Account payments during such Fiscal Year; however, for the purpose of this calculation, debt service will be reduced by the amount of any Subsidy Payments;

(iii) all other payments required for compliance with the Indenture and the instruments pursuant to which any Parity Obligations will have been issued;

(iv) all payments required to meet any other obligations of the Authority which are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues; and

(v) any other lawful purposes of the Authority, including, but not limited to, deposits to the Rate Stabilization Fund described below.

In addition, the Authority will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues, including connection charges together with other funds accumulated in the Water Fund and which are lawfully available to the Authority for payment of the debt service on the Bonds, at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding clause (ii) in such Fiscal Year.

Rate Stabilization Fund. If determined by the City to be advantageous, the Authority will create and maintain a separate fund to be known as the "Rate Stabilization Fund." The Rate Stabilization Fund is not pledged to secure payment of the Bonds. Amounts in the Rate Stabilization Fund will be applied solely for the uses and purposes set forth in this paragraph. The Authority will have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of meeting the rate covenant described above, the Authority will be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the Authority will be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

Notwithstanding the foregoing, amounts on deposit in the Rate Stabilization Fund and transferred to the Water Fund will be accounted separately from all other amounts deposited in the Water Fund and, if such amounts will become available to the Authority in accordance with subparagraph (v) above, such amounts may not again be deposited in the Rate Stabilization Fund.

The obligation of the Authority to make payments of principal of and interest on the Bonds is a special obligation of the Authority and is payable solely from the Net Revenues and the other funds as provided in the Indenture, and does not constitute a debt of the Authority or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Bond Reserve Account

A Bond Reserve Account is established by the Indenture and is required to be funded in an amount equal to the Bond Reserve Account Requirement. "Bond Reserve Account Requirement" means, as of any date of calculation, to be equal to the least of (a) Maximum Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, (b) 125% of average Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, and (c) 10% of the original principal amount of the Bonds.

All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (a) paying interest on or principal of the Bonds when due and payable to the extent that moneys deposited in the Interest Account or Principal Account, respectively, are not sufficient for such purpose, and (b) making the final payments of principal of and interest on the Bonds. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to the Indenture, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the Authority.

The Authority shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause interest with respect to the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to the Authority for deposit by the Authority in a segregated account maintained by the Authority and used exclusively for the acquisition, construction and installation of improvements to the Water System. Prior to the expiration of any Qualified Reserve Account Credit Instrument, the Authority shall be obligated either (a) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (b) to remit or cause to be remitted to the Trustee for deposit in the Reserve Account an amount of moneys equal to the Reserve Account Requirement, to be derived from Net Revenues; provided, however, that if the Authority shall fail to replace an expiring Qualified Reserve Account Credit Instrument or to deposit moneys equal to the Reserve Account Requirement, the Trustee shall draw on such Qualified Reserve Account Credit Instrument before such expiration and deposit the proceeds of such draw in the Reserve Account.

Limitations on Future Obligations Secured by Net Revenues

No Obligations Superior to Bonds or Parity Obligations. In order to protect further the availability of the Net Revenues and the security for the Bonds and any Parity Obligations, the Authority has covenanted in the Indenture that no additional bonds or other indebtedness will be issued or incurred on a senior basis to the Bonds or such Parity Obligations that are payable out of the Net Revenues in whole or in part.

Parity Obligations. The Authority has further covenanted in the Indenture that, except for obligations incurred to prepay or post a security deposit for the payment of the Bonds or Parity Obligations, the Authority may issue or incur Parity Obligations during the term of the Bonds if:

(a) No Event of Default shall have occurred and then be continuing.

(b) The indenture providing for the issuance of such Parity Obligations shall specify the purposes for which such Parity Obligations are being issued, which shall be one or both of the following:

> (i) to provide moneys needed to complete the Project or to acquire, install, construct or complete an Additional Project, including reimbursements of any sums advanced by the Authority for such purposes, by depositing into a the Project Fund or in the project fund established for the such Additional Project, as the case may be, the proceeds of such Parity Obligations to be so applied, or
>
> (ii) to refund all or part of the Bonds of any one or more Parity Obligations then Outstanding, by depositing with the Trustee, in trust, moneys or Defeasance Obligations in the necessary amount to discharge all liability of the Authority with respect to the Bonds or the Parity Obligations to be refunded.

The indenture providing for the issuance of such Parity Obligations may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of such Parity Obligations, interest on such Parity Obligations and, in the case of Parity Obligations issued to refund the Bonds or other Parity Obligations, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or other Parity Obligations to be refunded.

(c) The indenture providing for the issuance of such Parity Obligations also shall require that a bond reserve account be established for such Parity Obligations and there be deposited to such accounts, forthwith upon the receipt of the proceeds of the sale of such Parity Obligations, an amount at least equal to the bond reserve account requirement with respect to such Parity Obligations.

(d) Parity Obligations shall be payable as to principal on June 1 in each year in which principal becomes due, and shall be payable as to interest semiannually on June 1 and December 1, except that the first installment of interest may be payable on either June 1 or December 1 and shall be for a period not longer than twelve (12) months.

(e) The aggregate principal amount of Parity Obligations issued shall not exceed any limitation imposed by law.

(f) The sum of (x) Net Revenues, calculated based upon accounting principles consistently applied, as shown by the books of the Authority for the latest Fiscal Year for which audited financial statements are available, as shown by an audit certificate or opinion of an Independent Accountant, (y) other funds accumulated in the Water Fund and which are lawfully available to the Authority for the payment of debt service on the Bonds and such Parity Obligations, plus (z) at the option of the Authority, any or both of the items hereinafter in this subsection designated (i) and (ii), shall have amounted to at least 1.25 times the sum of the Maximum Aggregate Annual Debt Service coming due and payable in any future Fiscal Year immediately subsequent to the incurring of such Parity Obligations, less the Subsidy Payment amount for such future Fiscal Year.

Any or all of the following items may be added to such Net Revenues for the purpose of applying the restriction contained above:

> (i) An allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Obligations, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Authority.
>
> (ii) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the issuance of such Parity Obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the issuance of such Parity Obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the Authority; *provided, however*, that such any increase in the charges that are temporary in nature, to address drought conditions, shall not be included.

Nothing shall prevent or be construed to prevent the instrument providing for the issuance of Parity Obligations from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Parity Obligations or any portion thereof.

Subordinate Obligations. Additional obligations may be issued on a basis subordinate to the Bonds and Parity Obligations to the extent required.

THE AUTHORITY

The Authority was established in February 2002 to provide for the lease, ownership, operation, management and maintenance of any utility system or service, the financing of public capital improvements for and working capital requirements and insurance programs of the Members and any local agency, including without limitation, financings relating to any utility system or service through the lease, acquisition or construction by the Authority of such public capital improvements, the purchase by the Authority of indebtedness of any of the Members or a local agency.

Pursuant to that certain Lease Agreement (Water Enterprise), dated as of February 1, 2002 (the "Lease Agreement"), by and between the City and the Authority, the City leased the Water System to the Authority and the Authority leased the Water System from the City. Pursuant to the Lease Agreement, the Authority assumed all rights and obligations with respect to the Water System.

The Authority has appointed the City as its agent to carry out all aspects of the operation and maintenance of the Water System pursuant to and in accordance with the provisions of the Lease Agreement and pursuant to that certain Water Enterprise Management Agreement, dated as of February 1, 2002, by and between the Authority and the City, and the City has accepted such appointment and assumed all rights, liabilities, duties and responsibilities of the Authority regarding the operation and maintenance of the Water System.

The City and the Authority have entered into similar arrangements for the lease and operation of the City's sewer and solid waste enterprises.

THE WATER SYSTEM

General

The City's current water system, including supply, distribution and storage components, consists of seven wells, two pumping plants, a settling basin, three major reservoirs, eight sub-reservoirs, seven booster stations and auxiliary pumps. Because of the area's geography, the system is partially a gravity-flow system and the remainder is controlled by a pressurized-flow system.

Management

The Water System is operated by the City's Public Works Department and is managed by the Water Manager. The Water Production Supervisor supervises five staff members and the Water Distribution Supervisor supervises ten staff members.

The Water System is under the responsibility of the Assistant Director of Public Works—Utilities. The Assistant Director of Public Works—Utilities reports to the Director of Public Works.

The Water System is currently managed by the following individuals:

David A. Pelser, *Public Works Director*. As the Director of Public Works for the City, Mr. Pelser oversees the Water System as well as City's transportation, sewer, solid waste collection and landfill operations, fleet, buildings, engineering, and development review. Mr. Pelser has over 30 years of experience in local government, business, and non-profits. He was a leader in regional and multi-agency problem solving including public private partnerships, government restructuring, joint powers agencies, economic development and redevelopment issues, land development review, labor relations and multi-agency task forces and steering committees. His work assignments have taken him all over the western states, to Saipan (as a consultant to the U.S. Commonwealth of Northern Marianna Islands), and to Jabalpur, India (with the International City Managers Association Resource Cities Program). His background includes planning, design, construction, and operations of facilities for solid waste management, water supply and distribution, wastewater, drainage, and transportation systems. Mr. Pelser formerly served with Sacramento County Municipal Services Agency, Sacramento Regional Solid Waste Authority, a national consulting firm, the City of Sacramento, Mendocino County, and Contra Costa County. Mr. Pelser is a licensed professional engineer in California (civil) and Oregon (civil and environmental). He is also a board certified environmental engineer (BCEE) with the American Academy of Environmental Engineers. He received his BS in civil engineering from the University of California, Davis. He is a graduate of the Leadership Sacramento program of the Metro Chamber of Commerce, attended the Executive Program of the University of California at Davis, and has an extensive continuing education record. Mr. Pelser was named 2007 National Professional Manager of the Year in Solid Waste Management by the American Public Works Association (APWA). He is currently pursuing an MA degree in science and religion at Biola University.

Leon H. Yehuda, *Assistant to the Director of Public Works*. Mr. Yehuda is currently employed under contract as Assistant to the Director of Public Works. He recently retired from the position of Assistant Director of Public Works-Utilities after more than 25 years of service with the City. Mr. Yehuda is a licensed professional engineer (civil) and holds Grade 5 Water Distribution Operator and Grade 4 Water Treatment Operator certifications in California. During his last fifteen years with the City, he was responsible for the Water System administration, engineering, operation, maintenance and capital improvement projects. His total 35 years of extensive experience as a civil engineer in local government and business includes engineering, planning, design, construction, operation and maintenance of water, wastewater, drainage, and transportation facilities. He has extensive continuing education credits. Mr. Yehuda received his BS in civil engineering from the University of Illinois, Chicago in 1973. He holds a patent for a storm water pollution control device.

Kenneth W. Kittridge, *Water Manager*. Mr. Kittridge came to the City in September 2007 from the City of South Pasadena where he worked for over 20 years advancing from an entry level water operator to Water Manager. During his employment with South Pasadena, he managed many water projects including a 2 million gallon reservoir and a supervisory control and data acquisition system upgrade. Mr. Kittridge possesses certificates from the California Department of Public Health as a Water Treatment Operator III and Water Distribution Operator IV.

Water Supply

The City's water comes exclusively from local groundwater resources. The groundwater is located in two groundwater basins divided by the Whittier Narrows Dam: the Main San Gabriel Basin to the north of the Whittier Narrows Dam and the Central Basin to the south of the Whittier Narrows Dam. Aggregate water production rights to the City have averaged approximately 8,550 acre feet per year (AF/yr) over the past five years from these two basins—approximately 7,725 AF/yr from the Main San Gabriel Basin and approximately 782 AF/yr from the Central Basin.

During normal rain years, the City's available water production rights typically exceed its water consumption by approximately 10 percent per year. This excess amount is allowed to accumulate as a reserve in the Main San Gabriel Basin to a maximum of 8,000 AF. This reserve storage has enabled the City to avoid the need to buy or lease additional water production rights during drought years. The City has accumulated approximately 7,000 AF of reserve water production rights.

The City historically extracted groundwater exclusively with its own wells, five of which are in the Main San Gabriel Basin, (Wells 13, 15, 16, 17 and 18) and two of which are in the Central Basin (Wells 8 and 14).

Over the past five fiscal years, the City also has been able to access its water rights through treated water produced at two groundwater treatment plants operated by the City: the Whittier Narrows Operable Unit ("WNOU"), located in the San Gabriel Basin, and a treatment plant operated under the Central Basin Water Quality Protection Plan ("WQPP"). Water production from these facilities has enabled the City to reduce water production from its own wells from 8,652 AF in FY 2002-03 to 3,200 AF in FY 2007-08 and to use its own wells as a back-up source for accessing water.

The WNOU is a groundwater treatment plant constructed by the United States Environmental Protection Agency (the "USEPA") to treat contaminated water in the Main San Gabriel Basin, which is a "Superfund" site due to the large presence of volatile organic compounds ("VOC's"). Water treated by the WNOU is extracted by seven USEPA-constructed wells. The treatment plant and wells are designed to prevent the migration of contaminated groundwater in the Main San Gabriel Basin into the Central Basin. Three of the wells, along with a portion of the treatment plant, are used for producing up to 6,000 gallons per minute (gpm) of treated potable water. The City operates the WNOU on behalf of the USEPA and is reimbursed for its costs. The USEPA's Record of Decision for the Main San Gabriel Basin and a subsequent contract between USEPA and the California Department of Toxic Substances Control ("DTSC") obligate the USEPA to operate the WNOU until May 16, 2013, at which time the DTSC takes over operational responsibility. The USEPA has committed to use the City of Whittier staff as its contract operator.

Since December 2004, in the Central Basin, two wells extract groundwater and treat it at the WQPP treatment plant located at the site of the City's Pumping Plant No. 2. The treated water is then conveyed to the City as well as the cities of Pico Rivera and Santa Fe Springs, utilizing the City's Pumping Plant No. 2 and distribution system. The wells and treatment plant are owned by the Central Basin Municipal Water District ("CBMWD") and operated by the City pursuant to an operating agreement under which the City is reimbursed for its costs. The site of the WQPP plant is owned by the City and leased by the CBMWD. The plant and wells implement the Central Basin Water Quality Protection Plan that is designed to prevent further migration of water contamination from the Main San Gabriel Basin into the Central Basin, beyond the EPA containment system.

Storage

Typical water utility emergency storage standards do not apply to the City's system because the City does not use imported water. The only requirement would be that the system facilities be capable of pumping the water needed during an emergency from the wells to the higher zones. The operational storage criterion is one maximum day demand plus the fire flow storage required for each zone.

Settling Basin. All the water from the City wells, the WQPP, and the WNOU is pumped to the Settling Basin at the Pumping Plant No. 2 site. The Settling Basin is used for settling the sand that may be in the pumped groundwater and to provide contact time for the chlorination that takes place at the inlet to the basin. It also provides storage for the booster pumps at Pumping Plant No. 2. The Settling Basin was constructed in 1991.

Besides the Settling Basin at Pumping Plant No. 2, the Water System includes eleven (11) reservoirs with a total constructed volume of 23.375 million gallons. One of the eleven reservoirs is Greenleaf II with a 10 million gallon capacity, replacing the Hoover reservoir, which was disconnected from the system in 2002.

The available capacity (nominal capacity) in each reservoir is considered to be 75 percent of the reservoir volume below the high water elevation due to the fact that the lower portions of the reservoirs cannot be used because air would be drawn into the system, and they cannot always be maintained full prior to an emergency.

Distribution

The Water System includes six (6) booster pump stations, in addition to Pumping Plant No. 2, to convey water to higher zones of the service area. The Water System includes 143 miles of water distribution and transmission mains, ranging in size from 2-inches to 30-inches in diameter. Approximately 51 percent of these mains are 6-inch in diameter and 94 percent are made of cast iron pipe (CIP).

Groundwater from the City wells and the Whittier Narrows Operating Unit is transmitted to the Settling Basin at Pumping Plant No. 2 through two transmission mains. Originally, these transmission mains were 30-inch diameter reinforced concrete pipes. They were slip-lined with 26-inch outside diameter high density polyethylene pipe to preclude the possibility of groundwater infiltration into the pipes. They extend southwesterly, generally paralleling the San Gabriel River to its west, confluence into a single 30-inch line, which terminates at the inlet header of the Settling Basin.

All groundwater pumped to Pumping Plant No. 2 is chlorinated upstream of the Settling Basin inlet header. Groundwater pumped from the EPA Plant is chlorinated at the EPA Plant site before it is chlorinated again at the Pumping Plant No. 2 site.

Service Area

The Water System provides water service to a population of approximately 48,000, constituting approximately 53 percent of the residences and businesses within the boundaries of the City. The water service area covers the northwest portion of the City. The service area is generally located west of Catalina Avenue and north of Lambert Road and Whittier Boulevard. The remainder of the City receives water service from Suburban Water Systems, California Domestic Water Systems or the San Gabriel Valley Water Company.

The service area includes approximately 564 commercial, 9,487 single family residential and 1,337 multi-family residential units, served by a total of 11,388 water meters.

Water Users

There are approximately 11,388 domestic water accounts. A breakdown of the water meters by customer classes are shown below.

Table 1
Water Meter Types
As of June 30, 2009

Meter Type	Number of Meters
Single Family Residential	9,487
Multi-family Residential	1,337
Commercial/Industrial	564
Total	11,388

Source: Whittier Utility Authority.

The ten largest water users for the year ended June 30, 2009, accounted for approximately 236,060 hundred cubic feet (CCF) or approximately 7.09% of the total annual water consumption. The following table shows the top ten water users, by consumption, for the year ended June 30, 2009:

Table 2
Ten Largest Users of Water—Consumption
Fiscal Year Ended June 30, 2009

Customers	Use	12 Months Consumption (CCF)	Percent of Total Consumption
City of Whittier Parks	Municipal	76,987	2.32%
Presbyterian Hospital	Medical	58,938	1.77
Whittier College	Educational	47,964	1.44
Whittier High School	Educational	9,971	0.30
Chateau-Merrill Gardens	Senior Housing	8,606	0.26
Whittier Market Place	Shopping Center	8,436	0.25
Lutheran Towers	Senior Housing	8,420	0.25
D. Quan Laundromat	Laundry Facility	6,034	0.18
Dexter Middle School	Educational	5,476	0.16
Ocean View Elementary School	Educational	5,228	0.16
Total of top ten users		236,060	7.09%
Total consumption		3,361,629	

Source: Whittier Utility Authority.

The following table shows the top ten water users, by water sale revenue, for the year ended June 30, 2009:

Table 3
Ten Largest Users of Water—Revenue
Fiscal Year Ended June 30, 2009

Customers	Use	12 Months Revenue	Percent of Total Revenue
City of Whittier Parks	Municipal	$ 156,261.73	2.83%
Presbyterian Hospital	Medical	117,637.02	2.13
Whittier College	Educational	104,777.16	1.90
Whittier High School	Educational	19,983.89	0.36
Chateau-Merrill Gardens	Senior Housing	17,267.54	0.31
Lutheran Towers	Senior Housing	16,897.40	0.31
Whittier Market Place	Shopping Center	16,852.44	0.30
D. Quan Laundromat	Laundry Facility	12,072.46	0.22
Dexter Middle School	Educational	11,038.84	0.20
Ocean View Elementary School	Educational	10,545.32	0.19
Total of top ten users		$ 483,333.80	6.49%
Total water sales		$7,445,946.00	

Source: Whittier Utility Authority.

Water Consumption and Sales

The following tables set forth water consumption and sales during the past five fiscal years.

Table 4
Water Consumption
(CCF)
For the Fiscal Years Ended June 30,

Description	2005	2006	2007	2008	2009
Domestic (Potable)	3,397,223	3,424,197	3,605,966	3,418,477	3,265,673
Reclaimed water	28,840	35,301	60,250	71,327	57,744
Others (1)	113,790	29,709	46,173	51,210	38,212
Total Consumption	3,539,853	3,489,207	3,712,389	3,541,014	3,361,629

Source: Whittier Utility Authority.
(1) Includes water sold to other agencies.

Table 5
Water Sales
For the Fiscal Years Ended June 30,

Description	2005	2006	2007	2008	2009
Retail Water Sales	$4,982,637	$5,438,208	$6,257,802	$6,203,082	$6,262,571
Wholesale Water Sales	313,378	569,715	1,235,038	516,956	535,343
Water Facility Fund	281,605	301,444	345,437	346,475	345,413
Meter Service Charges	303,142	302,865	302,558	301,737	302,619
Total	$5,880,762	$6,612,232	$8,140,835	$7,368,250	$7,445,946

Source: Whittier Utility Authority.

Consumption versus Production

Over the last seven fiscal years, the total annual well production has averaged 8,831 acre feet per year (7.88 mgd; 5475 gpm; 12.19 cfs). The average production from the Main San Gabriel Basin is about 7,879 AFY, and the average production from the Central Basin is 952 AFY.

The City typically produces more water than the quantity measured by the customer meters. The table below summarizes the difference between the measured consumption and production from FY 2004-05 to FY 2008-09. On average, 94.05 percent of the water produced and purchased each year was used by consumers. Approximately 5.95 percent of the water supply is unaccounted for each year. The discrepancy is partly due to the differences in the accuracies of the few large meters which measure production, and the thousands of small customer meters which measure sales. Unaccounted for water can also be due to unmeasured uses such as water main flushing. The remainder may be due to leaks from the system. However, the average unaccounted for water rate of 5.95 percent is well within the industry standard.

Table 6
Water Consumption versus Water Production

Fiscal Year	Production (AF)*	Consumption (AF)	Unaccounted (AF)	% Unaccounted
2004-2005	8,515	7,867	648	7.61
2005-2006	8,380	7,946	433	5.18
2006-2007	8,940	8,419	520	5.23
2007-2008	8,402	8,019	382	4.55
2008-2009	8,330	7,688	642	7.18
Average				5.95

Source: Whittier Utility Authority.
*Includes water produced from WNOU and WQPP

System Demands and Peaking Factors

The City's water system demands are shown in the following table.

Table 7
Water System Demands and Peaking Factors

Demand Description	Existing Demand			Peaking Factor
	(gpm)	(mgd)	(AF/Yr)	
Average Day	5,400	7.78	8,710	1.00
Max Month	7,128	10.26	11,498	1.32
Max Week	8,910	12.83	14,372	1.65
Max Day	10,800	15.55	17,420	2.00
Peak Hour	17,820	25.66	28,744	3.30

Source: Whittier Utility Authority.

Water Rates, Fees and Charges

Rate Setting Process. Prior to July 1 of each calendar year, the Board of Directors of the Authority adopts a budget for the forthcoming fiscal year covering the anticipated revenues and expenses of the Water System. The water rates for the entire Water System are set by the Board of Directors of the Authority and are not subject to review by any state or local government agency. In the past, changes have been enacted by the Board of Directors of the Authority based upon the recommendation of the City's Director of Public Works.

Historical and Current Rate Increases. The most recent increase of 3.32% for the consumption component only was adopted on June 23, 2009, for fiscal year 2010. The following table sets forth a six-year history of water rate increases.

Table 8
Historic Water Rate Increases for All Customer Classes

Fiscal Year	% Increase
2004-05	2.30
2005-06	7.40
2006-07	7.50
2007-08	6.30
2008-09	5.85
2009-10	3.32

Source: City of Whittier Public Works Department.

Water Rate Structure. Water rate schedules are established for residential and non-residential (commercial and industrial) users. Both customer classes have both a fixed monthly service charge and a variable water usage charge. The fixed charge is based on the size of the meter serving the customer.

The following tables set forth the Water System rates for the past five fiscal years. Table 9 shows the commodity component, and Table 10 shows the fixed Charge Component.

Table 9
Water Rate Structure
Consumption Component
Fiscal Years 2005-06 through 2009-10
(Per CCF)

User type and Monthly Rate Block	2005-06	2006-07	2007-08	2008-09	2009-10
For potable water	$1.65	$1.77	$1.88	$1.99	$2.06
For reclaimed water	$1.32	$1.42	$1.50	$1.59	$1.64

Source: City of Whittier Public Works Department.

Table 10
Water Rate Structure
Bi-Monthly Fixed Charge Component (Meter Service Charges)
Fiscal Years 2005-06 through 2009-10
(per meter)

Meter Size	2005-06	2006-07	2007-08	2008-09	2009-10
3/4 inch meter	$ 4.00	$ 4.00	$ 4.00	$ 4.00	$ 4.00
1 inch meter	4.80	4.80	4.80	4.80	4.80
1 1/2 inch meter	8.00	8.00	8.00	8.00	8.00
2-inch meter	10.80	10.80	10.80	10.80	10.80
3-inch meter	19.60	19.60	19.60	19.60	19.60
4-inch meter	23.60	23.60	23.60	23.60	23.60
6-inch meter	38.80	38.80	38.80	38.80	38.80
8-inch meter	61.60	61.60	61.60	61.60	61.60
10-inch meter	84.00	84.00	84.00	84.00	84.00

Source: City of Whittier Public Works Department.

Comparative Monthly Water Rates. The table below shows comparative monthly residential water bills for a usage rate of 20 ccf by water suppliers serving neighboring communities for fiscal year 2008-09, including meter (standby) charge.

Table 11
Comparative Rates for Average Monthly Residential Service
(includes meter charge)
Fiscal Year 2008-09

Water Provider	Community Served	Average Monthly Rate (1)
City of Whittier	Whittier	$41.80
City of Pico Rivera	Pico Rivera	$43.60
Suburban Water	Whittier/La Mirada	$41.97
Orchard Dale	Whittier/La Mirada	$51.00
Golden State Water	Whittier/Norwalk/ Santa Fe Springs/El Monte	$70.50
Cal Domestic	Whittier	$39.30

Source: City of Whittier Public Works Department.
(1) Represents rate for typical residential users based on consumption of 20 ccf plus a service charge for a 3/4" meter.

City Billing and Collection System. The Water System has approximately 12,000 customers divided into 24 routes. Billings are calculated every 60 days with payments due 15 days from the billing date. Delinquency reminder notices are mailed 30 days after billing date and shut-off notices are distributed 45 days after the billing date. The utility does not charge a late fee, however a re-connection fee is required following a shut-off. The recent average annual delinquency rate has been approximately .09%.

Capital Improvement Program Summary

Improvements Financed with Bond Proceeds. The City intends to use a portion of the proceeds of the Bonds to finance one or more of the following Water System improvement projects, following a determination by the City Council as the specific priority of each component:

Table 12
Capital Improvement Needs of the Water System

Project Description	Estimated Cost
Pumping Station No. 2 Replacement	$13,700,000
Pumping Station No. 2 Settling Basin Replacement	5,940,000
Supervisory Control and Data Acquisition System Upgrade	3,240,000
New Zone 464 Reservoir (Worsham Canyon)	11,340,000
New Zone 464 Inlet/Outlet Pipeline	5,670,000
Three years of Ongoing Pipe Replacement	2,400,000
	$42,290,000

Source: Whittier Utility Authority.

Future Capital Improvements. None of the above-identified projects needs to be completed for regulatory compliance reasons. Rather, the City intends to complete such projects over the next fifteen to thirty years as funding becomes available on a pay as you go basis, from State or Federal grants or from the proceeds of additional bonds or other debt instruments. The City performs a Water System master plan approximately every ten years.

Financial Statements

The Authority's audited financial statements dated December 15, 2008, for the fiscal year ended June 30, 2008, are attached hereto as APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008." The City's audited financial statements dated December 15, 2008, for the fiscal year ended June 30, 2008, which include the financial results of the Water System, are attached hereto as APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

The following table presents the Balance Sheet of the Water Fund for the four fiscal years ended June 30, 2009.

Table 13
Water Fund
Balance Sheet
For the Fiscal Years Ended June 30,

ASSETS	2006	2007	2008	(Unaudited) 2009
Current assets:				
Cash and investments	$14,451,509	$16,128,009	$18,268,479	$12,700,642 (1)
Receivables:				
Accounts	1,339,171	1,944,119	1,212,644	1,435,204
Intergovernmental	—	568,374	114,222	—
Interest	156,262	211,832	169,760	85,775
Inventory	265,684	296,585	297,223	332,217
Total current assets	16,212,626	19,148,919	20,062,328	14,553,838
Restricted assets:				
Cash and investments with fiscal agents	1,765,296	1,655,476	796,644	685,325
Cash and investments	29,887	48,026	119,719	105,773
Receivables:				
Interest	16,079	9,280	7,794	—
Total restricted assets	1,811,262	1,712,782	924,157	791,098
Capital assets, net	22,169,141	21,892,811	22,184,185	22,184,185
Other assets:				
Advances to other funds	318,753	318,753	656,481	319,209
Unamortized bond issuance costs	1,072,974	993,069	913,164	833,259
Total other assets	1,391,727	1,311,822	1,569,645	1,152,468
Total assets	41,584,756	44,066,334	44,740,315	38,681,589
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities:				
Accounts payable	439,177	609,160	386,807	338,964
Accrued liabilities	55,848	66,934	75,201	70,561
Accrued interest payable	38,695	38,045	37,618	37,110
Due to the City of Whittier	—	53,878	42,197	—
Unearned revenue	—	568,374	114,222	—
Bonds payable - current portion	195,000	205,000	210,000	220,000
Total current liabilities	728,720	1,541,391	866,045	666,635
Long-term liabilities:				
Bonds payable - non-current portion	9,875,000	9,670,000	9,460,000	9,240,000
Total long-term liabilities	9,875,000	9,670,000	9,460,000	9,240,000
Total liabilities	10,603,720	11,211,391	10,326,045	9,906,635
Net assets:				
Invested in capital assets, net of related debt	13,846,364	13,673,286	14,223,993	14,242,769
Restricted:				
Connection fees	33,776	48,026	119,719	105,773
Unrestricted	17,100,896	19,133,631	20,070,558	14,426,412
Total net assets	30,981,036	32,854,943	34,414,270	28,774,954
Total Liabilities and Net Assets	$41,584,756	$44,066,334	$44,740,315	$38,681,589

Source: Whittier Utility Authority Audited Financial Statements. Data for 2009 is unaudited.
(1) The reduction of cash and investments reflects a one time advance lease payment of approximately $6,200,000 in Fiscal Year 2008-09.

The estimated unrestricted net assets of the Water Fund as of June 30, 2009, of $14,426,412, are comprised of the following:

Reserved for emergency capital repairs	$ 2,000,000
Reserved for operating capital	631,000
Reserved for inventory	330,950
Reserved for lease payment	1,300,000
Reserved for encumbrance, continuing appropriation & other	941,657
Unrestricted, unreserved & undesignated	9,222,805
Total	$14,426,412

Source: Whittier Utility Authority. Data is unaudited.

Historical Operating Results

The following table presents a five year compressed comparison of revenues and expenses of the Water Fund as taken from audited financial statements and historical debt service coverage ratios. The following table excludes depreciation charged to the Water Fund and transfers to other funds.

Table 14
Water Fund
Statement of Revenues, Expenses and Debt Service Coverage
For Fiscal Year Ended June 30,

	2005	2006	2007	2008	(Unaudited) 2009
Operating revenues:					
Water Sales (1)	$5,880,762	$6,612,232	$8,140,835	$7,368,250	$7,445,946
Connection fees	46,832	35,959	39,075	85,158	68,310
Miscellaneous	51,188	53,417	62,238	73,517	12,797
Total operating revenues	5,978,782	6,701,608	8,242,148	7,526,925	7,527,053
Operating expenses:					
Employee Services	1,701,932	1,875,959	2,069,174	2,245,638	2,144,690
Maintenance and Operations (2)	2,462,599	2,452,635	2,893,534	2,879,331	2,749,514
Total operating expenses	4,164,531	4,328,594	4,962,708	5,124,969	4,894,204
Operating income (loss)	1,814,251	2,373,014	3,279,440	2,401,956	2,632,849
Non-operating revenues:					
Rental income (3)	338,142	345,170	335,441	345,819	458,903
Investment income	454,991	548,016	857,252	769,198	226,153
Total non-operating revenues	793,133	893,186	1,192,693	1,115,017	685,056
Net Revenues Available for Debt Service	2,607,384	3,266,200	4,472,133	3,516,973	3,317,905
2003 Bond Debt Service	648,537	656,122	658,688	665,222	661,413
Debt Service Coverage	4.02x	4.98x	6.79x	5.29x	5.02x
Net Revenues After Debt Service	1,958,847	2,610,078	3,813,445	2,851,751	2,656,492
Lease Payment to City for Water System	520,965	519,743	495,256	1,035,256	1,038,506
Surplus revenues	$1,437,882	$2,090,335	$3,318,189	$1,816,495	$1,617,986

Source: Whittier Utility Authority Audited Financial Statements, except debt service and debt service coverage. Data for 2009 is unaudited.

(1) Excludes cost reimbursement payments from the USEPA.

(2) Excludes depreciation and lease payments to the City for water rights, including a one time advance lease payment of approximately $6,200,000 in Fiscal Year 2008-09.

(3) Primarily rental income received from the Central Basin MWD for use of the main pump station.

Projected Operating Results

The following is a table of projected revenues and expenses of the Water Fund for five fiscal years as prepared by the Authority. These projections exclude depreciation charged to the Water Fund. These projections are based upon the Authority's current circumstances and available information that the Authority believes to be reasonable. Water service charges are also projected to increase for the next five years. The Board of Directors of the Authority has taken no action to implement said rate increases. The assumptions may be affected by numerous factors and there can be no assurance that such projections will be achieved. Additional rate increases may become necessary in the future in order for the Authority to comply with provisions of the Indenture.

Table 15
Water Fund
Projected Summary Statement of
Revenues, Expenses and Debt Service Coverage
For Fiscal Years Ending June 30,

	2010	2011	2012	2013	2014
Operating Revenues (1)	$7,677,594	$7,831,146	$7,987,769	$8,147,524	$8,310,474
Non-Operating Revenues	698,757	712,732	726,987	741,527	756,357
Total Revenues	8,376,351	8,543,878	8,714,756	8,889,051	9,066,831
Operating Expenses (2)	4,992,088	5,091,930	5,193,769	5,297,644	5,403,597
Net Revenues Available for Debt Service	3,384,263	3,451,948	3,520,987	3,591,407	3,663,234
2003 Bond Debt Service	665,323	663,063	665,188	666,375	671,820
2009 Bond Debt Service	293,118	666,837	668,137	669,337	665,437
Subsidy Payment (3)	(79,218)	(130,222)	(130,222)	(130,222)	(130,222)
Total Debt Service	879,223	1,199,678	1,203,103	1,205,490	1,207,035
Debt Service Coverage	3.85x	2.88x	2.93x	2.98x	3.03x
Net Revenues After Debt Service	2,505,040	2,252,270	2,317,884	2,385,917	2,456,199
Lease Payment to City for Water System	500,000	500,000	500,000	500,000	500,000
Surplus revenues	$2,005,040	$1,752,270	$1,817,884	$1,885,917	$1,956,199

Source: Whittier Utility Authority.
(1) Assumes rate increase of 2% per year.
(2) Assumes expenses increase at the approximate rate of 2% per year.
(3) Assumes 35% of interest payable with respect to the Bonds issued as Build America Bonds will be paid to the Authority as Subsidy Payments.

CONSTITUTIONAL LIMITATIONS ON TAXES AND WATER RATES AND CHARGES

Article XIIIA

Article XIIIA of the State Constitution provides that the maximum *ad valorem* tax on real property cannot exceed 1% of the "full cash value," which is defined as "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment," subject to exceptions for certain circumstances of transfer or reconstruction and except with respect to certain voter approved debt. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of the qualified electorate to impose special taxes, while generally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As amended, Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service on certain voter-approved general obligation bonds for the acquisition or improvement of real property. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Under California law, any fee which exceeds the reasonable cost of providing the service for which the fee is charged is a "special tax," which under Article XIIIA must be authorized by a two-thirds vote of the electorate. Accordingly, if a portion of the District's water or wastewater user rates or Capacity Fees were determined by a court to exceed the reasonable cost of providing service, the District would not be permitted to continue to collect that portion unless it were authorized to do so by a two-thirds majority of the votes cast in an election to authorize the collection of that portion of the rates or fees. The reasonable cost of providing wastewater services has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the California courts have determined that fees such as capacity fees will not be special taxes if they approximate the reasonable cost of constructing the water or wastewater capital improvements contemplated by the local agency imposing the fee. See "THE WATER SYSTEM—Water Rates, Fees and Charges."

Article XIIIB

Article XIIIB of the California Constitution limits the annual appropriations of proceeds of taxes by State and local government entities to the amount of appropriations of the entity for the prior fiscal year, as adjusted for changes in the cost of living, changes in population and changes in services rendered by the entity. User fees and charges are considered proceeds of taxes only to the extent they exceed the reasonable costs incurred by a governmental entity in supplying the goods and services for which such fees and charges are imposed.

To the extent that assessments, fee and charges collected by the Authority are used to pay the costs of maintaining and operating the Water System and payments due on the Bonds (including the funding of the Reserve Account), the Authority believes that such moneys are not subject to the annual appropriations limit of Article XIIIB.

Articles XIIIC and XIIID

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the Authority, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 1 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article

XIIIC reduce the flexibility of the Authority to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the Authority will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Section 3 of Article XIIIC 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 or charges were imposed. Section 3 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, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "*Bighorn Decision*") that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. No assurance can be given that the voters of the Authority will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the Authority's water service fees and charges, which are the source of Net Revenues pledged to the payment of debt service on the Bonds, the applicable potion of the 2002 or any additional Parity Bonds.

Notwithstanding the fact that water service charges may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIIC, the Authority has covenanted to levy and charge rates which meet the requirements of the Indenture in accordance with applicable law.

Article XIIID defines a "fee" or "charge" as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership." In the *Bighorn Decision*, the California Supreme Court held that a public water agency's charges for ongoing water delivery are fees and charges within the meaning of Article XIIID. Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

The Authority's water charge is a commodity charge based on the volume of water consumed. The Authority has ratified prior water rate measures and otherwise complied with the applicable notice and protest procedures of Article XIIID for its current water rates and charges. There has not been nor is there any pending challenge to any of the Authority's water fees and charges approved since the effective date of Proposition 218. While the Authority Attorney is of the opinion, based upon the judicial precedent in place during the period of these rate increases, that a reviewing court could reasonably uphold the validity of those increases, neither the Authority nor the Authority Attorney can predict with certainty the outcome of a challenge to the increases in the Authority's water rates and charges that were not approved in accordance with the notice and hearing requirements of Article XIIID if one were brought.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Article XIIID establishes procedural requirements for the imposition of assessments, which are defined as any charge upon real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for assessments under Article XIIID include conducting a public hearing and mailed protest procedure, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel. To provide guidance to Authority staff regarding the conduct of Proposition 218 "property-related fee" protest proceedings, the Authority Council adopted Resolution No. 4930 on January 16, 2007, establishing additional procedures for submitting protests against proposed increases to water rates, including the provision of notice of a proposed change in water fees to all owners of record on each identified parcel and all water customers of the Authority as reflected in the billing records of the Authority at the time the notice is given, and additional procedures for the tabulation of protests against proposed increases to water rates, including guidelines for determining when a valid protest has been submitted.

Existing, new or increased assessments are subject to the procedural provisions of Proposition 218. However, certain assessments existing on November 6, 1996, are classified as exempt from the procedures and approval process of Article XIIID. Expressly exempt assessments include (i) an assessment imposed exclusively to finance capital costs or maintenance and operation expenses for sewers, water, flood control and drainage systems, but subsequent increases are subject to the procedures and approval requirements; (ii) an assessment imposed pursuant to a petition signed by all affected landowners (but subsequent increases are subject to the procedural and approval requirements); (iii) assessments, the proceeds of which are used exclusively to pay bonded indebtedness, where failure to pay would violate the U.S. Constitution's prohibition against the impairment of contracts; and (iv) any assessment which has previously received approval by a majority vote of the voters (but subsequent increases are subject to the procedural and approval requirements).

On July 14, 2008, the California Supreme Court ruled in *Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority* (the "*SCCOSA Decision*") that the Santa Clara County Open Space Authority's county-wide assessment which was designed to fund the acquisition and maintenance of unspecified open-space lands in the County was invalid under Proposition 218. The Court held that deference should not be accorded to local agencies when Proposition 218 legislative acts are challenged. Under Proposition 218, courts must make an independent review of whether the assessment and formation of an assessment district meet the "special benefit" and proportionality requirements of Article XIIID. Further, while an assessment will not be invalidated because it confers a benefit upon the public at large, the "special benefit" must affect the assessed property in a distinct and particular manner not shared by other parcels and the public at large. Specifically, in the *SCCOSA Decision* the assessment did not meet the requirements of a "special benefit" and the assessment was not proportional to the special benefits conferred. Finally, the Court held that the Santa Clara Open Space Authority did not meet the proportionality requirement of Article XIIID because it did not specifically identify the improvements to be financed by the assessment and failed to sufficiently connect any costs of and benefits received from the open space assessment to the specific assessed parcels.

The Authority and the Authority Attorney are of the opinion that current water fees and charges that are subject to Proposition 218 comply with the provisions thereof and that the Authority will continue to comply with the rate covenant set forth in the Installment Purchase Agreement in conformity with the provisions of Article XIIID of the California State Constitution. The Authority and the Authority Attorney are also of the opinion that current water capacity fees are not subject to Proposition 218. Should it become necessary to increase the water fees and charges above current levels, the Authority would be required to comply with the requirements of Article XIIID in connection with such proposed increase. To date, there have been no legal challenges to water rate increases implemented by the Authority pursuant to Proposition 218 or otherwise. It is unclear whether under existing standards, rates and charges may be established at levels which would permit deposits to a Rate Stabilization Fund or maintenance of uncommitted cash reserves.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

RISK FACTORS RELATING TO THE BONDS

Payment of principal of and interest on the Bonds depends primarily upon the revenues derived from operation of the Water System. Some of the events which could affect the revenues received by the Water System are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge or charge or lien upon any property of the Authority or any of its income or receipts, except the Net Revenues. The obligation of the Authority to pay debt service on the Bonds from Net Revenues does not constitute an obligation of the Authority to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation.

The Authority is obligated under the Indenture to make debt service payments solely from Net Revenues. There is no assurance that the Authority can succeed in operating the Water System such that the Net Revenues in the future will be sufficient for that purpose. See "Right to Vote on Taxes Act" below.

System Expenses

There can be no assurance that the Authority's expenses for the Water System will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the Authority's rate covenant in the Indenture.

Limited Recourse on Default

Failure by the Authority to pay debt service on the Bonds constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to enforce the Authority's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the debt service on the Bonds, there is no assurance that the Authority would have sufficient funds to pay the accelerated amounts. See also "Proposition 218" below.

Limitations on Remedies

The ability of the Authority to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest with respect to the Bonds may be adversely affected by actions and events outside of the control of the Authority and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "Proposition 218" below. Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinions to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX E—

PROPOSED FORMS OF BOND COUNSEL OPINIONS." If the Authority fails to comply with its covenants in the Indenture or fails to pay principal of and interest due on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the Authority to implement rate increases which could reduce Net Revenues and adversely affect the security for the Bonds. See "Proposition 218" below.

Bankruptcy

The rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds and the Indenture, including the opinion of Bond Counsel, will be similarly qualified. If the Authority were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the Authority could be prohibited from taking any steps to enforce their rights under the Indenture.

Tax Exemption of the Bonds

The Authority has covenanted in the Indenture that it will take all actions necessary to assure the exclusion of interest with respect to the Bonds that are Tax-Exempt Bonds from the gross income of the Owners of the Bonds that are Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986. If the Authority fails to comply with the foregoing tax covenant, the interest component of the Installment Payments evidenced by the Bonds that are Tax-Exempt Bonds may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Additional Obligations

The Indenture permits the issuance of Bonds secured by Net Revenues on a parity basis or a subordinate basis to the Bonds. Such additional Bonds would increase debt service payable from Net Revenues and could adversely affect debt service coverage with respect to the Bonds. In such event, however, the Rate Covenant will remain in effect. See "SECURITY FOR THE BONDS—Rate Covenant."

Risk of Contamination

While the water sourced from City's wells is currently not contaminated, there can be no assurance that such sources will experience contamination in the future. Any such contaminated water would be treated through the existing water treatment plants.

Seismic Considerations

The Authority, like much of California, is subject to seismic activity that could result in interference with operation of the Water System. There are several major active fault zones transecting the County that could cause "strong ground motion" at the site of the various facilities constituting the Water System during their useful life. Those major fault zones, listed in order of proximity to the Authority, are the San Andreas, Hayward, Calaveras and San Gregorio faults. If there were to be an occurrence of severe seismic activity in the area of the Authority, there could be an interruption in the service provided by the Water System resulting in a temporary reduction in the amount of Net Revenues available to pay the principal of and interest on the Bonds when due.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, 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.

INVESTMENT OF CITY FUNDS

Gross Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Indenture. Otherwise, however, moneys held by the City, including Water System moneys, will be invested in accordance with the City's adopted investment policies. For more information about the City's investment policy as well as information about recent investment performance of the City's pooled investment funds, see APPENDIX G— "CITY INVESTMENT POLICY."

LEGAL OPINIONS

Quint & Thimmig LLP, San Francisco, California, Bond Counsel, will render opinions with respect to the validity of the Bonds in substantially the forms set forth in APPENDIX F— "FORMS OF BOND COUNSEL OPINIONS." Copies of such approving opinions will be available at the time of delivery of the Bonds.

TAX MATTERS

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

Subject to the Authority's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations and (iii) is not taken into account in computing "adjusted current earnings" as described below.

Bond Counsel expects to deliver an opinion at the time of delivery of the Bonds in substantially the form set forth in APPENDIX F—"FORMS OF BOND COUNSEL'S OPINIONS."

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

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax exempt interest, but not interest on the Bonds.

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

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

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

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

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

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

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

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

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

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

Bonds Issued as Build America Bonds. In the opinion of Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is not excluded from gross income for federal income tax purposes.

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

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto APPENDIX F—"FORMS OF BOND COUNSEL'S OPINIONS."

CERTAIN LEGAL MATTERS

Quint & Thimmig LLP, San Francisco, California, Bond Counsel, will render opinions with respect to the validity of the Bonds, the form of which is set forth in APPENDIX F—"FORM OF BOND COUNSEL'S OPINIONS." Certain legal matters will be passed upon for the Authority by Jones & Mayer, as counsel to the Authority, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Payment of the fees and expenses of Quint & Thimmig LLP, as Bond Counsel and as Disclosure Counsel, is contingent upon the sale and issuance of the Bonds.

LITIGATION

There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending with respect to which the Authority has been served with process or threatened against or affecting the Authority, which would adversely impact the Authority's ability to complete the transaction described in or contemplated by the Indenture or this Official Statement, to restrain or enjoin its collection of the Net Revenues or any payments under the Indenture, or in any way contesting or affecting the validity of the Bonds, the Indenture, the transactions described in this Official Statement, or wherein an unfavorable decision, ruling or determination would adversely affect the validity or enforceability of the Indenture or the Bonds.

RATING

Standard & Poor's Credit Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned the rating of "AA+" to the Bonds. Such rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained from them as follows: S&P, 55 Water Street, New York, NY 10041, (212) 438-2124. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

The Authority has retained Ross Financial, San Francisco, California, as Financial Advisor in connection with the authorization and delivery of the Bonds. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. Ross Financial is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Water System by not later than nine months following the end of each fiscal year (the "Annual Report"), commencing with the report for the 2008-2009 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board. The notices of material events will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter (hereinafter defined) in complying with S.E.C. Rule 15c2-12b(5). The Authority has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $9,086,836.80 (which price is equal to the aggregate principal amount of the 2009 Bonds of $9,095,000, plus a net original issue premium of $82,841.05, less an Underwriter's discount of $91,004.25). The bond purchase agreement pursuant to which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such bond purchase agreement, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public at the offering prices or yields set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at prices or yields lower than the offering prices or yields stated on the inside cover page hereof. The offering prices or yields may be changed from time to time by the Underwriter.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the Authority for the fiscal year ended June 30, 2008, are contained in APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008."The audited financial statements of the City for the fiscal year ended June 30, 2008, which include the financial results of the Water System, are contained in APPENDIX C—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

ADDITIONAL INFORMATION

Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority.

WHITTIER UTILITY AUTHORITY

By /s/ Stephen W. Helvey
Executive Director

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APPENDIX A

CITY OF WHITTIER ECONOMIC AND FINANCIAL INFORMATION

The following information is presented as general background data. The Bonds are payable solely from Net Revenues of the Water System and other sources as described in the Official Statement, and are not a debt of the City of Whittier. The taxing power of the City of Whittier, the State or any political subdivision thereof is not pledged to the payment of the Bonds. See the section of this Official Statement entitled "SECURITY FOR THE BONDS."

General

The City of Whittier is located in Los Angeles County, about 14 miles southeast of the City of Los Angeles, at the base of the Puente Hills. The City enjoys a temperate climate that permits year round commercial and recreational activity. Whittier is well known throughout the area for its attractive residential and commercial areas.

Named for the Quaker poet, John Greenleaf Whittier, the City was founded as a Quaker colony in 1887 and incorporated as a California city in 1898. The City has a council-manager form of government and the City Council consists of five members elected at-large for four-year terms. The Mayor is elected by the City Council from among its members. All City offices are under administrative control of the City Manager who serves at the will of the City Council.

The City of Whittier is a full service city that provides services to City residents via ten departments. The 2008-2009 Budget authorizes a total of 437 full-time employees, including approximately 127 sworn officers in the Police Department. Fire protection is provided to the City by the Los Angeles County Fire Protection District.

Population

Whittier is considered a fully-developed community. The following table shows the City's population growth and income statistics for selected years.

CITY OF WHITTIER
Population and Income Statistics
For Years 2003 through 2008

Year (January 1)	Population	Whittier Household Effective Buying Income	Los Angeles County Household Effective Buying Income	California Household Effective Buying Income
2003	86,252	43,930	38,311	42,924
2004	86,679	44,816	39,414	43,915
2005	86,576	45,763	40,020	44,681
2006	86,468	47,621	47,683	46,275
2007	86,452	49,626	43,710	48,203
2008	86,788	50,804	44,653	48,952

Source:California Employment and Development Department: E-4 Population Estimates for Counties and State, 2001-2009 (March 2009 Benchmark); Sales & Marketing Management *Survey of Buying Power* (2003-2004); Claritas, Inc. (2005-2008).

Building Activity

The following table provides a summary of building permit valuation and the number of new dwelling units authorized in the City for the years 2004 through 2008.

CITY OF WHITTIER
Building Permits Valuations
For the Years 2004 through 2008
($ in 000s)

	2004	2005	2006	2007	2008
Valuations					
Residential	$24,856	$28,829	$36,826	$23,486	$28,138
Nonresidential	18,430	24,974	15,051	59,083	10,621
Total	$43,286	$53,803	$51,876	$82,569	$38,759
New Dwelling Units and Remodels					
Single Family	13	11	12	4	69
Multiple Family	0	2	0	0	0
Total	13	13	12	4	69

Source: Construction Industry Research Board.

Employment

The civilian labor force in the City of Whittier increased slightly from an annual average of 42,900 in 2004 to the 2008 average of 44,600. The following summarizes the labor force, employment and unemployment figures for the years 2004 through 2008 for the City of Whittier, the State and the nation as a whole.

CITY OF WHITTIER
Labor Force, Employment and Unemployment
Yearly Average for Years 2004 through 2008

Year and Area	Civilian Labor Force	Civilian Employment	Unemployment	Unemployment Rate (%)
2004				
City of Whittier	42,900	40,900	2,000	4.6%
California	17,444,400	16,354,800	1,089,700	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
City of Whittier	43,500	41,800	1,600	3.8%
California	17,629,200	16,671,900	957,200	5.4
United States	149,297,833	141,707,250	7,590,583	5.1
2006				
City of Whittier	43,800	42,400	1,500	3.3%
California	17,821,100	16,948,400	872,700	4.9
United States	151,427,583	144,427,000	7,000,583	4.6
2007				
City of Whittier	44,400	42,800	1,600	3.6%
California	18,078,000	17,108,700	969,300	5.4
United States	153,167,750	146,093,917	7,073,833	4.6
2008				
City of Whittier	44,600	42,200	2,400	5.3%
California	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8

Source: California Employment Development Department.

In addition, the following table shows the City of Whittier's largest employers as of June 30, 2008.

CITY OF WHITTIER
Largest Employers
June 30, 2008

Company Name	Type	Number of Employees
Interhealth Corporation	Healthcare	2600
Whittier Hospital Medical Center	Healthcare	850
City of Whittier	Municipality	807
Whittier Union HS District	Education	412
Whittier College	Education	325
U.S. Post Office	Postal Service	315
Integrated Medical Management	Healthcare	300
Leggett and Platt, Inc.	Manufacturing	250
Johnson Controls Inc.	Plumbing & HVAC Corp Headquarters	250
Los Angeles College of Chiropractic	Education	220

Source: City of Whittier Community Development Department

Retail Sales

The following table shows taxable transactions in the City by type of business during calendar years 2003 through 2007.

CITY OF WHITTIER
Taxable Transactions
For the Years 2003 through 2007
(in thousands of dollars)

Type of Business	2003	2004	2005	2006	2007 (1)
Apparel Stores	$ 35,108	34,945	37,497	37,687	36,086
General Merchandise Stores	84,170	85,151	95,422	128,478	136,611
Food Stores	49,094	48,022	53,329	55,131	47,358
Eating & Drinking Places	88,554	94,917	101,964	110,500	115,839
Home Furnishings & Appliances	13,341	14,210	16,246	16,386	14,458
Bldg. Material & Farm Implements	#	#	#	#	#
Auto Dealers & Auto Supplies	198,218	202,189	187,646	185,501	168,136
Service Stations	42,228	45,692	50,267	62,250	73,708
Other Retail Stores	121,750#	130,382	139,422	144,657 #	131,527#
Retail Stores Total	632,463	655,508	681,893	740,590	723,723
All Other Outlets	163,702	188,069	148,707	169,304	185,580
Total All Outlets	$796,165	843,577	830,600	909,894	909,303

Source: California State Board of Equalization
(1) Latest available full-year data.
Sales omitted because their publication would result in the disclosure of confidential information.

Assessed Valuations

The table below shows assessed valuations for the applicable fiscal years.

CITY OF WHITTIER
Assessed Value and Estimated Actual of Taxable Property
Last Ten Fiscal Years
(in thousands of Dollars)

	City				Redevelopment Agency				
FY Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
1999	$3,467,978	83,865	(191,258)	3,360,585	501,673	51,986	(26,784)	526,875	0.1500%
2000	3,556,260	84,925	(172,041)	3,469,144	517,798	47,443	(22,934)	542,307	0.1518%
2001	3,733,305	83,287	(169,240)	3,647,352	539,214	46,445	(28,000)	557,659	0.1453%
2002	3,966,903	93,202	(179,093)	3,881,012	557,562	49,604	(30,450)	576,716	0.1448%
2003	4,194,336	91,102	(148,158)	4,137,280	592,689	47,127	(28,996)	610,820	0.1466%
2004	4,244,395	83,824	(222,733)	4,105,486	911,965	45,720	(35,417)	922,268	0.2939%
2005	4,535,690	42,445	(201,089)	4,337,316	945,865	75,812	(38,515)	983,162	0.2979%
2006	4,925,787	52,803	(227,860)	4,750,730	1,022,370	81,577	(41,284)	1,062,663	0.3048%
2007	5,353,653	51,934	(241,980)	5,163,607	1,220,075	94,901	(48,068)	1,266,908	0.3156%
2008	5,764,223	44,770	(244,924)	5,564,069	1,385,732	100,310	(60,686)	1,425,356	0.3254%

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

Source: County of Los Angeles Auditor-Controller/Tax Division.

Largest Taxpayers

Major taxpayers in the City and their 2007-08 secured assessed valuations are as follows:

CITY OF WHITTIER
10 Largest Property Taxpayers
Year Ended June 30, 2008

Taxpayer	No. of Parcels	Assessed Valuation	% of Total
PPF RTL 15603 Whittwood Lane LP	11	$ 115,784,000	1.66
OMS Five LLC	11	54,661,520	0.78
CLPF Whittier Industrial Limited Partnership	3	38,619,645	0.55
Whittier Financial Center	4	28,779,000	0.41
Whittier Marketplace	1	26,862,581	0.38
L & P Property Management	5	18,897,655	0.27
MGP XXXIII LLC	6	15,731,916	0.23
Monique ECho	1	15,404,162	0.22
New Albertsons Inc.	1	7,650,000	0.11
ESS Prisa LLC	4	7,544,063	0.11
Total taxable assessed value often largest taxpayers		329,934,542	4.72
Total taxable assessed value of other taxpayers		6,659,490,218	95.28
Total taxable assessed value of all taxpayers		$6,989,424,760	100.00

Source: HdL Coren & Cone.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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WHITTIER UTILITY AUTHORITY
(A Component Unit of the City of Whittier, California)

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2008
(with Independent Auditors' Report Thereon)

WHITTIER UTILITY AUTHORITY
(A Component Unit of the City of Whittier, California)

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2008

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MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Whittier Utility Authority
Whittier, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of the Whittier Utility Authority, a component unit of the City of Whittier, California, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Whittier. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements present only the Whittier Utility Authority funds and do not purport to, and do not, present fairly the financial position of the City of Whittier, California, as of June 30, 2008 and the changes in revenues, expenses and net assets for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Whittier Utility Authority of the City of Whittier, California as of June 30, 2008, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Whittier Utility Authority of the City of Whittier has not presented *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

MHM

Board of Directors
Whittier Utility Authority
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2008 on our consideration of the Whittier Utility Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 15, 2008

WHITTIER UTILITY AUTHORITY

Statement of Net Assets

June 30, 2008

ASSETS

	Sewer	Water	Solid Waste	Total
Current assets:				
Cash and investments (Note 3)	$ 1,718,298	18,268,479	11,151,929	31,138,706
Receivables:				
Accounts	147,729	1,212,644	1,595,799	2,956,172
Intergovernmental	-	114,222	-	114,222
Interest	9,753	169,760	108,239	287,752
Prepaid	-	-	69,961	69,961
Inventory	-	297,223	-	297,223
Total current assets	1,875,780	20,062,328	12,925,928	34,864,036
Restricted assets:				
Cash and investments with fiscal agents (Note 3)	-	796,644	850,371	1,647,015
Cash and investments (Note 3)	-	119,719	7,399,511	7,519,230
Receivables:				
Accounts	-	-	29,302	29,302
Interest	-	7,794	69,482	77,276
Total restricted assets	-	924,157	8,348,666	9,272,823
Capital assets, net (Note 4)	2,743,330	22,184,185	11,198,615	36,126,130
Other assets:				
Advances to other funds (Note 5)	-	656,481	-	656,481
Unamortizatized bond issuance costs	-	913,164	250,529	1,163,693
Total other assets	-	1,569,645	250,529	1,820,174
Total assets	4,619,110	44,740,315	32,723,738	82,083,163

(Continued)

WHITTIER UTILITY AUTHORITY

Statement of Net Assets

(Continued)

LIABILITIES AND NET ASSETS	Sewer	Water	Solid Waste	Total
Liabilities:				
Current liabilities:				
Accounts payable	233,577	386,807	918,327	1,538,711
Accrued liabilities	5,533	75,201	87,928	168,662
Accrued interest payable	-	37,618	59,340	96,958
Due to the City of Whittier	-	42,197	-	42,197
Deposits	-	-	69,961	69,961
Unearned revenue	-	114,222	-	114,222
Bonds payable - current portion (Note 6)	-	210,000	320,000	530,000
Total current liabilities	239,110	866,045	1,455,556	2,560,711
Long-term liabilities:				
Advances from other funds (Note 5)	656,481	-	-	656,481
Bonds payable - non-current portion (Note 6)	-	9,460,000	2,340,000	11,800,000
Landfill closure and postclosure payable (Note 7)	-	-	18,082,333	18,082,333
Total long-term liabilities	656,481	9,460,000	20,422,333	30,538,814
Total liabilities	895,591	10,326,045	21,877,889	33,099,525
Net assets:				
Invested in capital assets, net of related debt	2,743,330	14,223,993	9,639,515	26,606,838
Restricted:				
Connection fees	-	119,719	-	119,719
Unrestricted	980,189	20,070,558	1,206,334	22,257,081
Total net assets	$ 3,723,519	34,414,270	10,845,849	48,983,638

See accompanying notes to the basic financial statements.

WHITTIER UTILITY AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2008

	Sewer	Water	Solid Waste	Total
Operating revenues:				
Charges for services	$ 1,913,059	7,526,925	8,913,056	18,353,040
Total operating revenues	1,913,059	7,526,925	8,913,056	18,353,040
Operating expenses:				
Sewer operation	1,212,976	-	-	1,212,976
Water operation	-	6,826,846	-	6,826,846
Solid waste collection and disposal	-	-	7,453,315	7,453,315
Provision for landfill closure and postclosure	-	-	868,339	868,339
Amortization expenses	-	79,905	41,755	121,660
Depreciation	62,318	578,601	399,644	1,040,563
Total operating expenses	1,275,294	7,485,352	8,763,053	17,523,699
Operating income (loss)	637,765	41,573	150,003	829,341
Nonoperating revenues (expenses):				
Intergovernmental	337,239	973,155	17,484	1,327,878
Rental income	-	345,819	70,640	416,459
Investment income	46,253	769,198	755,755	1,571,206
Interest expense	(4,211)	(460,222)	(143,725)	(608,158)
Total non-operating revenues (expenses)	379,281	1,627,950	700,154	2,707,385
Net income before transfers	1,017,046	1,669,523	850,157	3,536,726
Transfers to the City of Whittier	(114,813)	(110,196)	(599,357)	(824,366)
Change in net assets	902,233	1,559,327	250,800	2,712,360
Net assets at beginning of the year	2,821,286	32,854,943	10,595,049	46,271,278
Net assets at end of the year	$ 3,723,519	34,414,270	10,845,849	48,983,638

See accompanying notes to the basic financial statements.

WHITTIER UTILITY AUTHORITY

Statement of Cash Flows

Year Ended June 30, 2008

	Sewer	Water	Solid Waste	Total
Cash flows from operating activities				
Receipts from customers	$ 1,885,820	8,956,822	9,154,429	19,997,071
Payments to suppliers	(770,042)	(5,296,439)	(5,227,136)	(11,293,617)
Payments to employees	(421,823)	(2,443,285)	(2,161,862)	(5,026,970)
Nonoperating rental income revenue received	-	345,819	7,061	352,880
Net cash provided by operating activities	693,955	1,562,917	1,772,492	4,029,364
Cash flows from noncapital financing activities				
Receipts from other governmental agencies	337,239	973,155	17,484	1,327,878
Receipts from other funds	656,481	5,687	-	662,168
Transfers from (to) the City of Whittier	(433,566)	(465,292)	(599,357)	(1,498,215)
Net cash provided by noncapital financing activities	560,154	513,550	(581,873)	491,831
Cash flows from capital and related financing activities				
Purchase of capital assets	(696,436)	(870,243)	(59,898)	(1,626,577)
Principal payments on long-term debt	-	(205,000)	(305,000)	(510,000)
Interest paid on long-term debt	(4,211)	(460,649)	(153,979)	(618,839)
Net cash provided by (used for) capital and related financing activities	(700,647)	(1,535,892)	(518,877)	(2,755,416)
Cash flows from investing activities				
Interest received on investments	44,125	812,756	799,137	1,656,018
Net cash provided by (used for) investing activities	44,125	812,756	799,137	1,656,018
Net increase (decrease) in cash and cash equivalents	597,587	1,353,331	1,470,879	3,421,797
Cash and cash equivalents at beginning of the year	1,120,711	17,831,511	17,930,932	36,883,154
Cash and cash equivalents at end of the year (Note 3)	$ 1,718,298	19,184,842	19,401,811	40,304,951
Reconciliation of cash and cash equivivalents to amounts reported on the statement of net assets:				
Reported on the statement of net assets:				
Cash and investments	$ 1,718,298	18,268,479	11,151,929	31,138,706
Cash and investments with fiscal agents	-	796,644	850,371	1,647,015
Cash and investments - restricted	-	119,719	7,399,511	7,519,230
Cash and cash equivalents at end of the year	$ 1,718,298	19,184,842	19,401,811	40,304,951

(Continued)

WHITTIER UTILITY AUTHORITY

Statement of Cash Flows

(Continued)

	Sewer	Water	Solid Waste	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 637,765	41,573	150,003	829,341
Adjustments to reconcile loss from operations to net cash provided by operating activities:				
Depreciation	62,318	578,601	399,644	1,040,563
Unamortized bond issuance costs	-	79,905	41,755	121,660
Nonoperating rental income revenue	-	345,819	7,061	352,880
Decrease (increase) in accounts receivable	(27,239)	731,475	177,794	882,030
Decrease (increase) in intergovernmental receivable	83,168	454,152	-	537,320
Decrease (increase) in prepaid	-	-	38,080	38,080
Decrease (increase) in inventory	-	(638)	-	(638)
Increase (decrease) in accounts payable	19,828	(222,085)	113,646	(88,611)
Increase (decrease) in accrued liabilities	1,283	8,267	14,250	23,800
Increase (decrease) in deposits payable	-	-	(38,080)	(38,080)
Increase (decrease) in deferred revenue	(83,168)	(454,152)	-	(537,320)
Increase (decrease) in landfill closure and postclosure	-	-	868,339	868,339
Total adjustments	56,190	1,521,344	1,622,489	3,200,023
Net cash provided by operating activities	$ 693,955	1,562,917	1,772,492	4,029,364

Noncash investing, capital, and financing activities:
There were no significant noncash investing, capital, and financing activities for the year ended June 30, 2008.

See accompanying notes to the basic financial statements.

(1) Organization

The Whittier Utility Authority was formed by action of the Whittier City Council on February 1, 2002. The authority was formed for the purpose of purchasing and operating the City's water, solid waste, and wastewater operations.

The Authority is an integral part of the reporting entity of the City. The funds of the Authority have been included within the scope of the basic financial statements of the City because the City Council is the governing board over the operations of the Authority. Only the funds of the Authority are included herein; therefore, these financial statements do not purport to represent the financial position, results of operations, and cash flows of the City of Whittier.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority's Enterprise Funds are used to account for funds that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

(b) Basis of Accounting

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

(2) Summary of Significant Accounting Policies, (Continued)

(c) Cash and Investments

The Authority's cash and investments are governed by and in compliance with the California Government Code. For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Authority has adopted the provisions for Statement No. 31, of Governmental Accounting Standards Board (GASB), *Accounting and Financial reporting for Certain Investments and for External Investment Pools* (GASB No. 31). This statement requires that certain investments and external investment pools be reported at fair value.

(d) Investments with Bond Trustee

In accordance with terms of the bond indenture related to the 1993 Sewer Bonds and the 2003 Water Bonds, reserve and other funds were invested with the Bond Trustee. The Bond Trustee invests these funds in accordance with the terms of the bond indenture; accordingly, such funds were invested primarily in U.S. government and government agency securities and money market funds, which invest in such securities. Such investments are stated at fair value.

(e) Capital Assets

Upon the original formation of the Authority on February 1, 2002, the Authority leased the existing water, wastewater, and solid waste capital assets of the City of Whittier. The capital assets leased were valued based upon an independent third-party appraisal as of the formation date of the Authority, however, property, plant, and equipment are carried at historical cost or, for donated assets, at fair value on the date donated.

Normal maintenance and repair costs that do not add to the value of the capital assets or materially extend capital asset lives are not capitalized. Improvements that extend the life of the capital assets with an initial cost of $1,500 are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

WHITTIER UTILITY AUTHORITY

Notes to Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies, (Continued)

(e) Capital Assets, Continued

In accordance with accounting principles generally accepted in the United States of America, depreciation is not recorded for land or construction in progress. Depreciation was recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings and improvements	20-40 years
Pipes and storage facilities	20-60 years
Sewer lines and water lines	20-60 years
Water and sewer rights	20-60 years
Machinery and equipment	5-15 years
Field and shop equipment	5-15 years
Furniture and fixtures	5-15 years
Vehicles	5-15 years

(f) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Inventory

Inventory of materials and supplies are carried at cost on an average cost basis. The Authority uses the consumption method of accounting for inventories.

(h) Unearned Revenue

The amount represents revenues received that has not been earned.

(i) Bond Discounts/Issuance Costs

Bond discounts, issuance costs, and deferred loss on refundings, for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

(3) Cash and Investments

Cash balances of the Authority are combined and invested by the Treasurer of the City of Whittier in legally allowable securities. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

Bank balances are insured by a combination of federal depository insurance and the multiple financial institution collateral pool. Amounts deposited through the Local Agency Investment Fund are invested by the fund in accordance with Government Code Sections 16430 and 16480, and are not insured.

Cash and Investments with Fiscal Agents

The Authority has funds held by a trustee/fiscal agent pledged for the payment or security of certain bonds. The California Government Code provides these funds, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Authority's general investment policy. In no instance have additional types of investments, not permitted by the Authority's general investment policy, been authorized.

See the City of Whittier's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008 for further disclosure regarding the pooled cash and investments.

Cash and investments are reported as follows in the Statement of Net Assets:

Cash and investments, pooled with the City of Whittier	$31,138,706
Restricted assets:	
Cash and investments with fiscal agents	1,647,015
Cash and investments, pooled with the City of Whittier	7,519,230
	$40,304,951

Cash and investments held by the Authority at June 30, 2008 consisted of the following:

Deposits pooled with the City of Whittier	$38,657,936
Investments with fiscal agents	1,647,015
Total	$40,304,951

(3) Cash and Investments, (Continued)

Equity in the Cash and Investment Pool of the City of Whittier

The Authority has no separate bank accounts or investments other than the Authority's equity in the cash and investment pool managed by the City of Whittier. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Whittier. The Authority has not adopted an investment policy separate from that of the City of Whittier. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Money Market Funds	None	None	None
Banker's Acceptances, Prime Quality	5 years	None	None
Commercial Paper, Prime Quality	5 years	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Medium term Corporate Notes, Prime Quality	3 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

(3) Cash and Investments, (Continued)

One of the ways that the Authority 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 flows and liquidity needed for operations. Information about the sensitivity of the fair values of the Authority's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

		Remaining Maturity (in Months)					
	Total	6 Months Or Less	7 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
Held by Fiscal Agents:							
U.S. Treasury Notes	$ 294,659	-	-	-	-	-	294,659
Federal agency securities	796,643	796,643	-	-	-	-	-
Money market funds	555,713	555,713	-	-	-	-	-
Totals	$1,647,015	1,352,356	-	-	-	-	294,659

Disclosures Relating to Credit Risk

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

				Rating as of Fiscal Year End			
	Total	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Held by Fiscal Agent:							
U.S. Treasury Notes	$ 294,659	N/A	294,659	-	-	-	-
Federal agency securities	796,643	N/A	-	796,643	-	-	-
Money market funds	555,713	N/A	-	555,713	-	-	-
Totals	$1,647,015		294,659	1,352,356	-	-	-

(3) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the Authority contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks	Federal Agency Securities	$796,643

Investments in any one issuer that represent 5% or more of total investments by reporting unit (business-type activities, major funds) are as follows:

> $796,643 of the cash and investments (including amounts held by bond trustees) reported in the business-type activities are held in the form of discount notes issued by the Federal Home Loan Banks matures July 30, 2008.

Custodial Credit Risk

The Authority does not have significant separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Authority does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

(4) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Transfers/ Deletions	Balance June 30, 2008
Sewer Activity				
Capital Assets, not being depreciated:				
Construction in progress	$ 167,358	-	(167,358)	-
Capital Assets, being depreciated:				
Improvements	2,283,905	863,795	-	3,147,700
Field and shop equipment	40,435	-	-	40,435
Less – Accumulated depreciation	(382,487)	(62,318)	-	(444,805)
	1,941,853	801,477	-	2,743,330
Total capital assets, net	$ 2,109,211	801,477	(167,358)	2,743,330
Water Activity				
Capital assets, not being depreciated:				
Land	$ 598,955	-	-	598,955
Construction in progress	116,805	-	(62,783)	54,022
Total capital assets, not being depreciated	715,760	-	(62,783)	652,977
Capital assets, being depreciated:				
Improvements	31,139,962	927,071	-	32,067,033
Buildings	1,117,608	5,687	-	1,123,295
Field and shop equipment	391,622	-	(1,450)	390,172
Furniture and fixtures	36,939	-	-	36,939
Office machines	118,443	-	-	118,443
Less – Accumulated depreciation	(11,627,523)	(578,601)	1,450	(12,204,674)
	21,177,051	354,157	-	21,531,208
Total capital assets, net	$21,892,811	354,157	(62,783)	22,184,185

(4) Capital Assets, (Continued)

	Balance July 1, 2007	Additions	Transfers/ Deletions	Balance June 30, 2008
Solid Waste Activity				
Capital assets, not being depreciated:				
Land	$ 2,227,801	-	-	2,227,801
Construction in progress	28,188	-	-	28,188
Total capital assets, not being depreciated	2,255,989	-	-	2,255,989
Capital Assets, being depreciated:				
Improvements	13,378,364	59,898	-	13,438,262
Buildings	151,033	-	-	151,033
Field and shop equipment	2,140,676	-	-	2,140,676
Furniture and fixtures	788	-	-	788
Office machines	53,551	-	(570)	52,981
Less – Accumulated depreciation	(6,442,040)	(399,644)	570	(6,841,114)
	9,282,372	(339,746)	-	8,942,626
Total capital assets, net	$11,538,361	(339,746)	-	11,198,615
Total Authority				
Capital Assets, not being depreciated:				
Land	$ 2,826,756	-	-	2,826,756
Construction in progress	312,351	-	(230,140)	82,211
Total capital assets, not being depreciated	3,139,107	-	(230,140)	2,908,967
Capital Assets, being depreciated:				
Improvements	46,802,231	1,850,763	-	48,652,994
Buildings	1,268,641	5,687	-	1,274,328
Field and shop equipment	2,572,733	-	(1,450)	2,571,283
Furniture and fixtures	37,727	-	-	37,727
Office machines	171,994	-	(570)	171,424
Less – Accumulated depreciation	(18,452,050)	(1,040,563)	2,020	(19,490,593)
	32,401,276	815,887	-	33,217,163
Total capital assets, net	$35,540,383	815,887	(230,140)	36,126,130

(4) Capital Assets, (Continued)

Depreciation expense has been included by function in the Statement of Activities as follows:

Sewer	$ 62,318
Water	578,601
Solid waste	399,644
Total	$1,040,563

(5) Advances Receivable from/Payable to Other Funds

The Water Fund has advanced funds to the Sewer Fund for operations with no interest bearing. The balance outstanding of the advances receivable/payable at June 30, 2008 is $656,481.

A schedule of advances at June 30, 2008 is as follows:

Water fund to the sewer fund	$656,481

(6) Long-Term Debt

The following is a summary of changes in long-term debt as of June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due in One Year
Solid Waste Revenue Refunding Bonds – 1993A	$ 2,965,000	-	(305,000)	2,660,000	320,000
Water Revenue Bonds – 2003A	9,875,000	-	(205,000)	9,670,000	210,000
Total	$12,840,000	-	(510,000)	12,330,000	530,000

(6) Long-Term Debt, (Continued)

Revenue Bonds Payable, Solid Waste Fund 1993 Series A

In December of 1993, the City of Whittier sold $5,935,000 of Solid Waste Revenue Bonds, 1993 Series A. The proceeds were used to refund the Solid Waste Revenue Bonds, 1987 Series A and make improvements to prior projects. These bonds have been assigned to the Authority upon creation.

Bonds maturing in the year 1994 to 2008 are serial bonds payable in annual installments of $175,000 to $320,000. The bonds bear interest at 2.5% to 5.2%. Bonds maturing on August 1, 2014 in the amount of $2,340,000 are term bonds and bear interest at 5.375%. Bonds maturing on or before August 1, 2003 are not subject to optional redemption. Bonds maturing on or after August 1, 2004 are subject to redemption in whole or in part by lot prior to their stated maturities on any date commencing on or after August 1, 2003, at a premium ranging from 2% in 2003 to 0% in 2005. The term bonds are subject to mandatory redemption in whole or in part by lot, without premium, commencing August 1, 2009 at a premium ranging from 2% in 2003 to 0% in 2005. The term bonds are subject to mandatory redemption in whole or in part by lot, without premium, commencing August 1, 2009 and on each August 1 thereafter from sinking fund payments made by the Authority. The required reserve for the Solid Waste Revenue Bonds, 1993 Series A, is $468,919. As of June 30, 2008, the reserve was $494,958. The bonds are payable from the net revenues of the existing solid waste collection and disposal enterprise of the Authority. Net revenues must be equal to at least 1.50 times the aggregate amount of principal and interest on the bonds. At June 30, 2008, the net revenues were equal to or greater than the required amount times the aggregate amount of principal and interest. The amount of bonds outstanding as of June 30, 2008 was $2,660,000.

Revenue Bonds Payable, Water Fund 2003 Series A

On March 4, 2003, the Authority issued revenue Bonds in the amount of $10,945,000 in order to advance refund the 1993 Water Revenue Refunding Bonds in the amount of $6,610,000, pay for discounts and costs of issuance, and finance improvements to the water production and distribution activities. In lieu of a reserve account, the Authority used some of the proceeds of issuance to purchase a reserve fund surety bond.

(6) Long-Term Debt, (Continued)

Revenue Bonds Payable, Water Fund 2003 Series A, (Continued)

The bonds consist of $3,855,000 of serial bonds maturing in part each June 1, beginning in 2003 and ending in 2018. Interest rates on the serial bonds vary from 2.00% to 4.50%. The issue also consists of $7,090,000 of term bonds with maturity dates beginning on June 1, 2023 and then each subsequent 5-year period until final maturity in 2036.

The bonds will be paid from the net revenues (pledged revenue) of the water fund operations. The Authority has covenanted, to provide net revenues equal to at least 1.25 times the annual amount of principal and interest due on the bonds. For the fiscal year ended June 30, 2008, the net revenues were equal to or greater than the required amount times the aggregate amount of principal and interest.

The outstanding amount of bonds at June 30, 2008 was $9,670,000.

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

Year Ending	1993 Solid Waste Revenue Bonds		
June 30,	Principal	Interest	Total
2009	$ 320,000	134,096	454,096
2010	340,000	116,638	456,638
2011	360,000	97,825	457,825
2012	375,000	78,072	453,072
2013	400,000	57,244	457,244
2014	865,000	47,165	912,165
	$2,660,000	531,040	3,191,040

(6) Long-Term Debt, (Continued)

Year Ending June 30	2003 Water Revenue Bonds Principal	Interest	Total
2009	$ 210,000	451,413	661,413
2010	220,000	445,323	665,323
2011	225,000	438,063	663,063
2012	235,000	430,188	665,188
2013	245,000	421,375	666,375
2014-2018	1,445,000	1,944,780	3,389,780
2019-2023	1,820,000	1,585,163	3,405,163
2024-2028	2,315,000	1,097,250	3,412,250
2029-2033	2,955,000	457,750	3,412,750
	$9,670,000	7,271,305	16,941,305

Year Ending June 30	Total Principal	Interest	Total
2009	$ 530,000	585,509	1,115,509
2010	560,000	561,961	1,121,961
2011	585,000	535,888	1,120,888
2012	610,000	508,260	1,118,260
2013	645,000	478,619	1,123,619
2014-2018	2,310,000	1,991,945	4,301,945
2019-2023	1,820,000	1,585,163	3,405,163
2024-2028	2,315,000	1,097,250	3,412,250
2029-2033	2,955,000	457,750	3,412,750
	$12,330,000	7,802,345	20,132,345

(7) Closure and Postclosure Payable

Federal and state laws and regulations require the Authority to place a final cover on its Savage Canyon landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. The $18,082,333 reported as landfill closure and postclosure care liability at June 30, 2008 represents the cumulative amount reported to date based on the use of 55.89% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and postclosure care of $17,213,994 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The Authority expects to close the landfill in the year 2048. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Authority is required by federal and state laws and regulations to accumulate assets held in trust to finance closure and postclosure care.

At June 30, 2008, assets of $7,399,511 are held for these purposes. These are reported as restricted assets on the Statement of Net Assets. The closure and postclosure care costs are primarily funded by a portion of the fee collected from landfill users. Postclosure costs will be covered from revenues of the Solid Waste Collection operation and interest earnings on the accumulated assets held in trust.

(8) Commitments and Contingencies

The Whittier Redevelopment Agency and the Whittier Public Financing Authority created the Whittier Utility Authority (Authority) on February 1, 2002. The Whittier Utility Authority leased from the City of Whittier all of its utility enterprise funds. The authority has also entered into a management agreement with the City for the operation and maintenance of the utility enterprises. The lease expires on January 31, 2057, and all of the utility enterprise assets and activities revert back to the City. The minimum annual lease payments from the Authority to City amount to $878,743. The maximum amount of lease payments over the term of the lease cannot exceed $143,609,173 (present value).

(8) Commitments and Contingencies, (Cotinued)

Future minimum lease payment requirements are as follows:

Fiscal Year Ending June 30,	Minimum Lease Payment
2009	$ 878,743
2010	878,743
2011	878,743
2012	878,743
2013	878,743
2014-2018	4,393,715
2019-2023	4,393,715
2024-2028	4,393,715
2029-2033	4,393,715
2034-2038	4,393,715
2039-2043	4,393,715
2044-2048	4,393,715
2049-2053	4,393,715
2054-2057	3,514,972
	$43,058,407

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Whittier Utility Authority
Whittier, California

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the accompanying financial statements of the business-type activities and each major fund of the Whittier Utility Authority ("Authority"), a component unit of the Authority of Whittier, California, as of and for the year ended June 30, 2008, which collectively comprise Authority's basic financial statements and have issued our report thereon dated December 15, 2008. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

MHM

Board of Directors
Whittier Utility Authority
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, Authority's management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 15, 2008

APPENDIX C

COMPRHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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City of Whittier, California

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Whittier Truss Bridge on the Greenway Trail

Palm Station

Citrus Station Transit Depot

On the Greenway Trail...

City of Whittier, California
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

City Council

Joe Vinatieri
Mayor

Bob L. Henderson
Mayor Pro Tem

Council Members
J. Greg Nordbak
Cathy Warner
Owen Newcomer

Stephen W. Helvey
City Manager

Prepared by
City Controller's Office
Rod C. Hill
City Controller

CITY OF WHITTIER CALIFORNIA

INC. 1898

City of Whittier

Introductory Section

CITY OF WHITTIER, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008

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DEMOGRAPHIC and ECONOMIC INFORMATION

OPERATING INFORMATION

City of Whittier

13230 Penn Street, Whittier, California 90602-1772
(562) 945-8200

December 15, 2008

The Honorable Mayor, Members of the City Council,
and City Manager
City of Whittier, California

It is my pleasure to submit the Comprehensive Annual Financial Report of the City of Whittier ("City") for the fiscal year ending June 30, 2008. This report is prepared in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America, as well as the opinion of Conrad Government Services Division of Mayer Hoffman McCann P.C., an independent firm of licensed certified public accountants. This financial report includes the closely related Whittier Redevelopment Agency, the Whittier Public Financing Authority, and the Whittier Utility Authority, for which the City is considered to be financially accountable. In accordance with the Governmental Accounting Standards Board, management is required to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

Background

Whittier is located in Los Angeles County, about 12 miles southeast of the City of Los Angeles. A five Member City Council under the Council – Manager Form of government, governs the City. Whittier is a charter law city and was incorporated in 1898. The Charter form of City government was ratified in 1955. The City covers 14.8 square miles and has an estimated population of 86,945. Businesses and industries in the area include 465 professional services, 550 retail stores, 182 family type restaurants, 46 manufacturing plants, 10 hotels and motels, 12 automobile dealerships and over 239 specialty shops and boutiques, predominantly located in Uptown Whittier, the Quad shopping mall, as well as the Whittwood Town Center.

Founded in 1887 as a Quaker colony, Whittier's strong sense of history and vision for the future has made it an up-scale and dynamic residential community. Throughout the years, the City of Whittier has striven to provide a healthy and safe community and a well-maintained infrastructure enhanced by planned patterns of growth and development. Through a balance of economic, social, political, cultural and recreational opportunities, the City Council has encouraged an atmosphere conducive to community spirit and active participation in the affairs and progress of the community. Such efforts have been made to ensure a visually pleasing community in which the City's identity and character are preserved and enhanced.

Services Provided by the City

The City provides a full range of services normally associated with a municipality including police protection, parks, maintenance of streets and infrastructure, planning and zoning, building and engineering, library services, recreational activities and cultural events, public Dial-A-Ride transit, public information, and general administration. The Los Angeles County Fire Protection District supplies fire services to City residents and businesses. In addition, the City provides police services to the neighboring city of Santa Fe Springs. The City also operates various enterprise operations that provide water utility, sewer and solid waste collection and disposal services. A portion of solid waste collection, along with the City's cable broadcasting, is provided through franchise arrangements with vendors in the private sector. The City provides transit administration services to the neighboring city of La Habra Heights and contracts out the Dial-A-Ride transit services. The City also provides fixed route transit services through Norwalk Transit Systems, the Whittier Transit fixed-route contractor.

In addition to the usual City services, Whittier offers a variety of programs to help local residents and businesses. The City operates a redevelopment agency that encompasses 1,524 acres. The Agency provides housing assistance to low and moderate income families, assists in the rehabilitation of commercial properties, and seeks to eliminate blight. The Community Development Block Grant program provides loans for the rehabilitation of low and moderate-income residential properties. Whittier's residents also receive assistance through the City's senior citizen programs.

Financial Statement Format

The City of Whittier is responsible for the accuracy, completeness and fairness of the Comprehensive Annual Financial Report's presentation, including all disclosures. Management believes the data presented is accurate in all material respects and fairly present the financial position and the results of operations of the City's various funds. Informative disclosures are sufficient to enable the report's readers to gain an understanding of the City's financial affairs. The auditor's opinions included in this report reflect our belief.

Economic Condition and Outlook

During the fiscal year of 2007-2008 there were no changes in the city's financial policies. Thus there was not a significant impact on the current period's financial statements. However, the World, the U.S. and California economies continue to encounter economic challenges. The extreme slowdown in the nation's housing sector, and the collapse of the sub-prime mortgage market, is now spilling over to affect almost every measure of the national and the world economy. Mortgage rates have been on a roller coaster. The confidence of consumers, homebuyers and sellers has been eroded by the volatility of the stock market, the government's Wall Street bailout due to the collapse of the mortgage markets, the closure of major banks and failings of major U.S. businesses. The major risk facing the economy is whether or not the consumer will buckle under the weight of falling house prices, high energy prices, slow wage growth, and increasing unemployment.

On an overall basis however, State Controller John Chiang has reported that the state's fiscal year-to-date cash collections of sales tax are four percent below last year's and predictions for the remaining fiscal year are becoming increasingly pessimistic. In most cases, the downturn has been more severe than previously anticipated and the decline is expected to stretch out longer.

Over all, the future condition of the local economy is hard to predict. There are many factors where it is unclear exactly what types of adjustments will be occurring over the next few months. A large part of this is the current housing market. The full implications of the mortgage market's problems and the credit crisis, both nationally and for California, are still unfolding and will not be known for some time. Many forecasters now expect the beginning of the housing recovery to be delayed at least until the end of 2010. Additionally it is expected that it will take a full five years into the future to fully regain the level of prices on housing. The City is cautious about future economic conditions and will adapt as they unfold.

The City values its unique history and strives to maintain the character of the community while recognizing the importance of being flexible to accommodate the changing economy in Southern California. Economic development is a top priority for the Council as it plays an integral role in the community. Prosperous business owners, high-paying jobs, and an increased tax base produce a healthy city. With an economic vitality, the City can continue to provide a high quality of life for workers, business owners, property owners and all residents.

The City's economic development efforts include redevelopment of commercial and residential properties, and construction of affordable housing. The expansion of existing businesses and the attraction of new businesses have not only increased the property tax increment for the Redevelopment Agency but also the sales tax base for the City.

The City continues to actively promote Whittier through the Redevelopment and Housing Division of the Community Development Department. The City has a Business Development Manager and continues to promote the City's "Shop Whittier" campaign. They also represent the City at the annual International Council of Shopping Centers' convention and coordinate the implementation of the Economic Development Strategy.

These and other efforts will contribute to the stability and continued growth of Whittier's economy. The involved citizens, an active business sector, and a sense of community have served Whittier well in the past and will continue to do so into the future.

The unemployment rate in the City has been consistently lower than the state and regional levels. In October of 2008, the City's unemployment rate was 5.8% compared with 8.2% for Los Angeles County and 8.2% statewide. The City's unemployment rate also compares favorably with neighboring cities of comparable size.

Taxable retail transactions in Whittier for the 2nd quarter 2008 have decreased from 2nd quarter 2007 by 5.0%. Receipts for all of Los Angeles County dropped 2.6% over the comparable time period while the State, as a whole, declined 4.0%

Long-Term Financial Planning

The City's General Fund accounts for the majority of vital services for its citizens, such as police services, community services, parks and library facilities, and the General fund is subjected to various economic conditions from year to year. The City utilizes a Five-Year Plan ("Plan") as a tool to project future expenditures and revenues for the General Fund and their effect on its year-end fund balance. This Plan takes into account projections for salary increases, benefits increases, maintenance costs of new construction projects and accounts for new businesses coming on-line in the City, which would be adding sales tax to the City's revenue base. This Plan is updated annually.

Starting in December 2008 the City will commence building a new Police Facility, which will greatly enhance the workability of the Police Department, by giving them a new modern facility with jail capacity. This structure does not replace a capital facility that is already in place, thus operation and maintenance costs must be taken into consideration when forecasting costs for the Plan. Costs to maintain and operate this new facility are estimated to be approximately $300,000 a year to start with completion in 2010-11.

It is also forecasted that in 2010-11 that two police officer salaries, which are currently being supported by Traffic Offender Impound fees and COPS grants from the State, will diminish to the point that they will no longer be able to solely support those positions. At that time the General Fund will have to contribute funds in order to retain the positions. Those costs are estimated to be approximately $90,000 starting 2010-11 in the Plan.

Major Initiatives

For the Year. In carrying out the 2007-08 budget, staff worked diligently to implement the new programs and policies that the City Council has brought to the forefront. Although some of these activities are not necessarily reflected in the financial statements, they are significant to the future of the City. Some of the more important activities are summarized below.

The City continued providing administrative services for the Executive Director of the Puente Hills Landfill Native Habitat Preservation Authority through the Inter-Agency Agreement for the eleventh year. The Authority continued reimbursing the City 100% of the direct costs paid on behalf of the Authority.

The City Manager works under the direction of the City Council to oversee and implement City policies and programs set forth in the annual budget and those resulting from the City Council actions. Priority efforts for this fiscal year include providing oversight to the police facility construction and budget; assessing funding options for library expansion or replacement; supporting maintenance, operation and improvement of the Whittier Greenway Trail, including seeking grant funds for the project; soliciting state and federal funding for local and regional projects; supporting the redevelopment of key commercial sites; implementing the Uptown Specific Plan; working with the State, the Whittier community and developers regarding reuse of the Nelles School property; upgrading television equipment for the government access channel; collaborating on graffiti enforcement and abatement programs; and continuing the oversight of the Whittier/Santa Fe Springs policing contract. Other programs have been initiated by the City Manager's Department but are being implemented through the efforts of the various departments and are discussed below.

The Police Department is in the second year of a two-year grant from the California Office of Traffic Safety which provides funding for an additional traffic officer. Additionally, overtime funding is provided for DUI checkpoints, speed enforcement, etc. The addition of a full-time traffic officer brought the Bureau's compliment to five and significantly enhanced our ability to respond to traffic concerns as identified by citizen complaints and collision reports throughout the City. Based on concerns voiced by residents and business owners regarding lack of parental involvement and ineffective punishment for graffiti offenders, the Department began participation in A.T.A.G (Aware Teens Against Graffiti). A.T.A.G. is a juvenile diversion program for first time graffiti taggers and vandals. The Police Department also initiated a new off-road motorcycle unit that was designed to provide security and patrol access along the Greenway Trail. Equipment for this new unit was funded by transportation funds from the Los Angeles County Metropolitan Transportation Authority. The Department also reached full officer staffing levels during the fiscal year, which was the first time that has occurred in more than seven years. In addition, all report taking officers and civilian staff transitioned to digital voice recorders in order to enhance efficiency in report transcription.

The Redevelopment and Housing Division of the Community Development Department's efforts have been focused on the redevelopment of key sites in the City. The City developed an Economic Development Strategy that was approved and adopted by the City Council. In West Whittier, efforts continued with Los Angeles County to eliminate code enforcement violations and graffiti issues. Further along Whittier Boulevard at "Five Points," the Agency is working with Fountainhead Development at the "Ricker Motors" site. Fountainhead is working to attract a hotel for this important location. Plans include the incorporation of the "Skateland" site that is currently undergoing environmental remediation efforts. The Skateland site would be used for parking. The Agency entered into a Purchase and Sale Agreement that would take effect in the event that Fountainhead does not secure a hotel, medical or office space for the site. Efforts continued with the State at the legislative level for the sale of the 73.8-acre Fred C. Nelles site. While it is not being considered for a prison at this time, it is now under review as a site to locate a prison hospital along with other sites within California. The Whittwood Town Center completed its construction with the development of Johnny Carinos. Construction began in FY 06-07 on 114 town homes called Ravello at the Whittwood Town Center. In FY 07-08, phase 1 was sold and construction on phase 2 began. Due to the slowing economy, lower demand for large trucks and SUVs, along with corporate decisions, three automobile dealers closed their doors, Whittier Chrysler/Jeep/Dodge, Whittier Mitsubishi, and Board Ford closed. The closures are linked to corporate decisions. While the decline in sales tax negatively impacts the City, the Agency is optimistic that they will present new opportunities for redevelopment. One of the main goals of the strategy is to promote a strong, diversified and sustainable local economy and enhance the quality of life in the community. The Agency continues to market the City to potential retail and housing developers at regional and international events hosted by the International Council of Shopping Centers (ICSC) and the Urban Land Institute (ULI).

The Housing Division continued to pursue and meet the goals outlined in the City/Redevelopment Agency Housing Strategy that is outlined in the Five Year Implementation Plan and also in the HUD-required 2007-08 Action Plan. These plans seek to address the housing and community needs of the City with CDBG, HOME, tax increment, and General Fund sources. Low-income families were able to rehabilitate their homes with loans (12) or grants (1) through the City's Home Rehabilitation program. The Minor Home Repair Grant Program completed 51 projects. A rental rehabilitation of 3 units was completed in FY 07-08. Using HOME funds, the City purchased a triplex on Comstock Avenue. This piece will be combined with other parcels owned by the Agency to create an affordable ownership housing project. The City also used HOME funds for a transitional housing project being developed by First Day. First Day bought a triplex with the assistance of the County and will rehabilitate it. The City is assisting with its relocation and lead based paint abatement. Environmental remediation was completed and grading started for 96-flats and town homes east of the Whittwood Town Center, on Whittier Boulevard. This housing project is called The Gables. The Agency entered into an Affordable Housing Agreement with the developer HDS Group to allocation 15 units as affordable ownership housing units that will be available to moderate income homebuyers.

The Planning Division of the Community Development Department is responsible for implementing the City's General Plan and Whittier Municipal Code regulations for such planning related activities as the design and development of new buildings, subdivisions, and historic preservation of existing structures over 50 years old. During fiscal year 2007-08, the Division received approximately 1260 new planning applications ranging from zoning code amendments to development review applications. The Planning Division has been active processing a variety of development projects, including the environmental review for the Police facility and associated parking, the Amber Blu restaurant in Uptown and the Boys & Girls Club Teen Center expansion. There were 1,117 development review applications submitted to the Planning Division, which includes those that are handled at the counter. Staff has processed the Presbyterian Intercommunity Hospital (PIH) sign program and 17 other sign applications, as well as numerous clean-air separator applications submitted in conjunction with existing gasoline station uses. Post entitlement projects, such as the Whittier Area Community Church and the Whittier College projects, have consumed a significant amount of staff's time due to site visits, inspections and client meetings. With respect to Advanced Planning matters, the Community Development completed a dozen Zoning Code Amendments during FY2007-2008. Many of these Code Amendments related to implementing State legislative directives ranging from reasonable accommodation for the disabled to adopting a Density Bonus Ordinance pursuant to the requirements of AB 1818. Some of the other major Zoning Code Amendments included the development of a Vacant Lot Ordinance in addition to updating the City's Sign and Parking Ordinances. During FY2007-08, the Department also revised and updated it local California Environmental Quality Act procedures to comply with current law. Finally, the Department accomplished the adoption of the comprehensive amendment to the Uptown Whittier Specific Plan in November 2008. The Specific Plan update is unique to Whittier and it will launch the City's the first Form Based Code to regulate future development in Uptown Whittier.

The Building & Safety Division of the Community Development Department continues to proactively maintain a cooperative working relationship with the building public. The primary elements of this effort continue to be customer service, technical education for staff, and a close interaction with Planning, Code Enforcement, Public Works Engineering and other City agencies and outside authorities having jurisdiction over projects. Maintaining a customer-friendly atmosphere without compromising building standards has been accomplished through the delivery of accurate information in a timely and non-confrontational manner. The Division performs the mandated function of assuring compliance with the City's building regulations, coordinating the requirements of other departments and agencies, identifying and abating illegal dwelling units throughout the City, and facilitating City sponsored projects. Major accomplishments during FY 07-08 included adoption of the 2007 California Building Standards Code (CBSC) series, training with staff on the extensive changes contained in the 12 new code manuals that are part of the CBSC, and also participating in meetings and discussions with CALFIRE and Los Angeles County Fire Department representatives related to changes proposed to the 2008 Los Angeles County Fire Code and Fire Hazard Severity Zone (FHSV) maps in preparation for adoption of the Code and FHSV maps. The division provided assistance to the Whittier Police Facility development team and performed and coordinated plan review services for the facility and parking area and also developed new public information handouts and updated existing handouts in accordance with the new CBSC requirements

The Parks Department has been working on the designs for the Citrus, Oak and Sycamore Stations along the Greenway Trail, as well as a bike path from Pio Pico Mansion to the San Gabriel River Trail. Each Station will depict a specific element of Whittier's rich history through beautifully illustrated interpretive panels. The Citrus Station will identify the importance of water and its influence on the citrus industry in Whittier, the Sycamore Station will depict the history of transportation along Whittier Boulevard, and the Oak Station will recognize those, who historically, made a significant contribution toward the development of early Whittier. Staff has also been redesigning, overseeing and inspecting the irrigation and landscape of the Greenway Trail and plan check/inspection of a number of large commercial developments such as, Whittier College student center, Ravelo and Presbyterian Hospital.

In the Public Works Department, the Engineering Division completed the first year of the City's Five-Year Pavement Management System Surface Treatment Program, an ongoing preventive maintenance program extending the service life of the City's local street pavement infrastructure. Funds from Community Development Block Grant (CDBG), Traffic Congestion Relief, and Gas Tax were utilized. The CDBG funds were used to resurface several local streets within one of the low and moderate-income areas of the City. The Whittier Greenway Trail (Class 1 Bike and Walking Path) along the abandoned Union Pacific Railroad right-of-way from Pioneer Boulevard to Mills Avenue is due to be completed. New bike lanes were added to Mar Vista Street between Painter Avenue and Whittier Boulevard to provide connectivity to the Greenway Trail and to be in conformance with the City's Bike Master Plan. In addition, the Engineering Division accomplished the following projects and capital improvements: 1) two high-traffic volume collector and arterial roadways in the City of Whittier have been rehabilitated in conformance with the Pavement Management System program. Curb, gutters and sidewalks were repaired due to uplifted tree roots. This helps street drainage and to be in compliance with the Americans with Disabilities Act (ADA). 2) in a joint effort between Code Enforcement, and the Solid Waste and Engineering Divisions of Public Works, the alley clean-up, weed spraying and removal projects are underway to create a cleaner alleys. 3) in order to comply with the ADA and improve the appearance of neighborhoods, the Department embarked on a large-scale City sidewalk repair project. The project cost was approximately $500,000 and city contractors repaired over five hundred locations throughout three large neighborhood areas. The Civic Center Maintenance Division continued to improve the facilities with respect to ADA by designing, building, and obtaining approval for the construction of a new counter in the lobby of City Hall. The top floor of City Hall was re-carpeted as part of a three year plan to re-carpet the entire building. New boilers were installed in the basement of City Hall. The stagecraft storage area in the Center Theatre at the Community Center was replaced to make it safer for storage, bring it into conformance with the building code, and allowing for proper ADA accessibility.

The Fleet Division purchased a compressed natural gas (CNG) street sweeper and currently has an additional refuse collection vehicle on order utilizing reimbursable grant funding from 2006-07 ($20,000) and 2007-08 ($32,000). Also, we are seeking grant opportunities to subsidize the procurement of three additional CNG powered vehicles and to install non-open flamed heaters in the maintenance garage to complete the CNG shop retrofit in 2008-09. Construction of the compressed natural gas (CNG) vehicle refueling station was completed in November 2008. Thirty-three percent of the CNG refueling station construction cost was reimbursed by grants. Fleet has installed additional equipment as requested by the Los Angeles County Fire Department, as part of the CNG shop retrofit. In compliance with the California Air Resources Board (CARB) requirements, the Fleet Division has placed an additional ten (10) particulate matter (PM) emission control devices on existing City on-road heavy-duty diesel-powered vehicles. Currently, Fleet is working to upgrade the City Yard gasoline refueling station to comply with the CARB requirements, Enhanced Vapor Recovery Phase II, due in April of 2009. Fleet Division plans also include upgrading the City Yard security system, making repairs to the employee restroom/locker room, and installing material racks. In conjunction with Human Resources, Fleet has acquired an additional radio frequency to assist City employees during emergencies. Fleet has replaced both existing 2-way radio system mobile relays to meet the FCC requirements for 2013 and installed an additional two (2) mobile relays to support the new radio frequency.

The Sewer Division replaced three sewer mains in FY 07/08 with partial funding from the Environmental Protection Agency (EPA). The State implemented new waste Discharge Requirements (WDRs) for sanitary sewer systems in May 2006. Mandatory compliance requires completion of a Sewer System Management Plan (SSMP) over the next three years. The video inspection of sewer mains needed for the SSMP and to determine future sewer replacement projects has begun. Since January 2007, staff has been reporting on-line to the State Sanitary Sewer Overflows (SSOs) occurrences in the City. The Flomar Strom Drain Project, which is a joint project between the City, the County of Los Angeles and the Army Corps of Engineers, was completed in May 2008.

The Public Works Department Water Division replaced the undersized water mains in Honolulu Terrace from Pickering Avenue to the end of Honolulu Terrace and in Acacia Drive from Beverly Drive to Acacia Avenue. Piping changes to Pumping Plant II were also completed. Fifty of the fifty-four portable water sampling stations, required by the State Department of Health Services, were completed. The Water Master Plan has also been completed. The Water Division continues to operate the EPA Water Treatment Plant.

The Public Works Department Solid Waste Division completed a landfill tipping fee rate study. A consultant has been hired to assist the City in petitioning the California Regional Water Quality Control Board to revise the additional down-gradient requirements, and approve the City's groundwater monitoring program.

The Community Services Department successfully presented a full range of leisure, cultural arts and social services programs for the Whittier community. The Cultural Arts Commission and the Art in Public Places Advisory Committee completed two projects this year with the installation of "Community Spirit" at the Whittier Community Center by artist Nancy Mooslin and the "Storyteller" piece at the branch Library by artist Carol Gold. Annual special event programs were well received as thousands of participants enjoyed the Summer Concert Series, Halloween Spooktacular, Easter Eggxtravaganza and Founders' Day. A major event that returned with great success to the Community Services line up was the "Celebrate Safe Fireworks Spectacular." This year a very successful Halloween Costume Party and Dance was held for over 600 participants. The classes division has added a number of new courses and a variety of new instructors this year. Classes ranged from cooking in French Pastries, Mediterranean and Armenian cuisine to a full line-up of soccer skills classes for ages 2 – 12 years presented by Kidz Love Soccer and martial arts classes including Brazilian Jiu-Jitsu at the Frazier Martial Arts Academy. The Youth Services Division continued to operate Club Dexter, WYN Club, five day camp programs and two new after-school programs. One of the new sites is Club Orchard Dale, which along with Club Dexter is sponsored by the SKILLS Foundation. In October, the annual Teen Jam program, sponsored by the Southern California Teen Coalition was conducted at Parnell Park with over 850 teens enjoying an evening of games, dancing, karaoke, socializing and food. The youth Cross Country program continues to grow with participation up to 40 runners per practice and the potential of competing in several sponsored 5k runs. Parnell Park Senior and Community Center has continued to be a popular place to rent for private parties. The facility books rentals six months in advance with Saturday evenings being the most popular. The Parnell Senior Center program increased attendance with a variety of activities, such as the Birthday Celebrations, Café Parnell, Tai Chi, Art and Computer classes, and various lectures and health screenings. The Uptown Center recognized over 80 volunteers at the annual Volunteers Luncheon and staff secured 62 vendors attracting approximately 300 patrons to the annual Information Fair/Open House. We also added a variety of classes in the evening to accommodate older adults who are still working. The Palm Park Aquatics and Tennis Division hired a total of sixteen new lifeguards during the 2007 – 2008 year. Several of these lifeguards were taken directly from our successful Lifeguard Training Course offered in February and March. The annual Mid-Winter Junior Tennis Tournament continues to be successful and has increased in participation expanding to 15 sites for this popular event. We also increased our tennis lesson programs and offered more classes for adults as well as for beginners. The Sports and Facilities Division again operated a very successful adult softball program with 210 teams. In addition, support services were provided to the ten Youth Sports Affiliate groups with sports enrollment of over 5,000 youth. The Whittier Community Center continued to enhance the buildings amenities while creating a "user friendly" facility designed for accessibility for the disabled community. The Whittier Center Theatre expanded its Junior Theatre programs to offer a larger variety of activities.

The Transit Division of the Community Services Department successfully completed several major projects this year. Primary in importance was the smooth transition to a new Dial-A-Ride contractor, MV Transportation, in August 2007. Other Dial-A-Ride projects which came to fruition in FY 07-08 included extending DAR service until 9 p.m. every day of the week (excluding holidays); the purchase of three new vans to replace three aging vans, thus making all vehicles ADA accessible; the addition of a second van for our specialized door-to-door service for our passengers who need a bit more assistance to ride DAR independently; and the May 2008 implementation of a Taxi Voucher program, which will allow our passengers to travel to specific locations outside the City for medical and dental appointments, as well as to Rose Hills Cemetery. Another highlight of the Fiscal Year was the Grand Opening of the Whittier Historic Depot Surface Transportation Museum, which was well attended by City officials and interested residents. In the area of public transportation, ADA-standard concrete pads were installed at bus stops throughout the City and 15 solar lighting panels were installed in bus shelters to provide more safety and security at night.

The Library circulated over 530,200 items, 452,823 patrons used the services, 7,291 new library cards were issued and approximately 138,600 reference questions were answered. The library signed up over 4,000 children and youth during the Summer Reading Program. Total of 40,800 children participated in variety of programs also 1,839 adult participated in many quality programs offered by the Library. The staff successfully completed the first IMLS grant for Homework Center. The Homework Center has provided valuable services to the students with access to variety of educational databases and live online homework help through Tutor.com. Students can access the library's online tutoring service from any computer, at library, home or school. The Community Read Program, Whittier Read, completed its 5th annual program successfully and provided a variety of high quality cultural and educational programs. The library has completed it's digitization of newspaper, Whittier Daily News, and series of historical photographs dealing with the history of Whittier. These resources will be available through the Library's Web site and will assist in historical research. Library secured LSTA (Library Services and Technology Act) grant to assist and implement an early Childhood and Family Literacy program. Free Wi-Fi is now available at both Central and Whittwood Branch. Free Online reference service is offered around the clock with AskNow, on the library's website. The Library's passport program continues to be successful and generates additional revenue for the Library.

The City Clerk-Treasurer Department continued to produce and safeguard quality official records on behalf of the City, Redevelopment Agency, Housing Authority, Public Financing Authority, and Utility Authority. The Department administered the City's General Municipal Election which resulted in the reelection of three Council Members to four-year terms. The Department administered the City Council's Advisory Board appointment process resulting in the appointment of 14 City Board and Commission members as well as the annual recognition event for current and outgoing advisory board members. The Business License Division processed over 8,100 licenses and, with specialized software, was able to improve processing and business license record maintenance capabilities. The Department's Records and Information Technology Division (IT) continued to provide a variety of information services to citizens and staff and completed the merger of the Police Department IT staff into the citywide IT unit. The Division has three main functional units: Records Management, Information Technology (including

Telecommunications) and Geographic Information Systems. IT Unit staff also played key roles in assisting with the deployment of the Police Department's new CAD/RMS system and upgrading the Water Department's data infrastructure. The IT Unit continues to maintain the City's website. The website now has 123 main pages and is a total of 232 megabytes of information. The GIS unit continues to team with the Los Angeles Region Imagery Acquisition Consortium (LAR-IAC) to acquire and maintain up-to-date high-resolution aerial images of Whittier and its surrounding area. Working with a priority list developed by a City Council Sub-Committee, map layers created and made available to staff include zoning, parcels, addresses, street center lines, specific plans, and redevelopment project areas. The City Treasurer invests available funds in accordance with the Government Code and an investment policy approved by the City Council.

Human Resources staff collaborated with City departments on a number of key personnel initiatives to achieve the City's goals and provide quality services to the community. New employees were selected throughout the organization to ensure the continuity of quality services delivered to our customers. This fiscal year, the Whittier City Employees' Association (WCEA) and Whittier Police Officers' Association (WPOA) MOU's were administered and applicable provisions were implemented. HR Staff coordinated multiple Non-Harassment training and Positive Image/Customer Service Program (PIP) training sessions. An expanded Employee Expo was held, highlighting Career Development, Wellness and Ridesharing. The department coordinated the Annual Employee Service Award Program at the Holiday Breakfast to recognize employees' accomplishments and service to the community. Department staff continued the implementation of the online job application process by developing a brochure to assist applicants seeking City employment. Group health insurance plan rates were negotiated below market trends to provide the City with cost-effective coverage to eligible employees and retirees. Human Resources coordinated the City's Employee Safety Program to safeguard employees, conserve City funds and comply with OSHA regulations. This included conducting Employee Injury and Illness Prevention Plan (EIIPP) training, Fire Prevention and Safety, and CPR/AED/First Aid training for all employees, and Traffic Control and Flagger training for those who work in the field. This fiscal year also included training classes for the Lockout/Blockout/Tagout (LOTO) and Bloodborne Pathogens (BBP) Programs. Department staff enhanced the City's Emergency Management Program by continuing to coordinate the Whittier Emergency Preparedness Planning Committee, comprised of representatives from local hospitals, school districts, utilities, non-profit agencies, and first responder agencies such as fire, law enforcement, and ambulance service. Staff conducted disaster preparedness workshops for employees and Decontamination drill involving outside agencies such as the L.A. County Fire Department and Presbyterian Intercommunity Hospital.

The Controller's Department continues to manage the accounting, auditing, and budgeting requirements of the City. In addition, the Department continues to oversee the risk management responsibilities of the City for both Workers' Compensation and Liability Risk Management. Staff also co-chairs the City's Employee Safety Program and provides in-service training.

For the Future. To assist the City in planning for the future, the City has a five-year capital improvement plan that provides a framework for the development and maintenance of infrastructure to meet current and future needs.

The Police Department continues to provide outstanding law enforcement service using a geographical model called Public Service Area Policing. In the future, the Police Department intends to deploy technological advancements such as portable remote video surveillance systems, in high crime areas, to enhance detection of criminal activity and apprehension of violators. Also, the construction of a new police station will provide the Department with a new and advanced emergency operations center to better manage large scale law enforcement, terrorism and disaster incidents.

The long anticipated opening of the Greenway Trail this December will redirect the Park Staff from "construction" to "maintenance". The Department will secure a contractor for landscape maintenance. The contractor will report to a designated Trail Manager in the future, who will be responsible for contract compliance. The Department will also be responsible for implementing the new vacant lot ordinance. Park staff will be improving numerous facilities based on the Park Needs Study funded by fees collected from developers. The Department will also be replacing the play equipment and surfacing at J.G. Whittier Park as well as redesigning the rest room building at Joe Miller Field.

The Planning Division of the Community Development Department has an aggressive strategy for Fiscal Year 2008-09 as it includes the processing of development entitlements and an Environmental Impact Report (EIR) for the determining the feasibility of oil drilling and production on various City-owned sites within the Whittier Hills. Staff will continue to monitor post-entitlement projects as well, and continue to work with applicants to address their concerns prior to the formal submittal of their projects. The work program for the Advanced Planning side of the division includes the adoption of a Telecommunication Ordinance, Massage Ordinance, and Dining and Entertainment Ordinance to mention a few. Other notable projects include the development and implementation of the Tiering System for historic preservation, updating the City's Historic Preservation Ordinance, conducting a new historic resource survey of approximately 350 buildings, and State certification of the City's Housing Element Update for the Planning Period 2006-2014.

In the Public Works Department, the Engineering Division will install a new traffic signal at the intersection of Starbuck Street and Santa Gertrudes Avenue and a traffic signal modification will be built at the intersection of Lambert Road and Santa Gertrudes Avenue. It is anticipated to reduce the number of collisions at this intersection related to left turning vehicles. Funds utilized from Community Development Block Grant (CDBG), Traffic Congestion Relief, and Gas Tax. The CDBG money will used to resurface several local streets within one of the low and moderate-income areas. Several roads are scheduled for large scale pavement rehabilitation. These major collector and arterial roadways will utilize Proposition 1B funding as one of the funding sources, in addition to the previous earmarked funds. The Engineering Division will oversee the under grounding of the utilities along Whittier Boulevard between Santa Gertrudes and Valley Home Avenue and the installation of street lights in accordance with Underground Utility District No. 12 and the Whittier Boulevard Specific Plan streetscape design plans. The Engineering Division will work with Community Development and a consultant to develop the locations of parking meters and a planned parking structure Uptown Whittier in accordance with the anticipated revised Uptown Specific Plan. Alley sweeping and alley rehabilitation will begin to complement the alley code enforcement and weed spraying efforts. As part of the Whittier Boulevard Specific Plan, future streetscape improvements, and conformance with the Whittier Boulevard Specific Plan Environmental Impact Report, the Engineering Division has a request for authorization to proceed with preliminary engineering to CalTrans for the Whittier Boulevard reconstruction and parkway drainage improvements between Philadelphia Street and the Five-points intersection. In 2008-09, the Civic Center Maintenance Division will replace the balance of the Senior Center air conditioning system units, the main electrical panel for City Hall, the City Hall elevator jack, and the lower level of City Hall carpeting.

The Public Works Sewer Division will comply with the State implemented Waste Discharge Requirements (WDRs) for sanitary sewer systems. This requires mandatory compliance and completion of a Sewer System Management Plan (SSMP) over the next three years. As part of the compliance with this program, video inspection of the entire sewer system began in FY 07/08 and is scheduled for completion in 2010. The Master Plan report includes evaluating the sewer system condition to determine needed repairs and improvements of the system and provide guidance to comply with the State's WDR Program

The Public Works Department Water Division has the following projects scheduled. The backwash and flush lining piping modification at the Whittier Narrows Operable Unit will be completed per the agreement with EPA. The 2" water main on El Rancho Road is scheduled for replacement with a 6" diameter pipe. The remaining four Sampling Stations will be completed by August 2008 bringing this project to a conclusion. Well #7 demolition is under way. The Water Division will continue to operate the EPA Water Treatment Plant.

The Public Works Solid Waste Division will prepare a Request for Proposal for design of the Phase IIC lateral landfill expansion. Solid Waste will continue to provide an optimal level of refuse service to Whittier's customers and evaluate service levels for service area customers.

For Community Services, the classes division will continue to monitor trends and work to provide for the needs of residents with a variety of interesting and fun classes for all ages. The Senior Division will continue to expand its course offerings at both centers including such classes as Scrapbooking, Gardening and Creative Arts. In the coming year the Special Events Division looks forward to presenting the Greenway Trail Dedication and enhancing the current line up of community events. The Aquatic and Tennis Division will continue to expand on its water aerobics program which was highly successful this past year. We will also continue to offer our popular "Tenniscise" class, aimed at adult players who love tennis and at the same time are looking for an active workout. The Sports and Facilities Division will continue to enhance community services facilities to meet any changes in the Americans with Disabilities Act. The Cultural Arts Commission and the Art in Public Places Advisory Committee will finalize plans for upcoming projects, including the installation of the "Rocket Robin" piece at the Parnell Park Community and Senior Center by artist Tom Askman titled and the kinetic wind sculptures along the Greenway Trail by artist Lyman Whitaker.

Plans for 2008-09 include beginning the implementation of a multi-year Bus Stop Improvement Plan, which will include standardization of bus stop amenities designed to maximize passenger comfort, safety and security. The Whittier Historic Depot is scheduled to have its exterior repainted, part of the ongoing maintenance necessary to preserve an historic building and keep it looking its best. The Depot and grounds will also be fenced for additional security during the evening, night and weekend hours. Transit staff will continue to monitor the various fixed-route bus services that come into Whittier, and make recommendations for service improvements. Staff will also continue to participate in discussions and have input into the proposed Gold Line eastern expansion.

Library staff continues to seek outside funding to complement the programs offered by the Library. The Library continues the assessment for planning new and expanded library facilities. Library staff is working with the architect to develop plans for expansion and remodeling of the Whittwood Branch and continue planning for a new Central library. Although both buildings have served their purpose well they have now become outdated and/or require much needed expansion. Once funding sources are identified, these exciting new projects will result in the construction of state-of-the-art facilities that will carry the City well into the new century.

The Controller's Department will continue to provide a high level of service to all other departments. The department will strive to improve control over the financial data of the City, as well as keep up to date on all new reporting requirements.

Financial Information

Management of the City of Whittier is responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse and to ascertain that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

This report includes all funds of the City of Whittier, as well as the opinion of our independent certified public accountants, Mayer Hoffman McCann P.C. This financial report includes the closely related Whittier Redevelopment Agency, the Whittier Public Financing Authority, and the Whittier Utility Authority, for which the City is considered to be financially accountable. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have also been included.

The City is required to contract for an annual single audit in conformity with the provisions of the federal Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. As a recipient of federal, state and county financial assistance, the City is also responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City of Whittier's single audit, tests are made to determine the adequacy of the internal control structure and the degree of compliance with applicable laws and regulations, including those portions related to federal financial assistance programs. The City's independent auditors informed staff that the results of the City's single audit for the fiscal year ended June 30, 2008 disclosed no material weakness in the internal control structure or significant violations of applicable laws and regulations.

The budgetary controls maintained by the City of Whittier ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Budgetary control is primarily maintained at the budget code level for the general, special revenue, capital project and debt service funds. However, budgetary control is upheld at the object level account for the Capital Outlay-General Fund through the use of object level account appropriations compared to actual expenditures. Encumbrances for unperformed contracts for goods and services are recorded for budgetary control purposes in the governmental and fiduciary fund types. Encumbrances outstanding at year-end are reported as a reservation of fund balance.

Cash Management

The City Treasurer invests available City, Agency and Utility Authority funds in accordance with the Government Code and an investment policy approved by the City Council and Agency and Authority Boards. During 2007-08, funds were invested in U.S. Treasury bills and notes, U.S. government agency securities, the California Local Agency Investment Fund (LAIF), commercial paper, and certificates of deposit purchased from local banks. Investments controlled by the City Treasurer for the City and Authority had average days to maturity of 234 days. Average yield decreased from 5.17% in 2006-07 to 3.03% in 2007-08. The average total investment increased for the City/Authority from $101 million in 2006-07 to $103 million in 2007-08. Total interest earned in the governmental funds decreased from $3.1 million in 2006-07 to $2.9 million in 2007-08. Redevelopment Agency funds were invested in U.S. Treasury Bills and U.S. Government agency securities. The average total investment increased from $10 million in 2006-07 to $15 million in 2007-08. Total interest earned in governmental funds decreased from $198,000 in 2006-07 to $188,000 in 2007-08.

Risk Management

The City of Whittier has an aggressive and comprehensive risk management program for workers' compensation and liability exposures. The City is self-insured for workers' compensation with retention of $500,000 and purchases excess coverage. The City is also self-insured for liability risks with retention of $500,000 and excess coverage to $42 million. The City is in a risk-sharing pool for workers' compensation and liability excess insurance. Staff participates on a claims committee to evaluate large exposure claims for the pool to ensure continuity in handling and settlement of claims for the pool members.

The City has an accumulation of resources in the self-insurance funds to pay potential losses. Various loss control techniques that are on-going include drivers' training, pre-trip safety inspection for all vehicles, the right-to-know training, respiratory apparatus safety, confined spaces training, employee injury and illness prevention program (EIIPP), Citywide program for use of safety belts and shoes. The City's standing Employee Safety Committee and Accident Review Committee continually monitors the potential hazards and has implemented a Citywide report form in an effort to mitigate hazards, as well as, an on-going safety inspection of the City facilities by the committee members. A safety incentive program for drivers' safety is ongoing, and City staff participates in training sessions for employee safety, worker's compensation, and liability control. Staff has implemented an ergonomic policy of purchasing ergonomic furniture and equipment as the need for replacement presents itself. Also, staff evaluates workstations for ergonomically sound practices and compliance.

Defined Benefit Pension Plan

The City has contracted with the California Public Employees Retirement System (PERS) to provide retirement, disability, death and survivor benefits for all eligible full and part-time City employees. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. The total underfunded pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 2005. The total Present Value of Projected Benefits as of June 30, 2005 annual actuarial valuation is $234,536,063 compared to the Actuarial Value of Assets of $175,556,472. Since the Present Value of Projected Benefits exceeds the Actuarial Value of Assets as of the June 30, 2005 actuarial valuation, the plan is unfunded for the fiscal year ending June 30, 2008. The City's annual pension cost was $5,481,931 for 2007-08. This is equal to the City's required and actual contributions.

The City's contribution to the system was determined as part of the June 30, 2005. PERS actuarial valuation using the entry age normal actuarial cost method. The actuarial investment loss for 2003/2004 impacted CalPERS plans by causing employer contribution rates to increase. The City's contribution rate for miscellaneous members increased from 5.908% in fiscal year 2006-07 to 6.428% and safety members increased from 27.457% in fiscal year 2006-07 to 29.700% in fiscal year 2007-08. The City implemented a new retirement plan of 2.5% at 55, for miscellaneous employees, effective February 26, 2006. As a result of the new plan, the City's required contribution rate for miscellaneous members increased dramatically. However, the miscellaneous employees started contributing 3.4% of their gross wages to make up the difference in rates.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Whittier for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twentieth consecutive year that the City has achieved this prestigious award since fiscal year 1987-88. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Staff believes that the City's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Also, the City of Whittier received the Meritorious Budget Award from the California Society Municipal Finance Officers (CSMFO) for the 2007-08 Whittier Budget Publication. This was the first time Whittier had been awarded such an award from this organization. Staff has submitted the 2008-09 budget publication to the CSFMO for consideration again.

Other Information and Acknowledgments

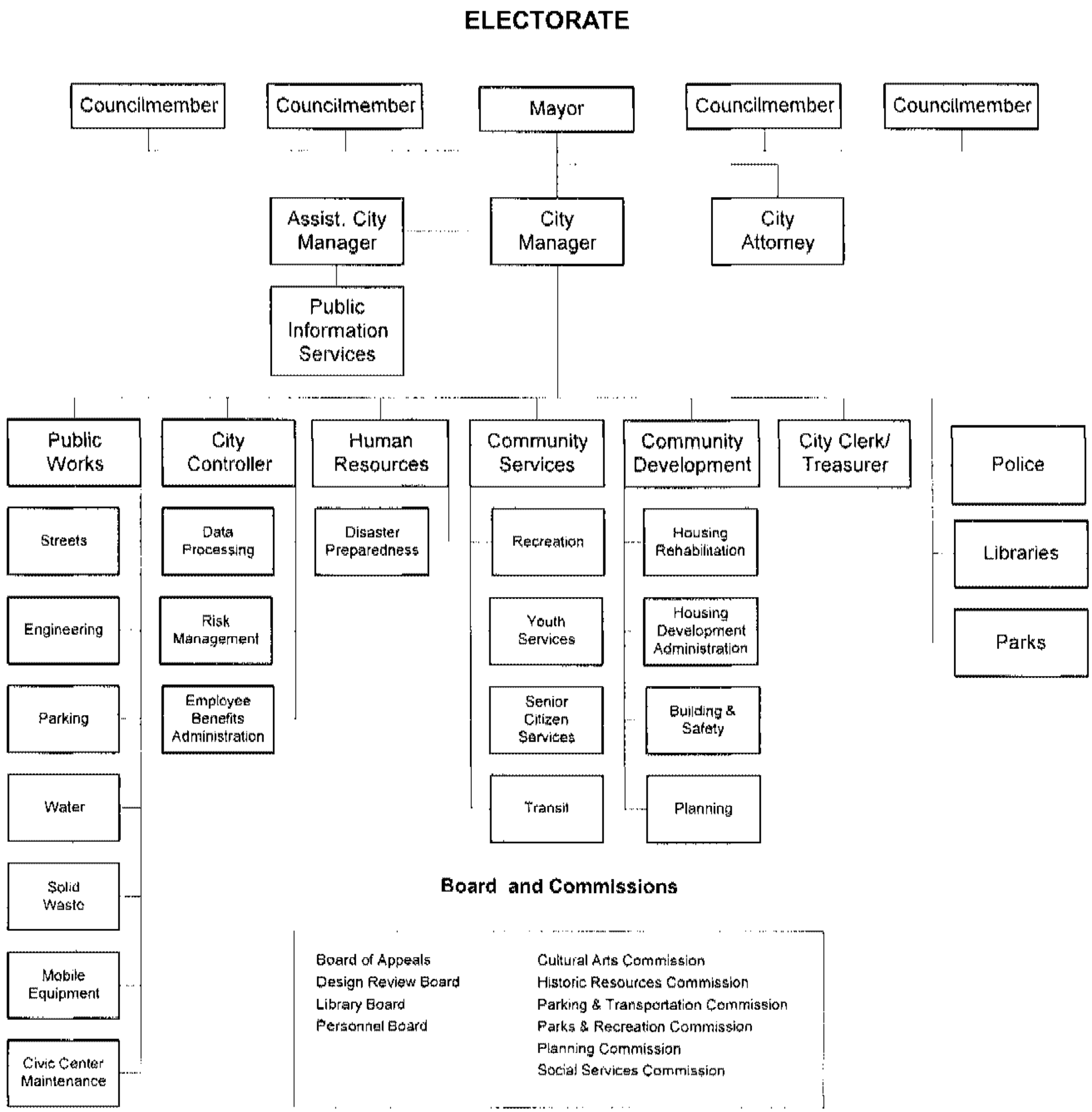
Section 1116 of the Whittier Municipal Charter requires an annual audit by independent certified public accountants. The City selected the accounting firm of Mayer Hoffman McCann P.C. In addition to meeting the requirements of the charter, an annual audit is designed to meet the requirements of the Single Audit Act of 1984 and related federal Office of Management and Budget Circular A-133. The auditors' report on the general purpose financial statements and schedules is included in the financial section of this report.

The preparation of this comprehensive annual financial report was accomplished on a timely basis by the dedicated staff of the City Controller's Office. I wish to express my appreciation to them, and all City staff who have assisted in and contributed to the preparation of this comprehensive annual financial report. Appreciation is also expressed to the audit staff of Mayer Hoffman McCann P.C. for their advice and assistance in preparation of this report. Finally, I would like to thank the Mayor, members of City Council, and the City Manager for their continuing support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Rod C. Hill
City Controller

The City


ELECTORATE
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Assist. City Manager
City Manager
City Attorney
Public Information Services
Public Works
City Controller
Human Resources
Community Services
Community Development
City Clerk/ Treasurer
Police
Libraries
Parks
Streets
Engineering
Parking
Water
Solid Waste
Mobile Equipment
Civic Center Maintenance
Data Processing
Risk Management
Employee Benefits Administration
Disaster Preparedness
Recreation
Youth Services
Senior Citizen Services
Transit
Housing Rehabilitation
Housing Development Administration
Building & Safety
Planning
Board and Commissions
Board of Appeals
Design Review Board
Library Board
Personnel Board
Cultural Arts Commission
Historic Resources Commission
Parking & Transportation Commission
Parks & Recreation Commission
Planning Commission
Social Services Commission

Principal Officers
June 30, 2008

Stephen W. Helvey
City Manager

Nancy L. Mendez
Assistant City Manager

Jeffrey W. Collier
Community Development Director

David M. Singer
Chief of Police

Richard D. Jones
City Attorney

Kathryn A. Marshall
City Clerk/Treasurer

Rod C. Hill
City Controller

Fran Shields
Community Services Director

Fred M. Weiner
Human Resources Director

Paymaneh Maghsoudi
Library Director

James E. Kurkowski
Parks Director

David Pelser
Public Works Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Whittier California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Oliver S. Cox

President

Jeffrey R. Esser

Executive Director

City of Whittier

Financial Section

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MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

The Members of the City Council
City of Whittier, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Whittier, California ("City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison information for the general fund and major special revenue fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical tables, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The Members of the City Council
City of Whittier, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 15, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the 2007-08 fiscal year by $220.7 million (net assets). Of this amount, $118.2 million is invested in capital assets, net of related debt; $63.2 million is restricted for community development; $19.9 million is restricted for various projects, and $19.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $12.2 million or 5.8 percent from prior fiscal year. The increase was a result of this year's business-type activities operations; increase in property taxes, sales taxes, franchise taxes and motor vehicle in lieu tax revenues.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $124.4 million, an increase of $14.9 million in comparison with the prior year as a main result of issuance of new bonds.

- At the end of the current fiscal year, unreserved fund balance for the general fund was $19.8 million, or 37.7 percent of the total general fund expenditures.

- During the year, the general fund's actual inflows (revenues and other financing sources) exceeded final budget by $2.2 million and actual outflows (expenditures and other financing uses) were $2.6 million less than budget. This results in the total positive budget and actual variance of $4.8 million in the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of a series of financial statements and notes to the basic financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting the City as a Whole

The statement of net assets and the statement of activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities 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 assets* and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

The *statement of net assets* 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, libraries, local transit, parks and recreation and redevelopment. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.

- Component units—The City's governmental activities include the blending of three separate legal entities—the Whittier Redevelopment Agency, the Whittier Public Financing Authority and the Whittier Utility 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, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

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

  Budgetary comparison statements have been provided for the general and major special revenue funds to demonstrate compliance with the City's annual budget as adopted and amended.

  The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

- *Proprietary funds*—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City used enterprise funds to account for its Water Utilities Authority. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions-such as the City's self-insurance fund and its fleet of vehicles.

The proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Reporting the City's Fiduciary Responsibilities

Fiduciary funds

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the City's other financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

The statement of fiduciary net assets can be found immediately following the proprietary fund financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the date provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the statement of fiduciary net assets.

The combining and individual fund statements and schedules can be found immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities. The City reports its sewer, water and solid waste activities as business type activities and reports these activities in the government-wide statements.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Whittier, assets exceeded liabilities by $220.7 million at the close of the most recent fiscal year. The largest portion of the City's net assets (53.5 percent) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, 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.

Table 1
Net Assets
(in Thousands)

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Current and other assets	$152,191	139,696	45,259	43,488
Capital assets	102,387	96,882	36,126	35,540
Total assets	254,578	236,578	81,385	79,028
Noncurrent liabilities	78,247	68,565	30,889	30,442
Other liabilities	4,131	5,434	1,989	2,703
Total liabilities	82,378	73,999	32,878	33,145
Net assets:				
Invested in capital assets, net of related debt	91,640	84,557	26,607	22,700
Restricted	82,987	72,205	120	48
Unrestricted	(2,427)	5,817	21,780	23,135
Total net assets	$172,200	162,579	48,507	45,883

A portion of the City's net assets (37.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($19.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Capital assets had net increase of $5.5 million in the governmental activities as a result of capital assets addition of $12.8 million and depreciation of $6.9 million during fiscal year 2007-08. The main capital projects during the fiscal year were Greenway Trail Improvement of $3.9 million, and 13 catch basins addition on Flomar Drive of $1.6 million. Capital assets increased $0.6 million in the business-type activities as a result of capital assets addition of $1.6 million and depreciation of $1.0 million during the fiscal year.

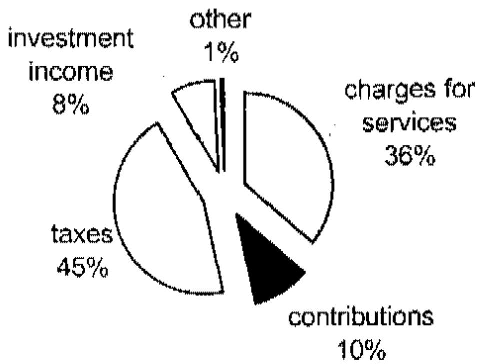
Long-term debt in governmental activities increased $9.7 million mainly due to the issuance of 2007 series A revenue bonds in Whittier Public Financing Authority. The proceeds were advanced to Whittier Redevelopment Agency to refund 1998 tax allocation bonds and finance redevelopment activities. Long-term debt had a net increase in the current year of $0.4 million in the business-type activities was due to $0.9 million increase in accumulative amount reported as landfill closure and postclosure care liability, $0.5 million in revenue bonds repayment during the year, and net change of $89 thousand in compensated absences.

The following table indicates the changes in net assets for governmental and business-type activities:

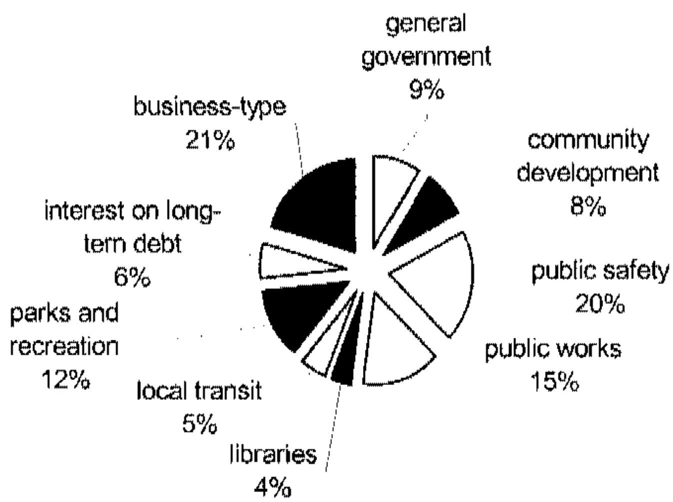
Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007
Revenues:				
Program revenues:				
Charges for services	$18,319	15,119	19,115	19,024
Operating contributions and grants	5,665	6,874	991	134
Capital contributions and grants	4,033	585	337	-
General revenues:				
Taxes:				
Property taxes	12,501	12,191	-	-
Transient occupancy taxes	715	719	-	-
Sales taxes	10,379	10,009	-	-
Franchise taxes	2,036	1,778	-	-
Business licenses and tax	2,019	2,057	-	-
Utility users tax	7,806	7,872	-	-
Motor vehicle in lieu,unrestricted	8,786	8,403	-	-
Transit tax	2,544	2,560	-	-
Investment income	6,438	6,051	1,924	2,115
Other	444	802	-	-
Total revenues	81,685	75,020	22,367	21,273
Program Expenses:				
General government	8,443	7,588	-	-
Public safety	18,146	22,765	-	-
Public works	13,790	10,726	-	-
Community development	7,608	5,596	-	-
Libraries	3,412	3,394	-	-
Transit	4,671	3,373	-	-
Parks and recreation	11,373	11,747	-	-
Sewer	-	-	1,282	1,170
Water	-	-	8,688	7,672
Solid waste	-	-	8,950	8,305
Interest on long-term debt	5,445	2,406	-	-
Total expenses	72,888	67,595	18,920	17,147
Increase / (decrease) in net assets before transfers	8,797	7,425	3,447	4,126
Transfers	824	112	(824)	(112)
Increase (decrease) in net assets	9,621	7,537	2,623	4,014
Net assets, beginning of year	162,579	155,042	45,883	41,869
Net assets at end of year	$172,200	162,579	48,506	45,883

FY 2007-08 Total Revenues by Sources



FY 2007-08 Total Expenses



The City's total revenues for the fiscal year ended June 30, 2008 were $104.1 million. Of the City's total revenues, $37.4 million (35.9 percent) were derived from fees charged for services and $46.8 million (44.9 percent) were received in taxes.

The City's total expenses were $91.8 million, including $18.1 million (19.7 percent) for public safety mainly resulting from employee services costs, $13.8 million (15.0 percent) for public works mainly from street improvement projects, and $18.9 million (20.6 percent) for business-type activities.

Governmental Activities

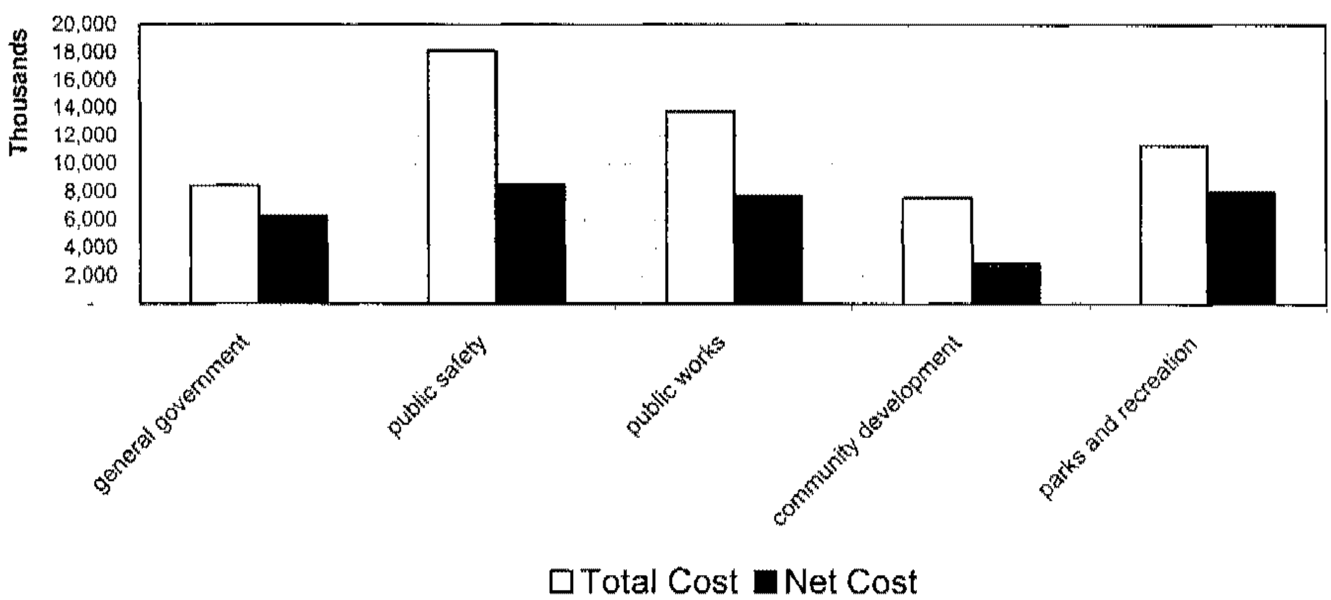
Table 3 presents the cost of each of the City's five largest programs—general government, public safety, public works, community development, and parks and recreation—as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Thousands)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General government	$8,443	7,588	6,295	4,893
Public safety	18,146	22,765	8,586	14,103
Public works	13,790	10,726	7,760	9,020
Community development	7,608	5,596	2,892	534
Parks and recreation	11,373	11,747	8,009	8,094
Total	$59,360	58,422	33,542	36,644

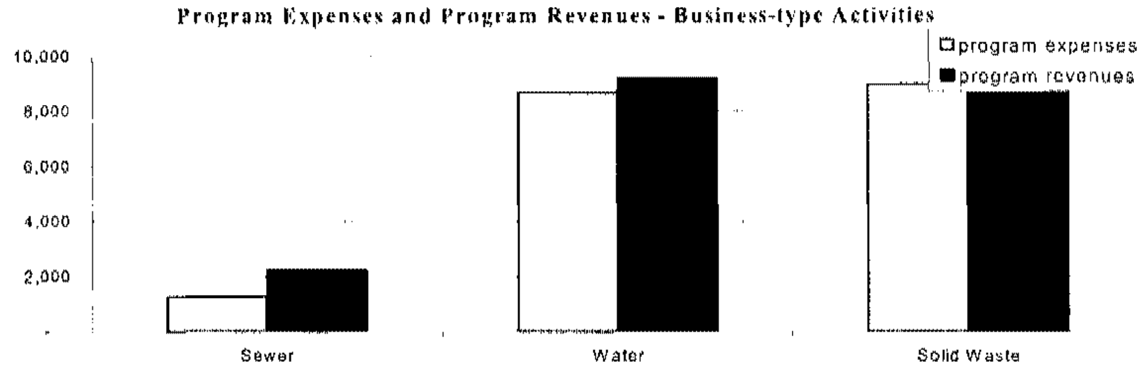
- The net cost of services indicates that the overall cost of government is more than the revenues generated to support it. See the Statement of Activities for further detail on program revenues and general revenues.

Net Cost of Services



Business-type Activities

Business-type activities increased the City's net assets by $2.6 million. Revenues of the City's business-type activities were $22.4 million, approximately 4.3 percent increase over the prior year. It resulted from the slight increase in charges for services by $0.3 million, and increase in contributions by $1.2 million from prior fiscal year.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of $124.4 million, an increase of $14.9 million in comparison with the prior year. $9.6 million of this increase reflected the net 2007 bond proceeds after 1998 tax allocation bond refunding. $27.5 million of this total amount constitutes *unreserved fund balances*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is *not* available for new spending because it has been committed: 1) to reflect long-term advances and notes of $19.2 million; 2) for employees retirement of $6.2 million; 3) for projects in the amount of $37.5 million; 4) for public safety in the amount of $1.9 million; 5) for restricted cash in the amount of $20.1 million 6) for a variety of other reserved purposes totaling $12.0 million.

Revenues for governmental funds overall totaled $83.7 million for the current fiscal year, an increase of $10.8 million or 14.7 percent over the prior fiscal year, mainly resulting from the increase of $6.2 million in intergovernmental revenues. Expenditures for governmental funds totaled $79.6 million, increased by 17.5 percent over the prior fiscal year. In the fiscal year ended June 30, 2008, governmental funds had surplus revenues of $4.1 million, mainly as a result of increases in taxes revenues and investment earnings.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $19.8 million, while total fund balance reached $47.1 million. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Unreserved fund balance represents 37.6 percent of total general fund expenditures, while total fund balance represents 89.3 percent of that same amount.

The fund balance of the City's general fund increased by $0.9 million during the current fiscal year, a decrease of $3.2 million from prior fiscal year. Key factors for this change are as follows:

- An increase of $0.3 million in property tax revenues from prior fiscal year as the results of increase assessed property valuation.
- An increase of $0.5 million in motor vehicle in-lieu tax revenues from prior year due to the "Triple-Flip".
- A decrease of $0.1 million in interest earnings from prior year due to lower interest rate compared to last fiscal year.
- An increase of $1.8 million public safety expenditures from prior fiscal year mostly due to the increase of employee services costs.
- Transfer out of $2.1 million from general fund to capital outlay for new police station construction.

The transit special revenue fund had a total fund balance of $4.4 million, a slight decrease of $0.7 million over the prior year. This was mainly the result of higher local transit expenditures.

The redevelopment agency low/moderate housing special revenue fund had a total fund balance of $24.8 million, a net increase of $1.2 million. The main results were from tax increment of $1.9 million, and interest on investments of $0.8 million due to interest earning on unexpended bond proceeds.

The subventions and grants special revenue fund had a deficit of $3.2 million, an increase of $2.0 million in fund balance from prior year. The main reason was the result of reimbursements from governmental agencies for prior year and current year expenditures.

The redevelopment agency debt services fund had a fund balance of $24.7 million. The fund balance increased by $11.3 million during the current fiscal year. The key factors were the increase in tax increment revenues, and the proceeds of new issuance bonds of $15.1 million.

The public financing authority debt services fund had a fund balance of $6.9 million. The fund balance decreased by $0.3 million due to the debt service payments during the fiscal year.

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

The City maintains two types of proprietary funds. The City uses an enterprise fund to account for sewer maintenance, water utility and solid waste operations. The City uses internal service fund to account for services provided to other funds, departments of the City and its component units.

Enterprise funds

The City used enterprise funds to account for sewer maintenance, water utility and solid waste operations or the Whittier Utilities Authority. Unrestricted net assets of the Authority at the end of the year amounted to $21.8 million. The total growth in net assets was $2.6 million.

Internal service funds

The City's internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance activities, including liability insurance, and workers' compensation insurance, vehicle operations and maintenance, vehicles and other equipment replacement. As of June 30, 2008, unrestricted net assets of the internal service funds were $6.0 million, and total increase in net assets for these funds was $10.7 million. The information technology/telecommunications fund was reported as a combining fund with other equipment replacement fund in CAFR. The services provided by the internal service funds have been allocated to governmental functions, based on user percentages, in the government-wide financial statements.

General Fund Budgetary Highlights

In the General Fund differences between the original adopted budget and the final budget for expenditures resulted in an increase in appropriation of $4.2 million that can be briefly summarized as follows:

- $84,447 increase allocated to the city clerk and treasurer department
- $157,600 increase allocated to non-departmental
- $1,387,988 increase allocated to the police and code enforcement department
- $488,575 increase allocated to the park and recreation departments
- $63,512 increase allocated to the human resources department
- $1,263,836 increase allocated to the public works department
- $717,214 increase allocated to other departments

The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management and the City's continued efforts to control expenditures. Actual total revenues exceeded the final budget by $1.8 million or 0.3 percent, mainly due to favorable variances of $1.4 million in investment income and use of property, $0.1 million in taxes, $0.2 million in licenses, permits and other fees, and $0.1 million in fines and forfeits. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the City had $138.5 million (net of accumulated depreciation of $140.0 million) invested in a broad range of capital assets, including police equipment, buildings, land, right-of-way, trees, park facilities, machinery and equipment and roads. (See Table 4 below and relevant disclosures in the note 7 to the financial statements.) This amount represents a net increase (including additions and deductions) of $6.1 million, or 4.5 percent, over last year. The total depreciation for the year was $8.0 million.

Table 4
Capital Assets at Year-end
(net of depreciation, in Thousands)

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land and trees	$32,241	32,234	2,827	2,827
Rights of way	5,326	5,326	-	-
Construction in progress	1,897	710	82	312
Buildings and improvements	16,353	13,092	32,917	32,061
Machinery and equipment	6,559	5,121	300	340
Infrastructure	40,011	40,399	-	-
Total	$102,387	96,882	36,126	35,540

The City's five-year Capital Improvement Plan projects spending another $27.1 million through fiscal year 2012-2013. Typically, larger projects are funded and completed over several fiscal years. No debt financing is required for these projects. Funding will come from current fund balances and projected revenues over the next five years. The most significant projects include upgrading and maintaining the City's landfill $4.2 million, alley improvement program $1.8 million, water main and other water related improvements $1.3 million, sewer maintenance $1.0 million, mobile equipment replacement $1.5 million, and various pavement and street improvements of $10.0 million principally from special revenue funds.

Long-term debt

At year-end of the current fiscal year, the City had $109.1 million in tax allocation and revenue bonds, developer loans, claims payable, compensated absences and landfill closure and postclosure outstanding versus $99.0 million last year— a increase of 10.2 percent—as shown in Table 5 and note 8 to the basic financial statements. Of this amount, $75.9 million represents total bonded debt outstanding, $6.6 million represents claims payable, $4.3 million represents developer loans payable, $4.2 million represents compensated absences, and $18.1 million represents landfill closure and postclosure. Deductions include repayment of outstanding principal totaling $12.4 million. Of this amount, $5.8 million was placed to trust to refund the 1998 Tax Allocation Refunding Bonds.

Table 5
Outstanding Debt, at Year-end
(in Thousands)

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Compensated absences	$3,763	3,762	477	388
Developer loans payable	4,310	4,230	-	-
Tax allocation bonds	41,800	47,735	-	-
Revenue bonds	21,735	6,565	12,330	12,840
Landfill closure and postclosure	-	-	18,082	17,214
Claims payable	6,639	6,273	-	-
Total	$78,247	68,565	30,889	30,442

Standard & Poor's Corporation and Moody's Investors Service have assigned the tax allocation bonds ratings of "AAA" and "Aaa" upon their issuance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy of the City is based on the citizens as well as the shopping malls. Over 27% of the City's General Fund revenues come from property tax and sales tax.

The City's budget (2008-09) takes into account the historical consumer trends and current economic factors. An overall increase of 7.1 million or 13.8% over the General Fund's operating revenue budgeted in 2007-08 is forecasted. For fiscal year 2008-09, sales tax revenue is estimated to decrease 4.0% over the 2007-08 adopted budget due to a downturn in the economy. Property tax revenue has estimated revenue of $4.5 million represents a 2.3% increase over the 2007-08 projected revenue. Operating expenditures have been projected to $53.8 million in General Fund. The City's General Fund is projected to generate a net operating surplus of $0.6 million for fiscal year 2008-09. It is estimated that the General Fund will have a balance of approximately $15.5 million at the end of fiscal year 2008-09.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Controller's Department, at the City of Whittier, 13230 E. Penn Street, Whittier, California 90602-1772.

CITY OF WHITTIER
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 3)	$ 76,693,301	$ 31,138,706	$ 107,832,007
Restricted assets (note 3):			
Cash and investments	20,129,944	7,519,230	27,649,174
Cash and investments with fiscal agents	36,862,091	1,647,015	38,509,106
Accounts receivable	-	29,302	29,302
Interest receivable	-	77,276	77,276
Receivables:			
Intergovernmental	7,659,913	114,222	7,774,135
Accounts	831,929	2,956,172	3,788,101
Notes and loans (note 5)	5,088,075	-	5,088,075
Interest	1,149,628	287,752	1,437,380
Inventory	-	297,223	297,223
Due from other funds (note 6)	42,197	(42,197)	-
Prepaid items	10,058	69,961	80,019
Deferred charges, net of accumulated amortization	1,181,790	1,163,693	2,345,483
Land held for resale (note 4)	2,542,284	-	2,542,284
Capital assets not being depreciated (note 7)	39,463,620	2,908,967	42,372,587
Capital assets being depreciated, net (note 7)	62,922,932	33,217,163	96,140,095
Total assets	254,577,762	81,384,485	335,962,247
Liabilities:			
Accounts payable	2,896,642	1,538,711	4,435,353
Accrued liabilities	445,983	168,662	614,645
Accrued interest payable	484,016	96,958	580,974
Deposits payable	76,665	69,961	146,626
Unearned revenue	228,082	114,222	342,304
Noncurrent liabilities (note 8):			
Due within one year	8,353,656	720,835	9,074,491
Due in more than one year	69,893,155	30,168,588	100,061,743
Total liabilities	82,378,199	32,877,937	115,256,136
Net assets:			
Invested in capital assets, net of related debt	91,640,421	26,606,838	118,247,259
Restricted for:			
Public safety	617,975	-	617,975
Library	147,087	-	147,087
Public works	14,626,924	-	14,626,924
Sewer	-	119,719	119,719
Transit	4,432,727	-	4,432,727
Community development	63,161,776	-	63,161,776
Unrestricted	(2,427,347)	21,779,991	19,352,644
Total net assets	$ 172,199,563	$ 48,506,548	$ 220,706,111

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants
Primary government:				
Governmental activities:				
General government	$ (8,443,264)	2,020,634	127,874	-
Public safety	(18,146,104)	8,381,167	1,178,963	-
Public works	(13,789,957)	3,449,707	68,109	2,512,071
Community development	(7,608,243)	1,940,333	2,775,885	-
Libraries	(3,412,353)	725,885	384,746	-
Transit	(4,670,596)	241,442	847,230	-
Parks and recreation	(11,372,543)	1,559,696	282,188	1,521,345
Interest on long-term debt	(5,445,133)	-	-	-
Total governmental activities	(72,888,193)	18,318,864	5,664,995	4,033,416
Business-type activities:				
Sewer	(1,282,188)	1,913,059	-	337,239
Water	(8,687,652)	8,225,347	973,155	-
Solid waste	(8,949,653)	8,976,635	17,484	-
Total business-type activities	(18,919,493)	19,115,041	990,639	337,239
Total primary government	$ (91,807,686)	37,433,905	6,655,634	4,370,655

General revenues and transfers:
Taxes:
Property taxes
Transient occupancy taxes
Sales taxes
Franchise taxes
Business licenses tax
Utility users tax
Motor vehicle in lieu tax, unrestricted
Transit tax
Investment income
Other
Gain on sale of capital assets
Transfers (note 6)

Total general revenues and transfers

Change in net assets
Net assets, beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
(6,294,756)	-	(6,294,756)
(8,585,974)	-	(8,585,974)
(7,760,070)	-	(7,760,070)
(2,892,025)	-	(2,892,025)
(2,301,722)	-	(2,301,722)
(3,581,924)	-	(3,581,924)
(8,009,314)	-	(8,009,314)
(5,445,133)	-	(5,445,133)
(44,870,918)	-	(44,870,918)
-	968,110	968,110
-	510,850	510,850
-	44,466	44,466
-	1,523,426	1,523,426
(44,870,918)	1,523,426	(43,347,492)
12,501,257	-	12,501,257
714,791	-	714,791
10,378,703	-	10,378,703
2,035,552	-	2,035,552
2,019,163	-	2,019,163
7,805,964	-	7,805,964
8,786,078	-	8,786,078
2,544,124	-	2,544,124
6,437,793	1,924,086	8,361,879
408,697	-	408,697
35,145	-	35,145
824,366	(824,366)	-
54,491,633	1,099,720	55,591,353
9,620,715	2,623,146	12,243,861
162,578,848	45,883,402	208,462,250
$ 172,199,563	$ 48,506,548	$ 220,706,111

CITY OF WHITTIER
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Special Revenue Funds: Transit Fund	Special Revenue Funds: Redevelopment Agency Low/Mod Housing
Assets:			
Cash and investments	$ 33,493,043	4,088,867	8,155,672
Restricted assets:			
Cash and investments	-	-	15,068,714
Cash and investments with fiscal agents	-	-	-
Receivables:			
Intergovernmental	3,405,399	593,291	120,515
Accounts	682,715	-	-
Notes and loans	341,987	-	1,186,054
Interest	359,996	47,504	107,336
Due from other funds (Note 6)	2,526,223	-	-
Advances to other funds (Note 6)	10,486,244	-	239,075
Prepaid items	10,058	-	-
Land held for resale	-	-	-
Total assets	$ 51,305,665	4,729,662	24,877,366
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 1,001,771	110,415	49,857
Accrued liabilities	280,756	9,704	-
Due to other funds (Note 6)	-	94,208	-
Deferred revenue	2,909,003	81,833	-
Deposits payable	37,944	775	-
Advances from other funds (Note 6)	-	-	-
Total liabilities	4,229,474	296,935	49,857
Fund Balances (Deficit):			
Reserved:			
Reserved for transit vehicles	-	127,500	-
Reserved for judgements	1,100,000	-	-
Reserved for projects	9,025,911	175,453	-
Reserved for public safety	1,903,601	-	-
Reserved for public employees retirement	6,229,824	-	-
Reserved for restricted assets	-	-	15,068,714
Reserved for encumbrances	267,515	23,421	-
Reserved for prepaid items	10,058	-	-
Reserved for continuing appropriations	772,495	111,984	-
Reserved for long-term advances and notes	7,919,228	-	1,425,129
Reserved for land held for resale	-	-	-
Unreserved/undesignated reported in:			
General fund	19,847,559	-	-
Special revenue funds	-	3,994,369	8,333,666
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total fund balances (deficit)	47,076,191	4,432,727	24,827,509
Total liabilities and fund balances	$ 51,305,665	4,729,662	24,877,366

See accompanying notes to the basic financial statements.

	Debt Service Funds			
Subventions and Grants	Redevelopment Agency Fund	Public Financing Authority	Non-major Governmental Funds	Total Governmental Funds
-	5,343,057	-	8,534,133	59,614,772
-	-	-	5,061,230	20,129,944
-	36,241,595	620,496	-	36,862,091
2,142,895	250,250	-	1,147,563	7,659,913
-	-	-	5,098	687,813
-	-	-	3,560,034	5,088,075
291	331,820	2,361	185,325	1,034,633
-	-	-	-	2,526,223
-	-	6,310,000	-	17,035,319
-	-	-	-	10,058
-	-	-	2,542,284	2,542,284
2,143,186	42,166,722	6,932,857	21,035,667	153,191,125
561,560	387,101	-	567,924	2,678,628
5,289	-	-	38,568	334,317
1,269,704	-	-	381,648	1,745,560
3,504,868	-	-	462,838	6,958,542
-	-	-	37,946	76,665
-	17,035,319	-	-	17,035,319
5,341,421	17,422,420	-	1,488,924	28,829,031
-	-	-	-	127,500
-	-	-	-	1,100,000
-	28,344,954	-	-	37,546,318
-	-	-	-	1,903,601
-	-	-	-	6,229,824
-	-	-	5,061,230	20,129,944
1,932,924	-	-	2,465,365	4,689,225
-	-	-	-	10,058
1,962,910	-	-	529,046	3,376,435
-	-	6,310,000	3,560,034	19,214,391
-	-	-	2,542,284	2,542,284
		-		
-	-	-		19,847,559
(7,094,069)	-	-	2,615,962	7,849,928
-	(3,600,652)	622,857	-	(2,977,795)
-	-	-	2,772,822	2,772,822
(3,198,235)	24,744,302	6,932,857	19,546,743	124,362,094
2,143,186	42,166,722	6,932,857	21,035,667	153,191,125

CITY OF WHITTIER
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2008

Fund balances of governmental funds	$ 124,362,094
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds (Including internal service funds).	
Capital assets - governmental funds	205,809,070
Capital assets - internal service funds	17,083,598
Accumulated depreciation - governmental funds	(108,145,081)
Accumulated depreciation - internal service funds	(12,361,035)
Long-term debt has not been included in the governmental funds	
Compensated absences	(3,762,633)
Developer loans payable	(4,310,395)
Tax allocation bonds payable	(41,800,000)
Revenue bonds payable	(21,735,000)
Certain accounts and intergovernmental receivables are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue in the governmental funds.	6,730,460
Deferred charges, net of accumulated amortization for debt issuance costs on long-term debt have not been reported in the governmental funds.	1,181,790
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.	(484,016)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets (Net of capital assets and long-term debt reported above).	
Claims payable	(6,638,783)
Other asset and liabilities	16,269,494
Net assets of governmental activities	$ 172,199,563

See accompanying notes to the basic financial statements.

CITY OF WHITTIER CALIFORNIA

INC. 1898

CITY OF WHITTIER
Statement of Revenues,
Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

		Special Revenue Funds	
	General	Transit Fund	Redevelopment Agency Low/Mod Housing
Revenues:			
Taxes	$ 25,768,636	2,544,124	1,954,819
Licenses and permits	1,823,315	-	-
Fines and forfeits	797,111	-	-
Use of money and property	2,804,170	212,107	836,707
Intergovernmental	7,997,315	847,230	-
Charges for services	14,047,658	175,234	-
Other	1,741,553	58,413	-
Total revenues	54,979,758	3,837,108	2,791,526
Expenditures:			
Current:			
General government	7,950,712	-	-
Public safety	27,286,040	-	-
Libraries	3,146,162	-	-
Parks and recreation	8,022,942	-	-
Public works	5,663,489	-	-
Local transit	-	4,525,796	-
Community development	645,479	-	793,956
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	832,822
Pass through agreements	-	-	-
Bond issue costs	-	-	-
Total expenditures	52,714,824	4,525,796	1,626,778
Excess of revenues over (under) expenditures	2,264,934	(688,688)	1,164,748
Other financing sources (uses):			
Issuance of debt	-	-	-
Payment to escrow agent	-	-	-
Loan additions	-	-	-
Transfers in (note 6)	1,338,300	-	-
Transfers out (note 6)	(2,664,198)	-	-
Total other financing sources (uses)	(1,325,898)	-	-
Net change in fund balances	939,036	(688,688)	1,164,748
Fund balances (deficit), beginning	46,137,155	5,121,415	23,662,761
Fund balances (deficit), ending	$ 47,076,191	4,432,727	24,827,509

See accompanying notes to the basic financial statements.

Subventions and Grants	Debt Service Funds: Redevelopment Agency Fund	Debt Service Funds: Public Financing Authority	Non-major Governmental Funds	Total Governmental Funds
-	7,819,276	-	73,637	38,160,492
-	-	-	114,325	1,937,640
-	-	-	535,032	1,332,143
548	1,593,482	838,010	475,364	6,760,388
4,809,777	-	-	5,647,853	19,302,175
-	-	-	54,347	14,277,239
-	-	-	113,620	1,913,586
4,810,325	9,412,758	838,010	7,014,178	83,683,663
-	-	-	-	7,950,712
64,851	-	-	421,891	27,772,782
194,880	-	-	35,587	3,376,629
2,469,838	-	-	-	10,492,780
69,315	-	-	2,243,845	7,976,649
-	-	-	-	4,525,796
-	1,259,078	-	4,680,472	7,378,985
-	-	-	1,996,917	1,996,917
-	1,208,017	255,000	-	1,463,017
-	2,472,628	852,521	779	4,158,750
-	2,220,583	-	-	2,220,583
-	-	292,920	-	292,920
2,798,884	7,160,306	1,400,441	9,379,491	79,606,520
2,011,441	2,252,452	(562,431)	(2,365,313)	4,077,143
-	15,116,818	308,182	-	15,425,000
-	(5,790,000)		-	(5,790,000)
-	1,142,901	-	-	1,142,901
-	-	3,550	6,339,596	7,681,446
-	(1,440,000)	-	(3,490,692)	(7,594,890)
-	9,029,719	311,732	2,848,904	10,864,457
2,011,441	11,282,171	(250,699)	483,591	14,941,600
(5,209,676)	13,462,131	7,183,556	19,063,152	109,420,494
(3,198,235)	24,744,302	6,932,857	19,546,743	124,362,094

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CITY OF WHITTIER
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Net Activities
Year Ended June 30, 2008

Net changes in fund balances - total governmental funds	$ 14,941,600
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. Includes internal service funds.	
Depreciation expense	(6,945,826)
Reclass of expenditures for purchases of capital assets recorded in governmental funds	12,450,463
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond principal	6,190,000
Notes payable	1,063,017
Issuance of tax allocation bonds and developer loan additions are reported as financial sources in governmental funds, which contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities	
Issuance of debt	(15,425,000)
Loan additions	(1,142,901)
The statement of net assets includes accrued interest on long term debt.	(92,066)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	(361,491)
Change in deferred charges that has not been reported in the governmental funds.	(1,009,334)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,094)
Internal service funds are not governmental funds. However, they are used by management to charge the net costs of certain activities, such as insurance, maintenance and vehicle replacement, to individual government funds. The net revenue of the internal service funds is reported with governmental activities.	(46,653)
Change in net assets of governmental activities	$ 9,620,715

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 25,628,000	25,628,000	25,768,636	140,636
Licenses and permits	1,681,500	1,681,500	1,823,315	141,815
Fines and forfeits	692,500	692,500	797,111	104,611
Use of money and property	1,414,638	1,414,638	2,804,170	1,389,532
Intergovernmental	7,055,850	7,784,028	7,997,315	213,287
Charges for services	14,083,172	14,322,996	14,047,658	(275,338)
Other	1,565,643	1,654,643	1,741,553	86,910
Total revenues	52,121,303	53,178,305	54,979,758	1,801,453
Expenditures:				
General government:				
City council	41,578	41,578	32,078	9,500
City clerk	572,187	595,017	562,554	32,463
City attorney	290,967	290,967	451,540	(160,573)
Elections	55,662	110,662	114,172	(3,510)
City manager	635,552	661,019	630,555	30,464
City controller	1,386,976	1,427,646	1,200,506	227,140
City treasurer	274,075	275,848	312,581	(36,733)
Business license	205,249	210,093	175,035	35,058
Human resources	637,435	700,947	633,628	67,319
Civic center maintenance	1,172,748	1,190,418	1,154,229	36,189
Non-Departmental	1,118,991	1,276,591	1,186,322	90,269
City planning	992,921	1,137,322	767,161	370,161
Fireworks show	16,565	37,021	7,159	29,862
Chamber of commerce	45,000	45,000	45,000	-
Employee special events	14,000	14,000	16,047	(2,047)
Public information services	75,793	77,557	52,631	24,926
Graffiti removal program	318,499	370,962	380,445	(9,483)
Social services	186,660	188,210	184,400	3,810
Dial-a-ride	42,168	42,168	44,669	(2,501)
Total general government	8,083,026	8,693,026	7,950,712	742,314
Public safety:				
Police department	25,625,912	27,004,289	26,276,173	728,116
Disaster preparedness	42,570	84,087	61,856	22,231
Toxic waste disposal	17,504	17,504	12,013	5,491
Code enforcement	382,296	391,907	389,860	2,047
Building and safety	679,359	741,692	738,092	3,600
Total public safety	26,747,641	28,239,479	27,477,994	761,485
Libraries				
Total libraries	3,130,333	3,434,196	3,146,162	288,034
Parks and recreation				
Parks and recreation	4,727,638	4,854,405	4,508,738	345,667
Community Services	3,128,367	3,490,175	3,514,204	(24,029)
Total parks and recreation	7,856,005	8,344,580	8,022,942	321,638

(continued)

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Public works:				
Weed control	$ 4,700	4,700	3,613	1,087
Street lighting	468,098	468,098	433,640	34,458
Street maintenance	3,726,232	4,933,566	4,481,082	452,484
Traffic signals	330,992	341,083	352,022	(10,939)
City engineering	344,881	373,622	393,132	(19,510)
Total public works	4,874,903	6,121,069	5,663,489	457,580
Community development:				
Community development	658,870	681,600	645,479	36,121
Total community development	658,870	681,600	645,479	36,121
Total expenditures	51,350,778	55,513,950	52,906,778	2,607,172
Excess (deficiency) of revenues over (under) expenditures	770,525	(2,335,645)	2,072,980	4,408,625
Other financing sources (uses):				
Loan additions	(2,267,000)	(2,268,287)	(1,889,777)	378,510
Transfers in	1,322,300	1,338,300	1,338,300	-
Transfers out	(293,275)	(2,629,250)	(2,664,198)	(34,948)
Total other financing sources (uses)	(1,237,975)	(3,559,237)	(3,215,675)	343,562
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing sources (uses)	(467,450)	(5,894,882)	(1,142,695)	4,752,187
Adjustments:				
To adjust for encumbrances	-	-	267,515	267,515
To adjust for loan repayments	1,851,442	1,851,442	1,814,216	(37,226)
Total adjustments	1,851,442	1,851,442	2,081,731	230,289
Excess (deficiency) of revenues and other sources over expenditures and other uses (US GAAP basis)	1,383,992	(4,043,440)	939,036	4,982,476
Fund balance at beginning of year	46,137,155	46,137,155	46,137,155	-
Fund balance at end of year	$ 47,521,147	42,093,715	47,076,191	4,982,476

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Transit Special Revenue Fund
Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Taxes	$ 2,505,000	2,505,000	2,544,124	39,124
Use of money and property	78,500	78,500	212,107	133,607
Intergovernmental	362,750	1,041,839	847,230	(194,609)
Charges for services	39,400	39,400	175,234	135,834
Other	60,000	60,000	58,413	(1,587)
Total revenues	3,045,650	3,724,739	3,837,108	112,369
Expenditures:				
Current:				
Local transit	3,419,246	5,289,164	4,556,220	732,944
Total expenditures	3,419,246	5,289,164	4,556,220	732,944
Excess (deficiency) of revenues over expenditures	(373,596)	(1,564,425)	(719,112)	845,313
Adjustments:				
To adjust for encumbrances	-	-	30,424	30,424
Total adjustments	-	-	30,424	30,424
Excess (deficiency) of revenues and other sources over expenditures and other uses (US GAAP basis)	(373,596)	(1,564,425)	(688,688)	875,737
Fund balance at beginning of year	5,121,415	5,121,415	5,121,415	-
Fund balance at end of year	$ 4,747,819	3,556,990	4,432,727	875,737

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Redevelopment Agency Low/Mod Housing Special Revenue Fund
Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Taxes	$ 1,619,200	1,619,200	1,954,819	335,619
Use of money and property	424,100	424,100	836,707	412,607
Total revenues	2,043,300	2,043,300	2,791,526	748,226
Expenditures:				
Current:				
Community development	648,964	816,552	793,956	22,596
Debt service:				
Interest and fiscal charges	-	-	832,822	(832,822)
Total expenditures	648,964	816,552	1,626,778	(810,226)
Net change in fund balance	1,394,336	1,226,748	1,164,748	(62,000)
Fund balance at beginning of year	23,662,761	23,662,761	23,662,761	-
Fund balance at end of year	$ 25,057,097	24,889,509	24,827,509	(62,000)

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Subventions and Grants Special Revenue Fund
Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Use of money and property	$ -	-	548	548
Intergovernmental	49,828	9,841,768	4,809,777	(5,031,991)
Total revenues	49,828	9,841,768	4,810,325	(5,031,443)
Expenditures:				
Current:				
Public safety	-	1,868,519	712,414	1,156,105
Libraries	-	421,424	216,744	204,680
Parks and recreation	-	4,384,216	3,727,484	656,732
Public works	49,828	403,629	75,166	328,463
Total expenditures	49,828	7,077,788	4,731,808	2,345,980
Excess (deficiency) of revenues over (under) expenditures		2,763,980	78,517	(2,685,463)
Adjustments:				
To adjust for encumbrances	-	-	1,932,924	1,932,924
Total adjustments	-	-	1,932,924	1,932,924
Net change in fund balance		2,763,980	2,011,441	(752,539)
Fund balance (deficit) at beginning of year	(5,209,676)	(5,209,676)	(5,209,676)	-
Fund balance (deficit) at end of fiscal year	$ (5,209,676)	(2,445,696)	(3,198,235)	(752,539)

See accompanying notes to the basic financial statements.

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CITY OF WHITTIER
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Solid Waste
Assets			
Current assets:			
Cash and investments (Note 3)	$ 1,718,298	18,268,479	11,151,929
Receivables:			
Intergovernmental	-	114,222	-
Accounts	147,729	1,212,644	1,595,799
Interest	9,753	169,760	108,239
Inventory	-	297,223	-
Prepaid items	-	-	69,961
Total current assets	1,875,780	20,062,328	12,925,928
Noncurrent assets:			
Restricted cash and investments (Note 3)	-	119,719	7,399,511
Restricted cash and investments with fiscal agents (Note 3)	-	796,644	850,371
Accounts receivable	-	-	29,302
Interest receivable	-	7,794	69,482
Deferred issuance costs	-	913,164	250,529
Advances to other funds (Note 6)	-	656,481	-
Capital assets not being depreciated	-	652,978	2,255,989
Capital assets being depreciated, net	2,743,330	21,531,208	8,942,625
Total noncurrent assets	2,743,330	24,677,988	19,797,809
Total assets	4,619,110	44,740,316	32,723,737
Liabilities			
Current liabilities:			
Accounts payable	233,577	386,807	918,327
Accrued liabilities	5,533	75,201	87,928
Accrued interest payable	-	37,618	59,340
Claims payable	-	-	-
Deposits payable	-	-	69,961
Unearned revenue	-	114,222	-
Due to other funds (Note 6)	-	42,197	-
Current portion of long-term obligations	6,420	317,849	396,566
Total current liabilities	245,530	973,894	1,532,122
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	9,631	161,774	114,850
Advances from other funds (Note 6)	656,481	-	-
Revenue bonds payable	-	9,460,000	2,340,000
Landfill closure and postclosure payable	-	-	18,082,333
Total noncurrent liabilities	666,112	9,621,774	20,537,183
Total liabilities	911,642	10,595,668	22,069,305
Net Assets			
Invested in capital assets, net of related debt	2,743,330	14,223,993	9,639,515
Restricted for connection fees	-	119,719	-
Unrestricted	964,138	19,800,936	1,014,917
Total net assets	3,707,468	34,144,648	10,654,432

See accompanying notes to the basic financial statements

Business-type Activities - Enterprise Funds Totals	Internal Service Funds
31,138,706	17,078,529
114,222	-
2,956,172	32,095
287,752	114,995
297,223	-
69,961	60,459
34,864,036	17,286,078
7,519,230	-
1,647,015	-
29,302	-
77,276	-
1,163,693	-
656,481	-
2,908,967	17,083,597
33,217,163	(12,361,035)
47,219,127	4,722,562
82,083,163	22,008,640
1,538,711	218,014
168,662	51,207
96,958	-
-	4,315,209
69,961	-
114,222	-
42,197	626,445
720,835	1,693,185
2,751,546	6,904,060
286,255	4,393,022
656,481	-
11,800,000	-
18,082,333	-
30,825,069	4,393,022
33,576,615	11,297,082
26,606,838	4,722,562
119,719	-
21,779,991	5,988,996
48,506,548	10,711,558

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CITY OF WHITTIER
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				
	Sewer	Water	Solid Waste	Totals	Internal Service Funds
Operating Revenues:					
Charges for services	$ 1,913,059	8,225,347	8,976,635	19,115,041	14,158,430
Total operating revenues	1,913,059	8,225,347	8,976,635	19,115,041	14,158,430
Operating Expenses:					
Sewer operations	1,215,659	-	-	1,215,659	-
Water operations	-	7,568,924	-	7,568,924	-
Solid waste collection and disposal	-	-	7,492,480	7,492,480	-
Provision for landfill closure and postclosure	-	-	868,339	868,339	-
Self Insurance	-	-	-	-	4,204,902
Employee benefits	-	-	-	-	3,887,835
Maintenance	-	-		-	5,052,799
Depreciation	62,318	578,601	399,644	1,040,563	1,180,812
Total operating expenses	1,277,977	8,147,525	8,760,463	18,185,965	14,326,348
Operating income (loss)	635,082	77,822	216,172	929,076	(167,918)
Nonoperating Revenues (Expenses):					
Intergovernmental	337,239	973,155	17,484	1,327,878	-
Use of money and property	46,253	1,115,018	762,815	1,924,086	456,481
Interest expense	(4,211)	(460,222)	(147,435)	(611,868)	-
Amortization expense	-	(79,905)	(41,755)	(121,660)	-
Gain on sale of capital assets	-	-	-	-	35,015
Other	-	-	-	-	205,994
Total nonoperating revenues	379,281	1,548,046	591,109	2,518,436	697,490
Income (loss) before transfers	1,014,363	1,625,868	807,281	3,447,512	529,572
Transfers:					
Transfers in (note 6)	-	5,687	-	5,687	739,060
Transfers out (note 6)	(114,813)	(115,883)	(599,357)	(830,053)	(1,250)
Total contributions and transfers	(114,813)	(110,196)	(599,357)	(824,366)	737,810
Change in net assets	899,550	1,515,672	207,924	2,623,146	1,267,382
Net assets, beginning of the year	2,807,918	32,628,976	10,446,508	45,883,402	9,444,176
Net assets at end of the year	$ 3,707,468	34,144,648	10,654,432	48,506,548	10,711,558

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				
	Sewer	Water	Solid Waste	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 1,885,820	8,956,822	9,154,429	19,997,071	14,159,566
Payments to suppliers	(770,042)	(5,296,439)	(5,227,136)	(11,293,617)	(13,354,440)
Payments to employees	(421,823)	(2,444,006)	(2,161,862)	(5,027,691)	8,147
Nonoperating rental income revenue received	-	345,819	7,061	352,880	205,994
Internal activity payments to/from other funds	-	-	-	-	193,475
Net cash provided by operating activities	693,955	1,562,196	1,772,492	4,028,643	1,212,742
Cash flows from noncapital financing activities:					
Receipts from other governmental agencies	337,239	973,155	17,484	1,327,878	-
Receipt from other funds	656,481	5,687	-	662,168	-
Transfers from other funds	(433,566)	(465,292)	(599,357)	(1,498,215)	739,060
Transfers to other funds	-	-	-	-	(1,250)
Net cash provided (used) in noncapital financing activities	560,154	513,550	(581,873)	491,831	737,810
Cash flows from capital and related financing activities:					
Sale of capital assets	-	-	-	-	2,763
Purchase of capital assets	(696,436)	(870,243)	(59,898)	(1,626,577)	(2,366,934)
Principal payments on long-term debt	-	(205,000)	(305,000)	(510,000)	-
Interest paid on long-term debt	(4,211)	(459,928)	(153,979)	(618,118)	-
Proceeds from disposal of capital assets	-	-	-	-	35,015
Net cash provided (used) in capital and related financing activities	(700,647)	(1,535,171)	(518,877)	(2,754,695)	(2,329,156)
Cash flows from investing activities:					
Interest on investments	44,125	812,756	799,137	1,656,018	508,985
Net cash provided by investing activities	44,125	812,756	799,137	1,656,018	508,985
Net increase (decrease) in cash and cash equivalents	597,587	1,353,331	1,470,879	3,421,797	130,381
Cash and cash equivalents, beginning of fiscal year	1,120,711	17,831,511	17,930,932	36,883,154	16,948,148
Cash and cash equivalents, end of fiscal year	$ 1,718,298	19,184,842	19,401,811	40,304,951	17,078,529
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:					
Reported on the statement of net assets:					
Cash and investments	$ 1,718,298	18,268,479	11,151,929	31,138,706	17,078,529
Cash and investments with fiscal agents - restricted	-	796,644	850,371	1,647,015	-
Cash and investments - restricted	-	119,719	7,399,511	7,519,230	-
Cash and cash equivalents - June 30, 2008	$ 1,718,298	19,184,842	19,401,811	40,304,951	17,078,529
Reconciliation of operating income to net cash provided by operations:					
Operating income (loss)	$ 635,082	77,822	216,172	929,076	(167,918)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	62,318	578,601	399,644	1,040,563	1,180,812
Nonoperating rental income revenue	-	345,819	7,061	352,880	205,994
(Increase) in prepaid items	-	-	38,080	38,080	(60,459)
Decrease (increase) in accounts receivable	(27,239)	731,475	177,794	882,030	572
Decrease (increase) in intergovernmental receivable	83,168	454,152	-	537,320	-
Increase (decrease) in accounts payable	19,828	(222,085)	46,357	(155,900)	(513,025)
Increase in accrued liabilities	1,283	8,267	14,250	23,800	6,457
Increase (decrease) in deposits payable	-	-	(38,080)	(38,080)	(530)
Increase (decrease) in deferred revenue	(83,168)	(454,152)	-	(537,320)	-
Increase (decrease) in claims payable	-	-	-	-	366,270
Decrease (increase) in inventories	-	(638)	-	(638)	-
Increase in landfill closure and postclosure costs	-	-	868,339	868,339	-
Increase (decrease) in compensated absences payable	2,683	42,935	42,875	88,493	1,094
Decrease in due to/from other funds	-	-	-	-	193,475
Total adjustments	58,873	1,484,374	1,556,320	3,099,567	1,380,660
Net cash provided by operating activities	$ 693,955	1,562,196	1,772,492	4,028,643	1,212,742

Noncash investing, capital, and financing activities:
There were no significant noncash investing, capital, and financing activities for the year ended June 30, 2008.

See accompanying notes to the basic financial statements.

CITY OF WHITTIER
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008

Assets:		
Cash and investments (Note 3)	$	1,346,117
Cash and investments with fiscal agents (Note 3)		1,075,212
Receivable:		
Accounts		152,081
Interest		4,518
Total assets	$	2,577,928
Liabilities:		
Accounts payable	$	38,613
Deposits payable		546,412
Due to other funds (Note 6)		112,021
Due to bondholders		1,880,882
Total liabilities	$	2,577,928

See accompanying notes to the basic financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Description of The Reporting Entity

The City of Whittier was incorporated in 1898, under the laws of the State of California.

The City of Whittier is a reporting entity which includes the following component units:

Whittier Redevelopment Agency
Whittier Public Financing Authority
Whittier Utility Authority

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units because in all cases the City Council serves as the governing board for each component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations, therefore data from these units are reported with the interfund data of the primary government.

(1) Summary of Significant Accounting Policies, (Continued)

a. Description of The Reporting Entity, (Continued)

The Whittier Redevelopment Agency and the Whittier Utility Authority issue separate component unit statements. Upon their completion, the financial statements of the component units can be obtained at City Hall. The following entities are considered to be component units of the City.

Whittier Redevelopment Agency

The Redevelopment Agency was established on September 21, 1971, pursuant to the State of California Health and Safety Code Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Whittier.

Whittier Public Financing Authority

The Whittier Public Financing Authority was formed on June 6, 1989, by a joint powers agreement between the City of Whittier and the Whittier Redevelopment Agency. It was created to acquire and finance the acquisition of public capital improvements necessary or convenient for the operation of the City or Agency.

Whittier Utility Authority

The Whittier Utility Authority (Authority) was established on February 1, 2002, by a joint powers agreement between the City of Whittier and the Whittier Public Financing Authority. The Authority was created to provide a legally binding framework for the relationship between the City's utility enterprise funds and the city's general fund, to address possible impacts of proposition 218, and to provide greater fiscal strength of the City's enterprise funds. The Authority is presented as Water, Sewer and Solid Waste enterprise funds in the accompanying financials.

b. Government-wide and Fund Financial Statements

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

(1) Summary of Significant Accounting Policies, (Continued)

b. Government-wide and Fund Financial Statements, (Continued)

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Fiduciary funds (Agency) use the accrual basis of accounting, but have no measurement focus. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WHITTIER
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

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

The City reports the following major governmental funds:

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

The Transit Special Revenue Fund - This fund accounts for the receipt and expenditure of Los Angeles County Prop A and C funds for transit and transit related costs and improvement projects.

Redevelopment Agency Low/Mod Housing Special Revenue Fund - This fund accounts for revenues and expenditures for the Greenleaf/Uptown, Whittier Boulevard, and Earthquake Recovery Redevelopment Project Area related to low and moderate income housing.

Subventions and Grants Special Revenue Fund – This fund accounts for activities of various State and Local monies.

Redevelopment Agency Debt Service Fund – This fund accounts for the property tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

Whittier Public Financing Authority Debt Service Fund – This fund accounts for the proceeds of the 2002 and 2007A Revenue Bonds, loaned to the Whittier Redevelopment Agency, and for the debt service payments.

CITY OF WHITTIER
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

The City reports the following Whittier Utility Authority as major proprietary funds:

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

The Sewer Enterprise Fund -- This fund accounts for the operation and maintenance of the wastewater system within the City's boundaries.

The Solid Waste Enterprise Fund -- This fund accounts for the collection and disposal of solid waste from industrial, commercial, and residential users throughout the Whittier area, for landfill closure and post closure costs, and for funding of environmental liabilities caused by water contamination.

Additionally, the City reports the following fund types:

The Capital Project Funds are used to account for capital expenditures funded from general revenues and to account for the financing, construction, and administrative activities of the Agency

The Internal Service Funds account for financial transactions related to the City's equipment maintenance, equipment replacement, and self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which includes assets held on behalf of employees for the City's flexible reimbursement account program, refundable deposits, CFD bondholders, and the Habitat Joint Powers Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise funds financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For enterprise funds activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

(1) Summary of Significant Accounting Policies, (Continued)

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

d. Assets, Liabilities, Net Assets or Equity

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considered cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The

(1) Summary of Significant Accounting Policies, (Continued)

Cash and Cash Equivalents, (Continued)

City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Whittier Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

Cash and Investments

Investments are reported in the accompanying financial statements at fair value, except for nonparticipating certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

In the fund financial statements, changes in fair value that occur during a fiscal year are recognized as *Use of money and property*. *Use of money and property* includes interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

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

Land held for resale

Land held for resale is capitalized at the lower of acquisition cost or estimated resale value. The fund balance is reserved in an amount equal to the carrying value of land held for resale because such assets are not available to finance the City's operations until sold.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Los Angeles for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of $1.00 per $100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation. The City's share of the $1.00 varies depending on the tax rate area and it ranges from $0.0730 to $0.0125. The City accrues only those taxes that are received within 60 days after year end.

Lien date:	January 1
Levy date:	July 1
Due date:	November 1 – 1st installment
	February 1 – 2nd installment
Delinquent date:	December 11 – 1st installment
	April 11 – 2nd installment

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

Taxes are collected by the Assessor of the County of Los Angeles and are remitted to the City periodically. Dates and percentages are as follows:

December	40% advance
January	10% advance
February	Collection No. 1
April	Advance to 85%
May	Collection of 2nd installment collected
July	Collection No. 2
August	Collection No. 3

Inventories

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

Restricted Assets

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

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance; resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy.

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, fine art, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $1,500 ($100,000 for infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2008.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 to 75
Improvements other than buildings	25 to 50
Infrastructure	20 to 50
Utility systems	30 to 80
Vehicles	8 to 15
Other equipment and furnishings	10 to 25
Computer equipment	10

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service fund which accounts for the City's self-insurance activities.

Compensated Absences

In accordance with GASB Statement No. 16, an employee benefits payable liability is recorded in an Internal Service Fund for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

The City utilizes an Internal Service Fund to account for its compensated absences. The short-term portion is determined to be the amount due to employees for future absences which is attributed to services already rendered and which is expected to be paid during the next fiscal year. The total amount of liability for compensated absences is segregated between short-term and long-term as indicated above and both portions are reflected in the Employee Benefits Fund.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee can not accrue more than one and one-half times their regular annual entitlement.

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

Sick leave is payable when an employee is unable to work because of illness. Upon termination, an employee will be paid for any unused sick leave in excess of 500 hours up to a maximum of 340 or 360 hours. Any unused sick leave less than 500 hours, or more than 840 hours for safety employees, or 860 hours for other full-time employees are forfeited upon termination of employment. The vested portion of these compensated absences is accrued in the Employee Benefits Fund.

Long-Term Liabilities

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

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

(1) Summary of Significant Accounting Policies, (Continued)

d. Assets, Liabilities, Net Assets or Equity, (Continued)

Net Assets and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Estimates

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

(2) Stewardship, Compliance, and Accountability

General Budget Policies

The City Council approves each fiscal year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Budget transfers that affect the total

(2) Stewardship, Compliance, and Accountability, (Continued)

General Budget Policies, (Continued)

appropriations for any fund require City Council approval. Budget transfers within a budget code with no change in appropriation within the budget code are approved by the City Manager only and do not require approval by the City Council. A budget code could be a program or a division of a department or a department. In most cases, expenditures may not legally exceed appropriations at the budget code level for the General fund, and fund level for Special Revenue, Capital Projects, and Debt Service Funds.

Legally adopted budgets for all governmental funds are established on a cash basis. At year end all operating budget appropriations lapse with the exception of encumbered and continuing appropriations. During the year, supplementary appropriations were immaterial. Budgets are adopted for all general, special revenue, capital project, and debt service funds.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

Continuing Appropriations

The unexpended and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year. These commitments are reported as a reservation of fund balance.

Budgetary Basis of Accounting

Budgets for governmental funds (which includes encumbrances, land acquisition and disposition, advances to other funds, loan payments and proceeds, and escrow fund releases) are adopted on a basis which differs from accounting principles generally accepted in the United States of America (US GAAP).

(2) Stewardship, Compliance, and Accountability, (Continued)

Budget Basis of Accounting, (Continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual (Budgetary Basis) – All Governmental Fund types present comparisons of the legally adopted budget with actual data on the budgetary basis. The differences between the budgetary basis and the US GAAP basis are presented on the same financial statements. Adjustments for the above budgetary differences were necessary to prepare statements on a US GAAP basis.

The following funds contained a deficit of fund balance as of June 30, 2008:

Special Revenue Fund:	
Subventions and Grants Fund	$ 3,709,289
Non-Major Governmental Funds	
Special Revenue Fund:	
Street Lighting District 1-91	75
Traffic Offender	146,016
Whittier Uptown Parking District No. 1	28,132
Uptown Village Maintenance District	28,980

The deficit in the Subventions and Grant Fund is a result of expenditures being incurred but has not been reimbursed by granting agencies due to stipulations of having projects completed prior to reimbursement.

The deficit in the Street Lighting District 1-91 fund is due to insufficient revenues to cover expenditures incurred.

The deficit in the Traffic Offender fund is due to expenditures being incurred before the revenue has been received.

The deficit in the Whittier Uptown Parking district No. 1 fund is due to insufficient property tax revenues to cover expenditures incurred.

The deficit in the Uptown Village Maintenance District Fund is due to insufficient tax revenues to cover expenditures incurred.

(2) Stewardship, Compliance, and Accountability, (Continued)

General Budget Policies, (Continued)

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

Fund	Final Budget	Expenditures	Excess
Major Funds:			
General Fund:			
City attorney	$ 290,967	451,540	160,573
Elections	110,662	114,172	3,510
City treasurer	275,848	312,581	36,733
Employee special events	14,000	16,047	2,047
Graffiti removal program	370,962	380,445	9,483
Dial-a-ride	42,168	44,669	2,501
Community services	3,490,175	3,514,204	24,029
Traffic signals	341,083	352,022	10,939
City engineering	373,622	393,132	19,510
Transfers out	2,629,250	2,664,198	34,948
Redevelopment Agency Low/Mod Housing Special Revenue Fund:	816,552	1,626,778	810,226
Public Financing Authority Debt Service Fund:	890,893	1,400,441	509,548

(2) Stewardship, Compliance, and Accountability, (Continued)
General Budget Policies, (Continued)

Fund	Budget	Expenditures	Excess
Non-Major Governmental Funds:			
State COPS Grant:	152,806	226,382	73,576
Business Improvement Area:	112,000	124,711	12,711
Traffice Congestion:	472,453	475,805	3,352
Whittier Uptown Parking District No. 1	61,452	75,531	14,079

(3) Cash and Investments

Cash and investments are reported as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and investments	$ 76,693,301	31,138,706	1,346,117	109,178,124
Restricted assets:				
Cash and investments	20,129,944	7,519,230	-	27,649,174
Cash and investments with fiscal agents	36,862,091	1,647,015	1,075,212	39,584,318
Totals	$ 133,685,336	40,304,951	2,421,329	176,411,616

Cash and investments at June 30, 2008 consisted of the following:

Petty cash	$ 10,661
Deposits with financial institutions	491,616
Investments	175,909,339
Total	$176,411,616

Investments Authorized by the California Government code and the City's Investment Policy

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

(3) Cash and Investments, (Continued)

Authorized Investment Type	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Yes	N/A	40%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	60%	None
Passbook Savings (Insured) Deposits with Banks and Savings and Loans	Yes	N/A	None	None
Certificates of Deposits	Yes	5 years	15%	None
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Bankers Acceptance, Prime Quality	Yes	5 years	40%	10%
Commercial Paper, Prime Quality	Yes	270 days	20%	10%
Medium Term Corporate Notes	Yes	1-3 years	20%	None
Money Market Mutual Funds	Yes	N/A	None	10%
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit with Bank of Savings & Loans	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances, Prime Quality	5 years	None	None
Commercial Paper, Prime Quality	5 years	None	None
Money Market Mutual Funds - U.S. Treasury	N/A	None	None
Investment Contracts	30 years	None	None
Medium Term Corporate Notes, Prime Quality	1-3 years	None	None
Local Agency Investment Fund (State Pool)	None	None	None

(3) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

		Remaining Maturity (in Months)					
Investment Type	Totals	6 Months Or Less	7-12 Months	13-24 Months	25-42 Months	43-60 Months	More Than 60 Months
U.S. Treasury bills	$ 8,939,760	7,471,800	1,467,960	-	-	-	-
Federal agency securities	61,169,752	27,716,627	12,515,390	8,974,275	11,963,460	-	-
Mortgage-backed securities	112	-	-	-	-	112	-
Local Agency Investment Fund (LAIF)	51,141,803	51,141,803	-	-	-	-	-
Held by fiscal agents:							
Money market funds	43,750,427	43,750,427	-	-	-	-	-
U.S. Treasury bills	1,078,918	1,078,918	-	-	-	-	-
U.S. Treasury bond	294,659	-	-	-	-	-	294,659
Federal agency securities	9,533,908	9,533,908	-	-	-	-	-
Totals	$ 175,909,339	140,693,483	13,983,350	8,974,275	11,963,460	112	294,659

(3) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Rating	Disclosure	AAA	AA	Rated
U.S. Treasury bills	$ 8,939,760	N/A	8,939,760	-	-	-
Federal agency securities	61,169,752	N/A	-	61,169,752	-	-
Mortgage-backed securities	112	AA	-	-	112	-
Local Agency Investment Fund (LAIF)	51,141,803	N/A	-	-	-	51,141,803
Held by fiscal agents:						
Money market funds	43,750,427	N/A	-	43,750,427	-	-
U.S. Treasury bills	1,078,918	N/A	1,078,918	-	-	-
U.S. Treasury bond	294,659	N/A	294,659	-	-	-
Federal agency securities	9,533,908	N/A	-	9,533,908	-	-
Total	$ 175,909,339		10,313,337	114,454,087	112	51,141,803

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	$ 13,383,836
FNMA	Federal agency securities	20,126,940
Federal Home Loan Bank	Federal agency securities	26,445,035
FFCB	Federal agency securities	11,473,140

(3) Cash and Investments, (Continued)

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, business-type activities, major funds) are as follows:

$20,776,282 and $24,688,626 of cash and investments (including amounts held by fiscal agents) reported in the governmental activities are held in the form of Federal National Mortgage Association Securities, which matures in July 2008 through March 2009 and Federal Home Loan Bank Securities, respectively.

Custodial Credit Risk

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

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

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

(4) Investment – Land Held For Resale

The City of Whittier and Whittier Redevelopment Agency have acquired several parcels of land as part of their primary purpose to develop or redevelop blighted properties. The City records these parcels as "land held for resale" in its financial records. The property is being carried at its net realizable value which is estimated to be equal to cost. At June 30, 2008, land held for resale totaled $2,542,284.

(5) Notes and Loans Receivable

	Outstanding Balance June 30, 2008
During the 2000-01 fiscal year, the City approved a Police Residence Incentive Program. Sworn Whittier police officers may apply for a forgivable loan toward the purchase of a single-family residence in the City. The loan shall be forgiven within 10 years for a $10,000 loan applied before fiscal year 2005-06. During 2005-06, the City increased the loan amount to $50,000 each and shall be forgiven within 15 years. The employee needs to maintain the property as his/her principal residence and remains an active sworn employee of the City. As of June 30, 2008, one loan of $44,500, one loan of $35,000, two loans of $50,000 each, sixteen loans of $10,000 each and one in the amount of $8,000 have been provided and $55,000 of principal has been forgiven and twelve loans have been repaid in the amount of $96,000.	$199,500
During the 1985-86 fiscal year, the Whittier Redevelopment Agency loaned the developer of the William Penn Manor Project, $500,000 for the site acquisition. During 1989-90 William Penn Manor borrowed an additional $103,401 (net of repayments) from the Whittier Redevelopment Agency, using Community Development Block Grant funds, for a total of $603,401. This loan is non-interest bearing and is to be repaid to the Agency upon the recording of a construction loan to the developer for development of the site and the sale, transfer, conveyance or refinancing of the site, or any part, thereof, by developer, with the exception that such sale, transfer, conveyance, or refinancing must first be approved in writing by the Agency. The loan is evidenced by a promissory note and secured by a first deed of trust. The William Penn Manor project is the development of the William Penn Manor, a 75 dwelling unit project to be occupied by low income senior citizens.	603,401

(5) Notes and Loans Receivable, (Continued)

	Outstanding Balance at June 30, 2008
During the 2000-01 fiscal year, the Agency implemented the Whittier CARE loan program. The program provides non-interest bearing loans to eligible homeowners for improvements to their owner or tenant occupied residence located in a specified area. The loans range from \$2,000 to \$25,000, and are secured by an agreement and covenants and may be written off after 5 years if the homeowner is in compliance with the programs' requirements. Repayment occurs if the property is sold or the requirements are not complied with within the 5 year period. As of June 30, 2008, forty-four families have received CARE loans and thirty-five loans were either paid or forgiven.	\$187,962
The City has entered into an owner participation agreement with TMG Properties Inc. (TMG) for economic development purposes. On January 24, 2002, the City loaned TMG \$355,000 for the purpose of procuring a parcel of land where TMG will operate an automobile dealership for a 10 year period. The City holds a note secured by a trust deed in 3rd position at an interest rate of 5%. One tenth of the principal will be due every year starting one year after completion of the project. If sales tax generated by the business exceeds the interest due then that year's interest will be forgiven. Entire principal is due if the business ceases operation within 10 years.	142,487
During the 1997-98 fiscal year, the Agency approved the First-time Homebuyer Program. Since then the Agency has loaned \$1,585,000 to seventy-four families. The program provides "silent second" loans to homebuyers of low and moderate income. The loans are interest free with no payments for the first five years, after which the borrowers pay 5% per year. Starting in the sixth year, one-fifteenth of the loan is forgiven. If the Borrower ceases to be the owner-occupant, the loan becomes due and payable. During the fiscal year ended June 30, 2008, \$65,788 in loan principal was either paid or forgiven.	394,691

(5) Notes and Loans Receivable, (Continued)

	Outstanding Balance June 30, 2008
The City uses Community Development Block Grant funds and Federal HOME funds to issue loans to low and moderate income families and individuals. These loans are low interest or zero interest loans and can be fully amortized or deferred until the secured property is sold. The proceeds are used to rehabilitate residences and the loans are secured by a deed of trust on the property.	$3,560,034
Total notes and loans receivable	$5,088,075

(6) Interfund Activity

The following represents the interfund activity of the City for the year ended June 30, 2008:

Due From/To Other Funds:

Due from (receivable fund)	Due to (payable fund)	Amount	
General Fund	Transit Fund	$ 94,208	(A)
	Subventions and Grants Fund	1,269,704	(A)
	Non-Major Governmental Funds	381,648	(A)
	Water Fund	42,197	(A)
	Internal Service Fund	626,445	(A)
	Fiduciary Funds - Agency	112,021	(A)
	Total	$ 2,526,223	

Amounts due to/from other funds represents: (A) elimination of negative cash balances in the funds.

(6) Interfund Activity, (Continued)

Advances To/From Other Funds

Advances to (receivable fund)	Advances from (payable fund)	Amount
General Fund	Redevelopment Agency Debt Service Fund	$ 10,486,244 (A)
Redevelopment Agency Low/ Mod Housing Fund	Redevelopment Agency Debt Service Fund	239,075
Public Financing Authority	Redevelopment Agency Debt Service Fund	6,310,000 (B)
	Total	$ 17,035,319
Water	Sewer	$656,481

Advance to/from other funds are as follows: (A) to subsidize expenditures incurred in the various project areas and (B) to reflect the amount owed to the Public Financing Authority Fund for the issuance of the 2002 Revenue Bonds.

Transfers To/From Other Funds

General Fund	Non-Major Governmental Funds	$1,338,300(A)
Non-Major Governmental Funds	General Fund	2,469,246
	Redevelopment Agency Debt Service	1,440,000(B)
	Water Fund	76,414
	Solid Waste Fund	287,068
	Non-Major Governmental Funds	2,066,867
Public Financing Authority Debt Service	Non-Major Governmental Funds	3,550
	Total	$7,681,445
Water Fund	Solid Waste Fund	$ 5,687
Internal Service Funds	General Fund	194,951(C)
	Sewer Fund	114,813
	Water Fund	39,469
	Solid Waste Fund	306,602
	Internal Service Fund	1,250
	Non-Major Governmental Funds	81,976
	Total	$ 744,748

(6) Interfund Activity, (Continued)

Transfers are used to: (A) reimburse General Fund for cost incurred, (B) reimburse the Redevelopment Agency Capital Projects Fund for advance repayment made during the year, and (C) reimburse internal service funds for costs incurred.

(7) Capital Assets

Governmental Activities

Capital asset governmental activity for the fiscal year ended June 30, 2008 was as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets, not being depreciated:				
Land	$ 29,875,268	-	-	29,875,268
Rights of way	5,325,506	-	-	5,325,506
Trees	2,358,927	13,498	(6,600)	2,365,825
Construction in progress	709,518	1,570,085	(382,582)	1,897,021
Total	38,269,219	1,583,583	(389,182)	39,463,620
Capital Assets, being depreciated:				
Buildings	13,501,120	8,315	-	13,509,435
Improvements	12,980,147	4,105,061	(5,816)	17,079,392
Machinery and equipment	23,898,355	2,882,270	(969,719)	25,810,906
Infrastructure:				
Roadways	106,690,856	2,265,642	-	108,956,498
Storm drains	1,833,174	1,562,735	-	3,395,909
Other street appurtenances	14,244,869	432,039	-	14,676,908
Total	173,148,521	11,256,062	(975,535)	183,429,048
Less accumulated depreciation for:				
Buildings	(8,864,150)	(234,789)	-	(9,098,939)
Improvements	(4,524,416)	(618,717)	5,816	(5,137,317)
Machinery and equipment	(18,777,096)	(1,444,459)	969,719	(19,251,836)
Infrastructure:				
Roadways	(70,193,527)	(4,224,672)	-	(74,418,199)
Storm drains	(1,449,733)	(53,298)	-	(1,503,031)
Other street appurtenances	(10,726,903)	(369,891)	-	(11,096,794)
Total	(114,535,825)	(6,945,826)	975,535	(120,506,116)
Capital assets being depreciated, net	58,612,696	4,310,236	-	62,922,932
Capital Assets, net	$ 96,881,915	5,893,819	(389,182)	102,386,552

(7) Capital Assets (Continued)

Governmental Activities (Continued)

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

	Governmental Activities
General government	$ 300,490
Public safety	143,675
Public works	5,624,651
Community development	39,810
Parks and recreation	656,801
Libraries	35,670
Transit	144,729
Total	$ 6,945,826

(7) Capital Assets (Continued)

Business-type activities

Capital asset business-type activity for the fiscal year ended June 30, 2008 was as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Sewer Fund:				
Capital assets, not being depreciated:				
Construction in progress	$ 167,358	-	(167,358)	-
Total capital assets, not being depreciated	167,358	-	(167,358)	-
Capital assets, being depreciated:				
Improvements	2,283,905	863,795	-	3,147,700
Machinery and equipment	40,435	-	-	40,435
Total sewer capital assets, being depreciated	2,324,340	863,795	-	3,188,135
Less - accumulated depreciation for:				
Improvements	(342,612)	(64,042)	-	(406,654)
Machinery and equipment	(39,875)	1,724	-	(38,151)
Total accumulated depreciation	(382,487)	(62,318)	-	(444,805)
Total sewer capital assets, being depreciated, net	1,941,853	801,477	-	2,743,330
Total sewer capital assets, net	$ 2,109,211	801,477	(167,358)	2,743,330
Water Fund:				
Capital assets, not being depreciated:				
Land	$ 598,955	-	-	598,955
B Construction in progress	116,805	-	(62,782)	54,023
Total	715,760	-	(62,782)	652,978
Capital assets, being depreciated:				
Improvements	31,139,962	927,071	-	32,067,033
Buildings	1,117,608	5,687	-	1,123,295
Machinery and equipment	547,004	-	(1,450)	545,554
Total water capital assets, being depreciated	32,804,574	932,758	(1,450)	33,735,882
Less - accumulated depreciation for:				
Improvements	(10,246,390)	(512,581)	-	(10,758,971)
Buildings	(924,954)	(42,807)	-	(967,761)
Machinery and equipment	(456,179)	(23,213)	1,450	(477,942)
Total accumulated depreciation	(11,627,523)	(578,601)	1,450	(12,204,674)
Total water capital assets, being depreciated, net	21,177,051	354,157	-	21,531,208
Total water capital assets, net	$ 21,892,811	354,157	(62,782)	22,184,186

(7) Capital Assets, (Continued)

Business-type Activities, (Continued)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Solid Waste Activity				
Capital Assets, not being depreciated:				
Land	$ 2,227,801	-	-	2,227,801
Construction in progress	28,188	-	-	28,188
Total capital assets, not being depreciated	2,255,989	-	-	2,255,989
Capital Assets, being depreciated:				
Improvements	13,378,364	59,897	-	13,438,261
Buildings	151,033	-	-	151,033
Machinery and equipment	2,195,015	-	(570)	2,194,445
Total Solid Waste Assets, being depreciated	15,724,412	59,897	(570)	15,783,739
Less - accumulated depreciation for:				
Improvements	(4,345,574)	(383,125)	-	(4,728,699)
Buildings	(147,309)	(393)	-	(147,702)
Machinery and equipment	(1,949,157)	(16,126)	570	(1,964,713)
Total accumulated depreciation	(6,442,040)	(399,644)	570	(6,841,114)
Total solid waste assets, being depreciated, net	9,282,372	(339,747)	-	8,942,625
Total solid waste assets, net	$ 11,538,361	(339,747)	-	11,198,164

(7) Capital Assets, (Continued)

Business-type Activities, (Continued)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Total Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 2,826,756	-	-	2,826,756
Construction in progress	312,351	-	(230,140)	82,211
Total capital assets, not being depreciated	3,139,107	-	(230,140)	2,908,967
Capital assets, being depreciated:				
Improvements	46,802,230	1,850,763	-	48,652,994
Buildings	1,268,641	5,687	-	1,274,328
Machinery and equipment	2,782,455	-	(2,020)	2,780,434
Total capital assets, being depreciated	50,853,326	1,856,450	(2,020)	52,707,756
Less - Accumulated depreciation for:				
Improvements	(14,934,576)	(959,748)	-	(15,894,324)
Buildings	(1,072,263)	(43,200)	-	(1,115,463)
Machinery and equipment	(2,445,211)	(37,615)	2,020	(2,480,806)
Total accumulated depreciation	(18,452,050)	(1,040,563)	2,020	(19,490,593)
Total capital assets, being depreciated, net	32,401,276	815,887	-	33,217,163
Total capital assets, net	$ 35,540,383	815,887	(230,140)	36,126,130

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

Business-Type Activities:	
Sewer	$ 62,318
Water	578,601
Solid Waste	399,644
Total	$1,040,563

(8) Long-Term Liabilities

The following is a summary of changes in the City's long-term liabilities for the year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Repayments	Balance at June 30, 2008	Due Within One Year
Governmental Activities:					
Compensated absences	$ 3,761,539	1,733,204	(1,732,110)	3,762,633	1,693,185
Developer loans payable	4,230,511	1,142,901	(1,063,017)	4,310,395	1,090,262
Tax Allocation bonds	47,735,000	-	(5,935,000)	41,800,000	620,000
Revenue bonds	6,565,000	15,425,000	(255,000)	21,735,000	635,000
Claims payable	6,272,512	3,083,812	(2,717,541)	6,638,783	4,315,209
Total	$ 68,564,562	21,384,917	(11,702,668)	78,246,811	8,353,656

	Balance at July 1, 2007	Additions	Repayments	Balance at June 30, 2008	Due Within One Year
Business-type Activities:					
Water Fund:					
Compensated absences	$ 225,967	109,197	(65,541)	269,623	107,849
Revenue refunding bonds	9,875,000	-	(205,000)	9,670,000	210,000
	10,100,967	109,197	(270,541)	9,939,623	317,849
Sewer Fund:					
Compensated absences	13,368	7,358	(4,675)	16,051	6,420
Solid Waste Fund:					
Compensated absences	148,541	123,936	(81,061)	191,416	76,566
Revenue refunding bonds	2,965,000	-	(305,000)	2,660,000	320,000
Landfill closure and postclosure	17,213,994	868,339	-	18,082,333	-
	20,327,535	992,275	(386,061)	20,933,749	396,566
Total	$30,441,870	1,108,830	(661,277)	30,889,423	720,835

(8) Long-Term Liabilities, (Continued)

Governmental long-term debt at June 30, 2008 consisted of the following:

Whittier Public Financing Authority 2002 Revenue Bonds, Series A

On March 19, 2002, the Whittier Public Financing Authority issued $7,505,000 of 2002 Series A Revenue Bonds. The proceeds for the bonds were loaned to the Whittier Redevelopment Agency pursuant to a loan agreement. The proceeds from the loans after payment of an underwriters discount of $172,998, plus bond funds from the 1992 Revenue Bonds Series A in the amount of $191,994 were used to pay costs of issuance, fund a reserve account, repay loans to the City, finance improvements, and to refund the Authority's 1992 Revenue Bonds Series A in the amount of $2,835,000. Interest on the bonds is payable semi-annually each November 1 and May 1. The principal matures each November 1 beginning in 2003 and maturing in 2023. The bonds have varying interest rates ranging from 2.50% to 5.60%. The bonds are secured by loan payments made by the Agency and the loan is secured by tax increment revenues of the redevelopment project area. The reserve requirement was $601,535 and the reserve as of June 30, 2008 was $602,760. The outstanding balance of the bonds at June 30, 2008 is $6,310,000.

Whittier Public Financing Authority 2007 Revenue Bonds, Series A

On August 1, 2007, the Whittier Public Financing Authority ("Authority") issued $15,425,000 of its 2007 Revenue Bonds, Series A ("Bonds"). The proceeds of $5,790,000 were used to advance refund the 1998 Tax Allocation Refunding Bonds ("1998 TABS"). The remaining net proceeds will be used to finance or refinance various redevelopment capital projects. The principal of the loan is payable in installments commencing on November 1, 2008 through November 1, 2038 and interest is payable semi-annually each November 1 and May 1 beginning November 1, 2008. Interest rates range from 4.00% to 5.00%. Principal and interest on the loan is payable by the Agency to the bond trustee, as assignee of the Authority under the indenture. The 1998 TABS were deposited in an irrevocable trust with an escrow agent. As a result, these 1998 TABS are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

(8) Long-Term Liabilities, (Continued)

Whittier Public Financing Authority 2007 Revenue Bonds, Series A (Continued)

The advance refunding resulted in a difference between the reacquisition price (amount placed in the escrow account) and the net carrying amount of the old debt of $162,513. This difference, reported in the accompanying financial statements as a deferred refunding charge, is being charged to operations through the year 2038 using the straight line method. The Authority completed the advance refunding to reduce the cash flows associated with its debt service payments over the next 30 years by $617,202 and to obtain a net economic gain (difference between the present values of the debt service payments on the old debt and the new debt) of $364,048. The amount of the Bonds outstanding at June 30, 2008 is $15,425,000.

The following schedule represents the minimum debt service requirements of the bonds:

Year Ending June 30,	Principal	Interest	Total
2009	$ 370,000	712,563	1,082,563
2010	360,000	697,963	1,057,963
2011	370,000	683,363	1,053,363
2012	375,000	668,463	1,043,463
2013	385,000	653,263	1,038,263
2014-2018	2,005,000	3,029,453	5,034,453
2019-2023	3,380,000	2,532,100	5,912,100
2024-2028	3,140,000	1,581,428	4,721,428
2029-2033	2,450,000	919,750	3,369,750
2034-2038	1,880,000	487,500	2,367,500
2039	710,000	17,750	727,750
	$ 15,425,000	11,983,596	27,408,596

(8) Long-Term Liabilities, (Continued)

2005 Tax Allocation Bonds

On June 14, 2005, the Whittier Redevelopment Agency issued $7,730,000 of 2005 Series A Tax Allocation Bonds. Proceeds from the sale of bonds will be used to (i) finance redevelopment activities within or for the benefit of the Agency's Earthquake Recovery Project Area, (ii) purchase a reserve fund surety bond in-lieu of a cash reserve account; and (iii) provide for the costs of issuance.

The principal of the bonds is payable each November 1 commencing 2006 through 2035. Interest is payable semi-annually each May 1 and November 1 beginning November 2005. Interest rates on the bonds range from 3.0% to 5.0%. The reserve requirement was $488,458. Payment of the principal and interest on the bonds is guaranteed by a municipal bond guaranty insurance policy. The principal amount outstanding at June 30, 2008 was $7,445,000.

2007A Tax Allocation Bonds

On May 24, 2007, the Whittier Redevelopment Agency issued $18,695,000 of Tax Allocation Bonds, 2007 Series A ("Bonds"). Proceeds from the sale of the Bonds will be used to (i) finance redevelopment activities within or *for* the benefit of the Agency's Commercial Corridor Redevelopment Project (the "Project Area.") in the City of Whittier, (ii) fund a reserve account for the Bonds, (iii) fund net capitalizable interest with respect to a position of the Bonds through May 1, 2010, and (iv) provide for the costs of issuing the Bonds. The principal of the Bonds is payable commencing on November 1, 2007 through November 1, 2038, and interest is payable semiannually each May 1. and November 1 beginning November 1, 2007. Interest rates range from 3.9% to 4.875%. The principal amount outstanding at June 30, 2008 is $18,695,000.

2007 B Taxable Tax Allocation Bonds

On May 24, 2007, the Whittier Redevelopment Agency issued $15,660,000 of Taxable Tax Allocation Bonds, 2007 Series B ("Bonds"). Proceeds from the sale of the Bonds will be used to (i) finance low and moderate income housing activities throughout the geographic boundaries of the City of Whittier, (ii) fund a reserve account for the Bonds; and (iii) provide for the costs of issuing the Bonds. The principal of the bonds is payable commencing on November 1, 2007 through November 1, 2038, and interest is payable semi-annually each May 1 and November 1 beginning November 1, 2007. Interest rates range from 5.50% to 6.09%. The principal amount outstanding at June 30, 2008 is $15,660,000.

(8) Long-Term Liabilities, (Continued)

Claims Payable

The City is self insured for general liability and workers' compensation claims. The City records losses for claims incurred but not reported when the probable amount of loss can be reasonably estimated. Total amount of estimated claims outstanding at June 30, 2008 is $6,638,783. The Internal Service Fund for self insurance has liquidated claims and judgments. Approximately 78% is funded by the general fund, 3% by Sewer fund, 11% by Water fund, and 8% by Solid Waste Fund.

Loans Payable

Quad Loan – the Whittier Redevelopment Agency has obligated an amount to GMS Realty, the owner of the Whittier Quad Shopping Center, pursuant to a Disposition and Development Agreement (DDA) dated October 20, 1988, a First Implementation Agreement dated November 16, 1990, a Second Implementation Agreement dated November 16, 1995, and an Amended and Restated DDA dated August 9, 1996.

The Agency originally entered into a Disposition and Development Agreement (DDA) with Ahmanson, a developer, for the development of the Whittier Quad, a retail and commercial shopping center. The Quad was sold to GMS Realty during the fiscal year 1996-97. The amended DDA states that the Agency has obligated 61.6% of gross property tax increment and 50% of sales tax revenues generated by the project. These two revenue sources will be used by the Agency to reimburse the developer for assessment district payments and City administrative costs on the Community Facilities District Bond 91-1 issued to finance the project less certain costs related to the December 1998 Refunding Bond.

In the event, however, that the tax increment and 50% of the sales tax generated by the Center are insufficient to cover the reimbursement, the balance becomes a loan from the owner of the Quad to the Agency at an annual interest rate of 8% from 1991-92 through 1993-94, 0% from 1994-95 through 1997-98, 3% from 1998-99 through 2001-02, 6% from 2002-03 through 2004-05 and 7% thereafter. Repayment of the remaining debt is still limited to the project's property tax increment and 50% of the sales tax. The balance outstanding at June 30, 2008 is $2,868,888.

(8) Long-Term Liabilities, (Continued)

Loans Payable (Continued)

Urbatec Loan – In January 1989, the Agency entered into a Disposition and Development Agreement (DDA) with Urbatec, a developer, for the development of the Whittier Marketplace, a retail and commercial shopping center. The Agency obligated 80% of net tax increment and 50% of sales tax revenues generated by the project. The agreement was dated August 1988, amended in July 1991, and amended through court in June 1996. These two revenue sources will be used by the Agency to reimburse the developer for assessment district payments less $50,000 and certain City administrative costs on the Community Facilities District Bond 89-1 issued to finance the project, refunded in August 1998.

In the event, however, that the tax increment and 50% of the sales tax generated by the center are insufficient to cover the reimbursement, the balance becomes a loan from Urbatec to the Agency at 2% annual interest (formerly at 8% prior to fiscal year 1996-97). Repayment of the remaining debt is still limited to the project's property tax increment and 50% of the sales tax. The balance outstanding at June 30, 2008 is $1,441,507.

No minimum debt service requirements are presented due to the fact the repayments are calculated based on sales tax revenue generated from the projects as well as tax increment received on the property.

Business-type Activity long-term debt at June 30, 2008 consisted of the following:

Revenue Bonds Payable, Water Fund 2003 Series A

On March 4, 2003, the Whittier Utility Authority issued 2003 Series A Revenue Bonds in the amount of $10,945,000 in order to advance refund the 1993 Water Revenue Refunding Bonds in the amount of $6,610,000, pay for discounts and costs of issuance, and finance improvements to the water production and distribution systems. In lieu of a reserve account, the Authority used a portion of the proceeds of issuance to purchase a reserve fund surety bond.

The bonds consist of $3,855,000 of serial bonds maturing in part each June 1 beginning in 2003 and ending in 2018. Interest rates on the serial bonds vary from 2.00% to 4.50%. The issue also consists of $7,090,000 of term bonds with maturity dates beginning on June 1, 2023 and then each subsequent 5 year period until final maturity in 2033.

(8) Long-Term Liabilities, (Continued)

Revenue Bonds Payable, Water Fund 2003 Series A (Continued)

The bonds will be paid from the net revenues (pledged revenue) of the water fund operations. The Authority has covenanted, to provide net revenues equal to at least 1.25 times the annual amount of principal and interest due on the bonds. For the fiscal year ended June 30, 2008, the net revenues are equal to or greater than the required amount times the aggregate amount of principal and interest.

The outstanding amount of bonds at June 30, 2008 is $9,670,000.

Solid Waste Revenue Bonds, 1993 Series A

In December of 1993, the City of Whittier issued $5,935,000 of Solid Waste Revenue Bonds, 1993 Series A. The proceeds were used to refund the Solid Waste Revenue Bonds, 1987 Series A and make improvements to prior projects. These bonds have been assigned to the Authority upon creation.

Bonds maturing in the years 1994 to 2008 are serial bonds payable in annual installments of $175,000 to $320,000. The bonds bear interest at 2.5% to 5.2%. Bonds maturing on August 1, 2014, in the amount of $2,340,000 are term bonds and bear interest at 5.375%. Bonds maturing on or before August 1, 2003, are not subject to optional redemption. Bonds maturing on or after August 1, 2004, are subject to redemption in whole or in part by lot prior to their stated maturities on any date commencing on or after August 1, 2003, at a premium ranging from 2% in 2003 to 0% in 2006. The term bonds are subject to mandatory redemption in whole or in part by lot, without premium, commencing August 1, 2009, and on each August 1 thereafter from sinking fund payments made by the Authority. The required reserve for the Solid Waste Revenue Bonds, 1993 Series A, is $451,901. As of June 30, 2008, the reserve was fully funded. The bonds are payable from the net revenues of the existing solid waste collection and disposal enterprise of the Authority. Net revenues must be equal to at least 1.50 times the aggregate amount of principal and interest on the bonds. At June 30, 2008, the net revenues are equal to 5.95 times the aggregate amount of principal and interest. The amount of bonds outstanding as of June 30, 2008 is $2,660,000.

(8) Long-Term Liabilities, (Continued)

Closure and Postclosure Payable, Continued Closure and Postclosure Payable

Federal and state laws and regulations require the City to place a final cover on its Savage Canyon landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The $18,082,333 reported as landfill closure and postclosure care liability at June 30, 2008 represents the cumulative amount reported to date based on the use of 55.89% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $17,213,994 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The City expects to close the landfill in the year 2048. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City is required by federal and state laws and regulations to accumulate assets held in trust to finance closure and postclosure care. At June 30, 2008, assets of $7,399,511 are held for these purposes. These are reported as restricted assets on the statement of net asset. The closure and postclosure care costs are primarily funded by a portion of the fee collected from landfill users. Postclosure costs will be covered from revenues of the Solid Waste Collection operation and interest earnings on the accumulated assets held in trust.

(8) Long-Term Liabilities, (Continued)

Governmental Long-Term Debt Amortization

The annual requirements to amortize long-term liabilities outstanding as of June 30, 2008 are as follows:

Year	Public Financing Authority 2002 Revenue Bonds, Series A		
Ending June 30,	Principal	Interest	Total
2009	$ 265,000	328,134	593,134
2010	275,000	316,045	591,045
2011	290,000	302,833	592,833
2012	305,000	288,473	593,473
2013	320,000	273,000	593,000
2014-2018	1,855,000	1,088,490	2,943,490
2019-2023	2,430,000	505,865	2,935,865
2024	570,000	15,675	585,675
	$ 6,310,000	3,118,515	9,428,515

(8) Long-Term Liabilities, (Continued)

Governmental Long-Term Debt Amortization, (Continued)

Year Ending June 30,	2005 Tax Allocation Bonds Principal	Interest	Total
2009	$ 150,000	328,420	478,420
2010	155,000	323,845	478,845
2011	160,000	319,120	479,120
2012	165,000	314,142	479,142
2013	170,000	308,801	478,801
2014-2018	955,000	1,447,250	2,402,250
2019-2023	1,175,000	1,238,284	2,413,284
2024-2028	1,420,000	953,541	2,373,541
2029-2033	1,790,000	558,750	2,348,750
2034-2036	1,305,000	99,875	1,404,875
	$ 7,445,000	5,892,028	13,337,028

June 30,	2007 A Tax Allocation Bonds Principal	Interest	Total
2009	$ 190,000	916,953	1,106,953
2010	195,000	909,348	1,104,348
2011	300,000	898,846	1,198,846
2012	315,000	885,205	1,200,205
2013	330,000	870,658	1,200,658
2014-2018	1,895,000	4,101,308	5,996,308
2019-2023	2,395,000	3,584,978	5,979,978
2024-2028	3,050,000	2,912,319	5,962,319
2029-2033	3,895,000	2,045,026	5,940,026
2034-2038	4,980,000	937,670	5,917,670
2039	1,150,000	28,848	1,178,848
	$ 18,695,000	18,091,159	36,786,159

(8) Long-Term Liabilities, (Continued)

Governmental Long-Term Debt Amortization, (Continued)

Year Ending June 30,	2007 B Tax Allocation Bonds Principal	Interest	Total
2009	$ 280,000	925,108	1,205,108
2010	295,000	909,296	1,204,296
2011	310,000	892,658	1,202,658
2012	325,000	875,196	1,200,196
2013-2017	1,890,000	4,081,590	5,971,590
2018-2022	2,445,000	3,467,109	5,912,109
2023-2027	3,230,000	2,610,174	5,840,174
2028-2032	3,030,000	1,638,819	4,668,819
2033-2037	2,600,000	798,354	3,398,354
2038-2039	1,255,000	77,495	1,332,495
	$ 15,660,000	$ 16,275,799	$ 31,935,799

Business-Type Activity Long-Term Debt Amortization

Year Ending June 30,	2003 Water Revenue Bonds Principal	Interest	Total
2009	$ 210,000	451,413	661,413
2010	220,000	445,323	665,323
2011	225,000	438,063	663,063
2012	235,000	430,188	665,188
2013	245,000	421,375	666,375
2014-2018	1,445,000	1,944,780	3,389,780
2019-2023	1,820,000	1,585,163	3,405,163
2024-2028	2,315,000	1,097,250	3,412,250
2029-2033	2,955,000	457,750	3,412,750
	$ 9,670,000	7,271,305	16,941,305

(8) Long-Term Liabilities, (Continued)

Business-type Activity Long-Term Debt Amortization, (Continued)

Year Ending June 30,	1993 Solid Waste Revenue Bonds Principal	Interest	Total
2009	320,000	134,096	454,096
2010	340,000	116,638	456,638
2011	360,000	97,825	457,825
2012	375,000	78,072	453,072
2013	400,000	57,244	457,244
2014	865,000	47,165	912,165
	$ 2,660,000	531,040	3,191,040

Defeasance of Debt

The City defeased or partially defeased the 1998 Tax Allocation Refunding Bonds and by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the defeased debt. Accordingly, the trusts' assets and the liability for the defeased debt issues are not included in the City's financial statements. The outstanding balances of the debt considered defeased as of June 30 was $5,790,000.

(9) Debt Without Government Commitment

The following bond issues are not reflected in long-term debt because these debts are solely payable from and secured by the assets and revenues of other parties. Neither the faith and credit, nor the taxing power of the City, the Redevelopment Agency, the Public Financing Authority, the State of California or any political subdivision thereof, is pledged for the payment of these debts.

(9) Debt Without Government Commitment, (Continued)

Community Facilities District No. 1989-1 (Whittier Station Center) of the City of Whittier 1998 Special Tax Bonds

On July 23, 1998, the Community Facilities District issued $5,470,000 of 1998 Special Tax Refunding Bonds. The bonds mature on September 1, 2024. The bonds have varying interest rates ranging from 5.1% to 6% and interest is payable semi-annually on March 1 and September 1 of each year. The bonds were authorized by Ordinance 2466 and were issued pursuant to Bonds, Article 5 of said Ordinance. The purpose of the bonds is to advance refund the outstanding Community Facilities District No. 1989-1 (Whittier Station Center) 1989 Special Tax Bonds. Funds for payment of bond principal and interest requirements, as they come due, are to be obtained from a special tax levied by the City on behalf of the District against lands within the District. These bonds are payable only from special assessment collections from the property owners and funds pledged under a Fiscal Agent Agreement. The City is in no way liable for repayment. The City is only acting as an agent for the property owners and bondholders in collecting and forwarding the special assessments toward bond debt service. The outstanding principal balance at June 30, 2008 is $4,380,000.

Community Facilities District No. 1991-1 (Whittier Boulevard/Painter Avenue) 1998 Special Tax Bonds

On December 23, 1998, the Community Facilities District issued $6,285,000 of 1998 Special Tax Refunding Bonds. The bonds mature on September 1 of each year from 1999 to 2012. The bonds have varying interest rates ranging from 3.6% to 5.4% and interest is payable semi-annually on March 1 and September 1, of each year, commencing September 1, 1999. The bonds were authorized by Ordinance 2466 and were issued pursuant to the provisions of the City of Whittier Special Tax Financing Improvement Code, enacted by the City on June 6, 1989. The purpose of the bonds is to advance refund the outstanding Community Facilities District No. 1991-1 (Whittier Boulevard/Painter Avenue) 1991 Special Tax Bonds. Funds for payment of bond principal and interest requirements, as they come due, are to be obtained from a special tax levied by the City on behalf of the District against lands within the District. These bonds are payable only from special assessment collections from the property owners. The City is in no way liable for repayment. The City is only acting as an agent for the property owners and bondholders in collecting and forwarding the special assessments toward bond debt service. The outstanding principal balance at June 30, 2008 is $2,690,000.

(9) Debt Without Government Commitment, (Continued)

Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital) Series 2007

The City of Whittier entered into a Loan Agreement dated January 1, 2007, and a Supplemental Master Indenture of Trust for Obligation No. 3 dated January 1, 2007, with Presbyterian Intercommunity Hospital, Inc. ("Hospital"), InterHealth Corp., and IHC Management Corp. pursuant to which the City has issued Bonds for $292,000,000 on January 1, 2007, at the PARS rate. Bonds accruing at the PARS Rate shall be computed on the basis of a 360-day year for the actual number of days elapsed if the PARS are in a daily, seven-day, 14-day, 28-day, 35-day, a three-month auction period or a special auction period of 182 days or less and on the basis of a 360-day year, consisting of twelve 30-day months, if the PARS are in a six-month auction period or a special auction period of greater than 182 days. The proceeds of the Series 2007A Bonds, the Series 2007B Bonds, the Series 2007C and the 2007D Bonds will be applied to finance and refinance the acquisition, construction, equipping and improvement of certain facilities owned or operated by the Hospital. In addition, to advance refund all of the outstanding principal amount of the $80,000,000 City of Whittier Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2002. The Bonds mature in June 2036. The City is not obligated to pay the principal, premium and interest on the Bonds. Outstanding balance at June 30, 2008 is $292,000,000.

Variable Rate Demand Revenue and Refunding Bonds (Whittier College) Series 2004

The City of Whittier entered into a Loan Agreement dated April 7, 2004 with Whittier College ("College"), pursuant to which the City has issued bonds for $60,000,000 on April 7, 2004, at a Weekly Interest rate with a maximum rate of 12% per annum. The proceeds of the Series 2004 Bonds will be applied to finance the acquisition, construction, expansion, rehabilitation, remodeling, renovation, and/or equipping of certain educational facilities of the College. In addition, to provide for the current refunding of the City's Educational Facility Revenue Refunding Bonds (Whittier College) Series 1993, to fund a debt service reserve fund for the Bonds and to pay costs incurred in connection with the issuance of the Bonds. The Bonds mature in December 1, 2033. The City is not obligated to pay the principal, premium and interest on the Bonds. Outstanding balance at June 30, 2008 is $56,695,000.

(10) Defined Benefit Pension Plan

Plan Description

The City of Whittier contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. All full time employees other than Safety are in the 2.5% at age 55 plan, while Safety employees are in the 3% at age 50 plan with a maximum of 90% of their single highest year's pay. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions of 4.6% required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2008 was 29.70% for safety employees and 6.42% for miscellaneous employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

Annual Pension Cost

For the fiscal year ended June 30, 2008, the City's annual pension cost (employer contribution) of $3,835,221 for safety employees and $1,662,718 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of an actuarial valuation performed as of June 30, 2005 using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a three-year period (smoothed market value). PERS' unfunded actuarial accrued liability is being

(10) Defined Benefit Pension Plan (Continued)

Annual Pension Cost, (Continued)
amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and the current service unfunded liability into a single initial unfunded liability. The single funding horizon for this initial unfunded liability is June 30, 2036 for the safety plan and the miscellaneous plan.

A summary of principle assumptions and methods used to determine the ARC is shown below.

	Safety Plan	Miscellaneous Plan
Valuation Date	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

(10) Defined Benefit Pension Plan (Continued)

The Schedule of Funding Progress presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information - Safety

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* As a % of Payroll
6/30/2005	$ 102,179,897	$ 80,120,356	$ 22,059,541	78.4%	$ 9,142,837	241.3%
6/30/2006	108,449,431	85,084,163	23,365,268	78.5%	8,814,969	265.1%
6/30/2007	115,397,938	90,358,049	25,039,889	78.3%	9,457,332	264.8%

Required Supplementary Information – Miscellaneous

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* As a % of Payroll
6/30/2005	$ 91,083,799	$ 95,436,116	$ (4,352,317)	104.8%	$ 14,088,282	(30.9)%
6/30/2006	97,890,413	101,431,047	(3,540,634)	103.6%	14,812,522	(23.9)%
6/30/2007	105,843,757	108,354,247	(2,510,490)	118.8%	15,063,179	(16.7)%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	$3,671,329	1,382,653	100%	-
6/30/2007	3,568,167	1,397,301	100%	-
6/30/2008	3,835,221	1,662,718	100%	-

*UAAL refers to unfunded actuarial accrued liability.

(11) Fund Balance Reservations

The City has established certain fund balance reserve accounts to report amounts which represent resources not available for appropriation.

a. Amounts reserved for encumbrances are commitments for materials and services on purchase orders
b. Amounts reserved for long-term advances indicate that repayments are not available as a resource to meet expenditures of the current year.
c. Amounts reserved for continuing projects in governmental funds are unexpended appropriations on incomplete capital improvement projects which have been carried forward into the new fiscal year.
d. The reserve for land held for resale in the capital projects funds is equal to the amount of land inventory available for sale to developers for development purposes in future years.
e. The reserve for restricted assets represents cash and investments, interest receivable, and accounts receivable which are to be used for specific purposes in the future.
f. The reserve for public employees' retirement represents amounts set aside to be used to fund employees' retirement in the future.
g. the 20% housing set aside money in the Whittier Redevelopment Agency.
h. The reserve for prepaid items is equal to the prepaid expenses which are not available as a resource to meet current year expenditures.

(12) Risk Management

The City adopted a self-insured workers' compensation program which is administered by a third party administrator. The City is self-insured for the first $500,000 on each claim. Insurance coverage in excess of the self-insured amount is provided by CSAC-EIA, a Joint Powers Authority, at statutory amounts for workers' compensation. Also, the City is self-insured for the first $500,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by California Insurance Pool Authority (CIPA) up to a limit of $42,000,000. According to City management, settled claims have not exceeded the commercial coverage since inception.

(12) Risk Management, (Continued)

While the ultimate amount of losses incurred through June 30, 2008, are dependent on future developments, based upon information from the City Attorney, outside counsel, third party administrators, and others involved with the administration of the programs, management believes that the designation is adequate to cover such losses. Costs relating to the litigation of claims are expensed as incurred. Losses for claims incurred but not reported are recorded when the probable amount of loss can be reasonably estimated.

The following is a schedule of changes in claims and judgments for the fiscal year ended June 30, 2008:

	Worker's Compensation	General Liability	Total
Claims and judgments at June 30, 2006	$3,392,146	1,571,988	4,964,134
Claims payments	(1,139,853)	(1,343,119)	(2,482,972)
Claims incurred and changes in estimates	2,507,896	1,281,999	3,789,895
Claims and judgments at June 30, 2007	4,760,189	1,510,868	6,271,057
Claims payments	(1,941,865)	(775,677)	(2,717,542)
Claims incurred and changes in estimates	709,812	2,375,456	3,085,268
Claims and judgments at June 30, 2008	$3,528,136	3,110,647	6,638,783

(13) Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is available to full-time employees and the other plan is available to part-time employees only. The Omnibus Budget Reconciliation Act of 1990 mandates social security coverage for state and local government employees who are not covered by a retirement plan. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. Since the City's PERS retirement plan is primarily available for full-time employees only, a deferred compensation plan was established in December 1991 to comply with the mandate. All part-time employees not covered under the PERS retirement plan contribute 7.5% of their salary to the plan. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by third party administrators for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

(14) Post Retirement Health Insurance

In addition to the pension benefits described in Note 10, the City provides certain health insurance benefits, in accordance with memorandum of understandings, to retired employees. Employees may become eligible for the benefits through age 65 if they reach normal retirement age while working for the City and have 15 years of service under the PERS system, including employment with another employer. For year June 30, 2008, the City contributed up to $415 per month toward the cost of health insurance provided under the City's health insurance program. The City recognizes the cost of providing these benefits on a pay-as-you-go basis by expensing the annual insurance premiums which totaled $789,119 for retired employees, $300,733 of which was paid by the City for the fiscal year. Currently, these benefits are provided for 102 retirees.

(15) Litigation

The City is a defendant in eminent domain and other personal injury lawsuits of a nature common to many similar jurisdictions. City management believes that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

(16) Commitments and Contingencies

The City has been named as a responsible party by the Environmental Protection Agency for clean up at a waste disposal facility located within the City. The City has already contributed to the clean up, however, assessments are continuing and the City may be liable for additional contributions. At the present time any amounts due are not known and City management believes that amounts due, if any, would not materially offset the financial statements of the City.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

The Whittier Redevelopment Agency and the Whittier Public Financing Authority created the Whittier Utility Authority (Authority) on February 1, 2002. The Authority leases from the City, all of its utility enterprise funds. The Authority has also entered into a management agreement with the City for the operation and maintenance of the utility enterprises. The lease expires January 31, 2057 and all of the utility enterprise assets and activities revert back to the City. The minimum annual lease payments from the Authority to the City amount to $878,743. The maximum amount of lease payments over the term of the lease cannot exceed $143,609,173 (present value).

(16) Commitments and Contingencies, (Continued)

Future minimum lease payment requirements are as follows:

Year Ending June 30,	Amount
2009	878,743
2010	878,743
2011	878,743
2012	878,743
2013	878,743
2014-2018	4,393,715
2019-2023	4,393,715
2024-2028	4,393,715
2029-2033	4,393,715
2034-2038	4,393,715
2039-2043	4,393,715
2044-2048	4,393,715
2049-2053	4,393,715
2054-2057	3,514,972
	$ 43,058,407

(17) Subsequent Events

On November 13, 2008, the City entered into a loan agreement with the Whittier College ("College") dated November 13, 2008, pursuant to which the City has issued refunding bonds ("Bonds") for $56,000,000. The proceeds of the Series 2008 College Bonds will be used to (i) finance the planning, construction, renovation, remodeling and/or improving of certain athletic facilities, other facilities, classrooms and other miscellaneous capital projects at the College (ii) provide for current refunding of City's Series 2004 College Bonds (iii) to pay for costs incurred associated with the issuance of the Series 2008 College Bonds. This Bond is not the debt of the City and is solely payable from and secured by the assets and revenues of other parties. The bond matures on December 1, 2038 that interest has been in a Weekly Interest Rate Period until converted to a Term Interest Rate Period. The Weekly Interest Rate cannot exceed 10% per annum.

On November 19, 2008, the City entered into an agreement with Bernards' Bros. Inc. for the construction of the City's police facility in the amount of $20,714,000.

Supplementary Information

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CITY OF WHITTIER

MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources and payment of the City's long-term debt.

The Whittier Redevelopment Agency Debt Service Fund – to account for the property tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

Whittier Public Financing Authority Debt Service Fund – to account for the proceeds of the 2002 and 2007A Revenue Bonds, loaned to the Whittier Redevelopment Agency, and for the debt service payments.

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Debt Service Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ 6,476,800	7,819,276	1,342,476
Use of money and property	506,600	1,593,482	1,086,882
Total revenues	6,983,400	9,412,758	2,429,358
Expenditures:			
Current:			
Community development	1,084,415	1,259,078	(174,663)
Debt service:			
Principal	3,461,279	1,208,017	2,253,262
Interest and fiscal charges	1,580,046	2,472,628	(892,582)
Pass through agreements	1,754,675	2,220,583	(465,908)
Total expenditures	7,880,415	7,160,306	720,109
Excess (deficiency) of revenues and other sources over expenditures and other uses	(897,015)	2,252,452	3,149,467
Other financing sources (Uses):			
Issuance of debt	15,116,818	15,116,818	-
Payment to escrow agent	(5,790,000)	(5,790,000)	-
Loan additions	1,631,728	1,142,901	(488,827)
Transfers out	-	(1,440,000)	(1,440,000)
Total other financing sources (uses)	10,958,546	9,029,719	(1,928,827)
Net change in fund balance	10,061,531	11,282,171	1,220,640
Fund balance (deficit) at beginning of year	13,462,131	13,462,131	-
Fund balance (deficit) at end of year	$ 23,523,662	24,744,302	1,220,640

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Public Financing Authority Debt Service Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 593,998	838,010	244,012
Total revenues	593,998	838,010	244,012
Expenditures:			
Debt service:			
Bond issue costs	292,920	292,920	-
Principal	255,000	255,000	-
Interest and fiscal charges	342,973	852,521	(509,548)
Total expenditures	890,893	1,400,441	(509,548)
Excess (deficiency) of revenues over expenditures	(296,895)	(562,431)	(265,536)
Other financing sources (Uses):			
Issuance of debt	308,182	308,182	-
Transfers in	3,975	3,550	(425)
Total other financing sources (uses)	312,157	311,732	(425)
Net change in fund balance	15,262	(250,699)	265,961
Fund balance at beginning of year	7,183,556	7,183,556	-
Fund balance at end of year	$ 7,198,818	6,932,857	265,961

CITY OF WHITTIER

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Home Grant Fund – to account for the receipt and expenditures of the City's Home Grant entitlement from the U.S. Department of Housing and Urban Development (HUD).

Street Lighting District 1-91 Fund – to account for street lighting assessment charges to provide for street lighting facilities for Foxley Drive between Santa Fe Springs Road and Villa Drive.

Asset Seizure – Forfeitures Fund – to account for the receipt of seized assets that were the proceeds from, or used in the sale or possession of, illegal narcotics trafficking, and the expenditure of such assets for law enforcement purposes.

SB 358 Library Grant Fund – to account for the receipt and expenditure of state funds received under the Public Library Grant Program.

State COPs Fund – to account for the receipt and expenditure of state funds received under the Citizens Option for Public Safety program.

Air Quality Improvement Fund – to account for motor vehicle registration fees received from the South Coast Air Quality Management District to reduce air pollution from motor vehicles pursuant to the California Clean Air Act of 1988.

Business Improvement Area fund – to account for special levy imposed on businesses in the Uptown Village area to promote various activities within the area.

Earthquake Relief Fund – to account for donations made to the Whittier Earthquake Relief Fund for providing earthquake relief grants to eligible establishments.

State Gas Tax Fund – to account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes, which are required by state law to be used to maintain streets.

Traffic Safety Fund – to account for fines collected on vehicle code violations which can be expended only for traffic safety purposes.

Traffic Offender Fund – to account for revenues from the Vehicle Impound Program as well as court fines from traffic violations. This fund will support the Traffic Safety Program after a grant from the California Office of Traffic Safety has been exhausted.

CITY OF WHITTIER

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS
(Continued)

Traffic Congestion Fund – to account for the receipt and expenditures of State funds to relieve traffic congestion by supplementing the City's Capital Improvement Program.

HUD Grants Fund – to account for the receipt and expenditure of the City's entitlement under the federal Community Development Block Grant and the Rental Rehabilitation Grant programs of the U.S. Department of Housing and Urban Development (HUD).

Whittier Uptown Parking District No. 1 Fund – to account for the operation and maintenance of the multi-deck structure on Bright Avenue.

Whittier Uptown Parking District No. 2 Fund – to account for the operation and maintenance of the various surface parking lots in the Uptown Village area.

Uptown Village Maintenance District Fund – to account for benefit assessments against Uptown Village property owners for the maintenance of special street enhancements and litter control in the Uptown Village area.

CAPITAL PROJECTS FUND

The Whittier Redevelopment Agency Capital Projects Fund – to account for the financing, construction, and administrative activities of the Agency.

Capital Outlay Fund – to account for major capital projects funded from general revenues, as required by Section 1112 of the City Charter.

CITY OF WHITTIER
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds				
	HOME Grant	Street Lighting District 1-91	Asset Seizure Forfeiture	SB358 Library Grant	State COPS Grant
Assets:					
Cash and investments	$ -	-	-	145,728	320,909
Restricted assets:					
Cash and investments	-	-	1,779,846	-	-
Receivables:					
Intergovernmental	21,691	-	-	-	-
Accounts	-	-	-	-	-
Notes and loans	1,426,482	-	-	-	-
Interest	24,197	-	26,268	1,359	3,454
Land held for resale	-	-	-	-	-
Total Assets	$ 1,472,370	-	1,806,114	147,087	324,363
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	$ 3,544	32	-	-	-
Accrued liabilities	2,302	-	3,581	-	8,289
Due to other funds	14,343	43	-	-	-
Deferred revenues	24,197	-	-	-	-
Deposits payable	1,500	-	3,148	-	-
Total Liabilities	45,886	75	6,729	-	8,289
Fund Balances (deficit):					
Reserved:					
Reserved for restricted assets	-	-	1,779,846	-	-
Reserved for encumbrances	-	-	-	-	-
Reserved for continuing appropriations	-	-	-	-	-
Reserved for long-term advances and notes	1,426,482	-	-	-	-
Reserved for land held for resale	-	-	-	-	-
Unreserved/undesignated reported in:					
Special revenue funds	2	(75)	19,539	147,087	316,074
Capital projects fund	-	-	-	-	-
Total fund balances (deficit)	1,426,484	(75)	1,799,385	147,087	316,074
Total liabilities and fund balances	$ 1,472,370	-	1,806,114	147,087	324,363

Air Quality Improvement	Business Improvement Area	Earthquake Relief	State Gas Tax	Traffic Safety
180,069	10,458	4,800	671,980	96,263
-	-	-	-	-
27,600	-	-	970,282	20,763
-	-	-		-
-	-	-	-	-
2,319	-	-	8,862	-
-	-	-	-	-
209,988	10,458	4,800	1,651,124	117,026
12,865	10,458	-	42,358	11,066
1,182	-	-	-	-
-	-	-	162,902	-
-	-	-	382,183	-
-	-	-	-	-
14,047	10,458		587,443	11,066
-	-	-	-	-
	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
195,941	-	4,800	1,063,681	105,960
-	-	-	-	-
195,941	-	4,800	1,063,681	105,960
209,988	10,458	4,800	1,651,124	117,026

CITY OF WHITTIER
Combining Balance Sheet
Nonmajor Governmental Funds
(Continued)

	Special Revenue Funds				
	Traffic Offender	Traffic Congestion	HUD Grants	Whittier Uptown Parking District No.1	Whittier Uptown Parking District No.2
Assets:					
Cash and investments	-	-	286,428	35	647,222
Restricted assets:					
Cash and investments	-	-	-	-	-
Receivables:					
Intergovernmental	-	-	106,567	660	-
Accounts	-	-	-	4,320	778
Notes and loans	-	-	2,133,552	-	-
Interest	-		56,458	-	11,654
Land held for resale	-	-	-	-	-
Total Assets	-	-	2,583,005	5,015	659,654
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	-	-	61,349	850	473
Accrued liabilities	3,494	-	16,448	2,015	-
Due to other funds	142,522	-	-	30,282	-
Deferred revenues	-	-	56,458	-	-
Deposits payable	-	-	8,298	-	-
Total Liabilities	146,016	-	142,553	33,147	473
Fund Balances:					
Reserved:					
Reserved for restricted assets	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-
Reserved for continuing appropriations	-	-	-	-	-
Reserved for long-term advances and notes	-	-	2,133,552	-	-
Reserved for land held for resale	-	-	-	-	-
Unreserved/undesignated reported in:					
Special revenue funds	(146,016)	-	306,900	(28,132)	659,181
Capital projects fund	-	-	-	-	-
Total fund balances (deficit)	(146,016)	-	2,440,452	(28,132)	659,181
Total liabilities and fund balances	-	-	2,583,005	5,015	659,654

Uptown Village Maintenance District	Capital Projects Funds: Redevelopment Agency	Capital Projects Funds: Capital Outlay	Total Nonmajor Governmental Funds
-	1,668,903	4,501,338	8,534,133
-	3,281,384	-	5,061,230
-	-	-	1,147,563
-	-	-	5,098
-	-	-	3,560,034
-	28,580	22,174	185,325
-	2,542,284	-	2,542,284
-	7,521,151	4,523,512	21,035,667
-	74,494	350,435	567,924
-	-	1,257	38,568
28,980	2,576	-	381,648
-	-	-	462,838
-	25,000	-	37,946
28,980	102,070	351,692	1,488,924
-	3,281,384	-	5,061,230
-	-	2,465,365	2,465,365
-	-	529,046	529,046
-	-	-	3,560,034
-	2,542,284	-	2,542,284
(28,980)	-	-	2,615,962
-	1,595,413	1,177,409	2,772,822
(28,980)	7,419,081	4,171,820	19,546,743
-	7,521,151	4,523,512	21,035,667

CITY OF WHITTIER
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Special Revenue Funds				
	HOME Grant	Street Lighting District 1-91	Asset Seizure Forfeiture	SB358 Library Grant	State COPS Grant
Revenues:					
Taxes	$ -	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeits	-	-	134,426	-	20,000
Use of money and property	-	-	98,883	5,646	13,718
Intergovernmental	2,039,006	-	-	33,493	167,658
Charges for services	-	1,147	-	-	-
Other	-	-	-	-	-
Total Revenues	2,039,006	1,147	233,309	39,139	201,376
Expenditures:					
Current:					
Public safety	-	-	143,368	-	226,382
Libraries	-	-	-	35,587	-
Public works	-	932	-	-	-
Community development	1,249,394	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	1,249,394	932	143,368	35,587	226,382
Excess (deficiency) of Revenues Over (Under) Expenditures	789,612	215	89,941	3,552	(25,006)
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	(825,934)	-	(1,240,933)	(725)	-
Total Other Financing Sources (Uses)	(825,934)	-	(1,240,933)	(725)	-
Net Change in Fund Balances	(36,322)	215	(1,150,992)	2,827	(25,006)
Fund balances (deficit), beginning of year	1,462,806	(290)	2,950,377	144,260	341,080
Fund balances (deficit), end of year	$ 1,426,484	(75)	1,799,385	147,087	316,074

Special Revenue Funds				
Air Quality Improvement Area	Business Improvement Area	Earthquake Relief	State Gas Tax	Traffic Safety
-	-	-	-	-
-	114,325	-	-	-
-	10,386	-	-	330,220
8,016	-	-	27,941	-
105,035	-	-	1,654,910	-
-	-	-	-	-
-	-	-	-	-
113,051	124,711	-	1,682,851	330,220
-	-	-	-	-
-	-	-	-	-
-	-	-	1,578,973	-
240,433	124,711	-	-	-
-	-	-	-	-
-	-	-	-	-
240,433	124,711	-	1,578,973	-
(127,382)	-	-	103,878	330,220
-	-	-	-	-
-	-	-	(988,550)	(349,750)
-	-	-	(988,550)	(349,750)
(127,382)	-	-	(884,672)	(19,530)
323,323	-	4,800	1,948,353	125,490
195,941	-	4,800	1,063,681	105,960

(Continued)

CITY OF WHITTIER
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
(Continued)

	Special Revenue Funds				
	Traffic Offender	Traffic Congestion	HUD Grants	Whittier Uptown Parking District No.1	Whittier Uptown District No.2
Revenues:					
Taxes	$ -	-	-	6,530	66,869
Licenses and permits	-	-	-	-	-
Fines and forfeits	40,000	-	-	-	-
Use of money and property	-	2,431	-	36,143	24,663
Intergovernmental	-	-	1,647,671	66	14
Charges for services	30,200	-	-	4,800	18,200
Other	-	-	-	6,250	12,607
Total Revenues	70,200	2,431	1,647,671	53,789	122,353
Expenditures:					
Current:					
Public safety	52,141	-	-	-	-
Libraries	-	-	-	-	-
Public works	-	475,805	-	75,531	61,012
Community development	-	-	1,721,242	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Interest and fiscal charges	-	-	-	-	-
Total expenditures	52,141	475,805	1,721,242	75,531	61,012
Excess (deficiency) of Revenues Over (Under) Expenditures	18,059	(473,374)	(73,571)	(21,742)	61,341
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(1,250)	-	-
Total other financing sources (uses)	-	-	(1,250)	-	-
Net change in fund balances	18,059	(473,374)	(74,821)	(21,742)	61,341
Fund balances (deficit), beginning of year	(164,075)	473,374	2,515,273	(6,390)	597,840
Fund balances (deficit), end of year	$ (146,016)	-	2,440,452	(28,132)	659,181

	Capital Projects Fund		
Uptown Village Maintenance District	Redevelopment Agency	Capital Outlay	Total Nonmajor Governmental Funds
238	-	-	73,637
-	-	-	114,325
-	-	-	535,032
-	165,649	92,274	475,364
-	-	-	5,647,853
-	-	-	54,347
-	94,763	-	113,620
238	260,412	92,274	7,014,178
-	-	-	421,891
-	-	-	35,587
51,592	-	-	2,243,845
-	1,344,692	-	4,680,472
-	-	1,996,917	1,996,917
-	779	-	779
51,592	1,345,471	1,996,917	9,379,491
(51,354)	(1,085,059)	(1,904,643)	(2,365,313)
54,996	2,265,934	4,018,666	6,339,596
-	(3,550)	(80,000)	(3,490,692)
54,996	2,262,384	3,938,666	2,848,904
3,642	1,177,325	2,034,023	483,591
(32,622)	6,241,756	2,137,797	19,063,152
(28,980)	7,419,081	4,171,820	19,546,743

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Grant Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 2,868,418	949,922	(1,918,496)
Total revenues	2,868,418	949,922	(1,918,496)
Expenditures:			
Current:			
Community development	2,868,418	1,249,394	1,619,024
Total expenditures	2,868,418	1,249,394	1,619,024
Excess (deficiency) of revenues over (under) expenditures	-	(299,472)	(299,472)
Other financing sources (Uses):			
Transfers out	-	(825,934)	(825,934)
Total other financing sources (uses)	-	(825,934)	(825,934)
Excess (deficiency) of revenues and other sources over expenditures and other uses (US GAAP basis)	-	(1,125,406)	(1,125,406)
Adjustments:			
To adjust for loan payments	-	1,143,934	1,143,934
To adjust for loan receipts	-	(54,850)	(54,850)
Total adjustments	-	1,089,084	1,089,084
Net change in fund balance	-	(36,322)	789,612
Fund balance at beginning of year	1,462,806	1,462,806	-
Fund balance at end of year	$ 1,462,806	1,426,484	789,612

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Lighting District 1-91 Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 20	-	(20)
Charges for services	1,380	1,147	(233)
Total revenues	1,400	1,147	(253)
Expenditures:			
Current:			
Public works	1,369	932	437
Total expenditures	1,369	932	437
Net change in fund balance	31	215	184
Fund balance (deficit) at beginning of year	(290)	(290)	-
Fund balance (deficit) at end of year	$ (259)	(75)	184

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Asset Seizure Forfeiture Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and forfeits	$ 69,500	134,426	64,926
Use of money and property	20,100	98,883	78,783
Total revenues	89,600	233,309	143,709
Expenditures:			
Current:			
Public safety	632,992	443,869	189,123
Total expenditures	632,992	443,869	189,123
Excess (deficiency) of revenues over (under) expenditures (US GAAP basis)	(543,392)	(210,560)	332,832
Other financing sources (Uses):			
Transfers out	(1,240,933)	(1,240,933)	-
Total other financing sources (uses)	(1,240,933)	(1,240,933)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses (US GAAP basis)	(1,784,325)	(1,451,493)	332,832
Adjustments:			
To adjust for encumbrances	-	300,501	300,501
Total adjustments	-	300,501	300,501
Net change in fund balance	(1,784,325)	(1,150,992)	633,333
Fund balance at beginning of year	2,950,377	2,950,377	-
Fund balance at end of year	$ 1,166,052	1,799,385	633,333

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
SB 358 Library Grant Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 3,000	5,646	2,646
Intergovernmental	50,000	33,493	(16,507)
Total revenues	53,000	39,139	(13,861)
Expenditures:			
Current:			
Libraries	35,587	35,587	-
Total expenditures	35,587	35,587	-
Excess (deficiency) of revenues over expenditures	17,413	3,552	(13,861)
Other financing sources (uses):			
Transfers out	(725)	(725)	-
Total other financing sources (uses)	(725)	(725)	-
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	16,688	2,827	(13,861)
Net change in fund balance	16,688	2,827	(13,861)
Fund balances at beginning of year	144,260	144,260	-
Fund balances at end of year	$ 160,948	147,087	(13,861)

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
State COPS Grant Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and forfeits	$ 20,000	20,000	-
Use of money and property	2,500	13,718	11,218
Intergovernmental	150,000	167,658	17,658
Total revenues	172,500	201,376	28,876
Expenditures:			
Current:			
Public safety	152,806	226,382	(73,576)
Total expenditures	152,806	226,382	(73,576)
Net change in fund balance	19,694	(25,006)	(44,700)
Fund balance at beginning of year	341,080	341,080	-
Fund balance at end of year	$ 360,774	316,074	(44,700)

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 7,500	8,016	516
Intergovernmental	106,000	105,035	(965)
Total revenues	113,500	113,051	(449)
Expenditures:			
Current:			
Community development	437,382	327,133	110,249
Total expenditures	437,382	327,133	110,249
Excess (deficiency) of revenues and other sources over expenditures and other uses (US GAAP basis)	(323,882)	(214,082)	109,800
Adjustments:			
To adjust for encumbrances	-	86,700	86,700
Total adjustments	-	86,700	86,700
Net change in fund balance	(323,882)	(127,382)	196,500
Fund balance at beginning of year	323,323	323,323	-
Fund balance (deficit) at end of year	$ (559)	195,941	196,500

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Business Improvement Area Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	$ 112,000	114,325	2,325
Fines and forfeits	-	10,386	10,386
Total revenues	112,000	124,711	12,711
Expenditures:			
Current:			
Community development	112,000	124,711	(12,711)
Total expenditures	112,000	124,711	(12,711)
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	$ -	-	-

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Earthquake Relief Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ -	-	-
Total revenues	-	-	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	4,800	4,800	-
Fund balance at end of year	$ 4,800	4,800	-

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Gas Tax Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 7,500	27,941	20,441
Intergovernmental	3,493,935	1,654,910	(1,839,025)
Total revenues	3,501,435	1,682,851	(1,818,584)
Expenditures:			
Current:			
Public works	3,454,084	1,578,973	1,875,111
Total expenditures	3,454,084	1,578,973	1,875,111
Excess (deficiency) of revenues over expenditures	47,351	103,878	56,527
Other financing sources (uses):			
Transfers out	(988,550)	(988,550)	-
Total other financing sources (uses)	(988,550)	(988,550)	-
Net change in fund balance	(941,199)	(884,672)	56,527
Fund balance at beginning of year	1,948,353	1,948,353	-
Fund balance at end of year	$ 1,007,154	1,063,681	56,527

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and forfeits	$ 307,500	330,220	22,720
Total revenues	307,500	330,220	22,720
Excess (deficiency) of revenues over (under) expenditures	307,500	330,220	22,720
Other financing sources (uses):			
Transfers out	(349,750)	(349,750)	-
Total other financing sources (uses)	(349,750)	(349,750)	-
Net change in fund balance	(42,250)	(19,530)	22,720
Fund balance at beginning of year	125,490	125,490	-
Fund balance at end of year	$ 83,240	105,960	22,720

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Offender Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and forfeits	$ 55,000	40,000	(15,000)
Charges for services	35,000	30,200	(4,800)
Total revenues	90,000	70,200	(19,800)
Expenditures:			
Current:			
Public safety	123,008	52,141	70,867
Total expenditures	123,008	52,141	70,867
Net change in fund balance	(33,008)	18,059	51,067
Fund balance (deficit) at beginning of year	(164,075)	(164,075)	-
Fund balance (deficit) at end of year	$ (197,083)	(146,016)	51,067

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Congestion Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ -	2,431	2,431
Intergovernmental	-	-	-
Total revenues	-	2,431	2,431
Expenditures:			
Current:			
Public works	472,453	475,805	(3,352)
Total expenditures	472,453	475,805	(3,352)
Net change in fund balance	(472,453)	(473,374)	(921)
Fund balance at beginning of year	473,374	473,374	-
Fund balance at end of year	$ 921	-	(921)

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)
HUD Grants Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	$ 2,276,966	1,647,671	(629,295)
Total revenues	2,276,966	1,647,671	(629,295)
Expenditures:			
Current:			
Community development	2,436,013	1,756,076	679,937
Total expenditures	2,436,013	1,756,076	679,937
Excess (deficiency) of revenues over (under) expenditures	(159,047)	(108,405)	50,642
Other financing sources (uses):			
Transfers out	(1,250)	(1,250)	-
Total other financing sources (uses)	(1,250)	(1,250)	-
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(160,297)	(109,655)	50,642
Adjustments:			
To adjust for encumbrances	-	34,834	34,834
Total adjustments	-	34,834	34,834
Net change in fund balance	(160,297)	(74,821)	85,476
Fund balance at beginning of year	2,515,273	2,515,273	-
Fund balance at end of year	$ 2,354,976	2,440,452	85,476

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Whittier Uptown Parking District No. 1 Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ 6,950	6,530	(420)
Use of money and property	12,600	36,143	23,543
Intergovernmental	100	66	(34)
Charges for services	34,300	4,800	(29,500)
Other	-	6,250	6,250
Total revenues	53,950	53,789	(161)
Expenditures:			
Current:			
Public works	61,452	75,531	(14,079)
Total expenditures	61,452	75,531	(14,079)
Net change in fund balance	(7,502)	(21,742)	(14,240)
Fund balance (deficit) at beginning of year	(6,390)	(6,390)	-
Fund balance (deficit) at end of year	$ (13,892)	(28,132)	(14,240)

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Whittier Uptown Parking District No. 2 Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ 61,680	66,869	5,189
Use of money and property	3,000	24,663	21,663
Intergovernmental	25	14	(11)
Charges for services	40,000	18,200	(21,800)
Other	-	12,607	12,607
Total revenues	104,705	122,353	17,648
Expenditures:			
Current:			
Public works	99,619	61,012	38,607
Total expenditures	99,619	61,012	38,607
Net change in fund balance	5,086	61,341	56,255
Fund balance at beginning of year	597,840	597,840	-
Fund balance at end of year	$ 602,926	659,181	56,255

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Uptown Village Maintenance District Special Revenue Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ 3,000	238	(2,762)
Total revenues	3,000	238	(2,762)
Expenditures:			
Current:			
Public works	53,190	51,592	1,598
Total expenditures	53,190	51,592	1,598
Excess (deficiency) of revenues over expenditures	(50,190)	(51,354)	(1,164)
Other financing sources (uses):			
Transfers in	55,000	54,996	(4)
Total other financing sources (uses)	55,000	54,996	(4)
Net change in fund balance	4,810	3,642	(1,168)
Fund balance (deficit) at beginning of year	(32,622)	(32,622)	-
Fund balance (deficit) at end of year	$ (27,812)	(28,980)	(1,168)

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Capital Projects Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 190,700	165,649	(25,051)
Other	-	94,763	94,763
Total revenues	190,700	260,412	69,712
Expenditures:			
Current:			
Community development	3,088,844	1,344,692	1,744,152
Debt Service:			
Interest and fiscal charges	-	779	(779)
Total expenditures	3,088,844	1,345,471	1,743,373
Excess (deficiency) of revenues over expenditures	(2,898,144)	(1,085,059)	1,813,085
Other financing sources (Uses):			
Transfers in	1,440,000	2,265,934	825,934
Transfers out	(3,975)	(3,550)	425
Total other financing sources (uses)	1,436,025	2,262,384	826,359
Net change in fund balance	(1,462,119)	1,177,325	2,639,444
Fund balance at beginning of year	6,241,756	6,241,756	-
Fund balance at end of year	$ 4,779,637	7,419,081	2,639,444

CITY OF WHITTIER
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Outlay Capital Projects Fund
Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	$ 40,000	92,274	52,274
Intergovernmental	233,333	-	(233,333)
Other	-	-	-
Total revenues	273,333	92,274	(181,059)
Expenditures:			
Capital outlay	4,992,930	4,462,282	530,648
Total expenditures	4,992,930	4,462,282	530,648
Excess (deficiency) of revenues over (under) expenditures	(4,719,597)	(4,370,008)	349,589
Other financing sources (uses):			
Transfers in	4,018,666	4,018,666	-
Transfers out	-	(80,000)	(80,000)
Toal other financing sources (uses)	4,018,666	3,938,666	(80,000)
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	(700,931)	(431,342)	269,589
Adjustments:			
To adjust for encumbrances	-	2,465,365	2,465,365
Total adjustments	-	2,465,365	2,465,365
Net change in fund balance	(700,931)	2,034,023	2,734,954
Fund balance at beginning of year	2,137,797	2,137,797	-
Fund balance at end of year	$ 1,436,866	4,171,820	2,734,954

CITY OF WHITTIER

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one City department to others, or to other agencies, on a cost-reimbursement basis (including depreciation).

Self Insurance Fund -- to account for costs of operating self-insurance programs for general liability and workers compensation.

Employee Benefits Fund – to account for employee compensated absences.

Mobile Equipment Fund – to account for the costs of City vehicle and equipment maintenance.

Mobile Equipment Replacement Fund – to account for the acquisition costs of City motorized equipment and to accumulate funds for equipment replacement.

Other Equipment Replacement Fund – to account for major replacement/refurbishment of office equipment and the radio communications system.

CITY OF WHITTIER
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Self Insurance	Employee Benefits	Mobile Equipment	Mobile Equipment Replacement	Other Equipment Replacement	Totals
Assets						
Current assets:						
Cash and investments	$ 4,540,294	4,440,545	-	5,599,128	2,498,562	17,078,529
Accounts receivable, net	22,443	131	9,521	-	-	32,095
Interest receivable	37,047	3,487	-	51,777	22,684	114,995
Prepaid items	-	60,459	-	-	-	60,459
Total current assets	4,599,784	4,504,622	9,521	5,650,905	2,521,246	17,286,078
Capital assets:						
Improvements	-	-	300,879	-	-	300,879
Field and shop equipment	-	-	286,066	-	1,154,319	1,440,385
Furniture and fixtures	-	-	6,501	-	-	6,501
Office machines	-	-	31,360	-	1,794,434	1,825,794
Mobile equipment	-	-	-	13,510,038	-	13,510,038
Less-accumulated depreciation	-	-	(492,308)	(10,222,194)	(1,646,533)	(12,361,035)
Total capital assets, net	-	-	132,498	3,287,844	1,302,220	4,722,562
Total assets	4,599,784	4,504,622	142,019	8,938,749	3,823,466	22,008,640
Liabilities						
Current liabilities:						
Accounts payable	149,790	510	36,042	-	31,672	218,014
Accrued liabilities	300	-	34,659	-	16,248	51,207
Due to other funds	-	-	626,445	-	-	626,445
Claims payable	4,315,209	-	-	-	-	4,315,209
Compensated absences payable - current	-	1,693,185	-	-	-	1,693,185
Total current liabilities	4,465,299	1,693,695	697,146	-	47,920	6,904,060
Long-Term Liabilities: (note 4)						
Compensated absences payable - non-current	2,323,574	2,069,448	-	-	-	4,393,022
Total liabilities	6,788,873	3,763,143	697,146	-	47,920	11,297,082
Net assets						
Investment in capital assets	-	-	132,498	3,287,844	1,302,220	4,722,562
Unrestricted	(2,189,089)	741,479	(687,625)	5,650,905	2,473,326	5,988,996
Total net assets (deficit)	$ (2,189,089)	741,479	(555,127)	8,938,749	3,775,546	10,711,558

CITY OF WHITTIER
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2008

	Self Insurance	Employee Benefits	Mobile Equipment	Mobile Equipment Replacement	Other Equipment Replacement	Totals
Operating revenues:						
Charges for services	$ 3,998,838	3,967,001	2,418,538	2,955,735	818,318	14,158,430
Total operating revenues	3,998,838	3,967,001	2,418,538	2,955,735	818,318	14,158,430
Operating expenses:						
Self insurance	4,204,902	-	-	-	-	4,204,902
Employee benefits	-	3,887,835	-	-	-	3,887,835
Maintenance	-	-	2,698,354	1,742,286	612,159	5,052,799
Depreciation	-	-	23,561	945,445	211,806	1,180,812
Total operating expenses	4,204,902	3,887,835	2,721,915	2,687,731	823,965	14,326,348
Operating income (loss)	(206,064)	79,166	(303,377)	268,004	(5,647)	(167,918)
Nonoperating revenues (expenses):						
Gain on sale of capital assets	-	-	-	35,015	-	35,015
Use of money and property	159,381	13,139	-	189,343	94,618	456,481
Other revenue	200,174	5,820	-	-	-	205,994
Total non-operating revenues	359,555	18,959	-	224,358	94,618	697,490
Income (loss) before transfers	153,491	98,125	(303,377)	492,362	88,971	529,572
Other financing sources (uses):						
Transfers in	-	-	80,000	435,170	223,890	739,060
Transfers out	-	(1,250)	-	-	-	(1,250)
Total other financing sources (uses)	-	(1,250)	80,000	435,170	223,890	737,810
Change in net assets	153,491	96,875	(223,377)	927,532	312,861	1,267,382
Net assets (deficit), beginning of the year	(2,342,580)	644,604	(331,750)	8,011,217	3,462,685	9,444,176
Net assets at end of the year	$ (2,189,089)	741,479	(555,127)	8,938,749	3,775,546	10,711,558

CITY OF WHITTIER
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008

	Self Insurance	Employee Benefits	Mobile Equipment	Mobile Equipment Replacement	Other Equipment Replacement	Totals
Cash flows from operating activities:						
Receipts from customers and users	$ 3,999,139	3,967,565	2,418,809	2,955,735	818,318	14,159,566
Payments to suppliers	(4,053,408)	(4,247,008)	(2,697,068)	(1,756,591)	(600,365)	(13,354,440)
Payments to employees	-	-	4,860	-	3,287	8,147
Nonoperating rental income revenue received	200,174	5,820	-	-	-	205,994
Internal activity payments to/from other funds	-	2,905	190,636	-	(66)	193,475
Net cash provided by operating activities	145,905	(270,718)	(82,763)	1,199,144	221,174	1,212,742
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	80,000	435,170	223,890	739,060
Transfers to other funds	-	(1,250)	-	-	-	(1,250)
Net cash provided (used) in noncapital financing activities	-	(1,250)	80,000	435,170	223,890	737,810
Cash flows from capital and related financing activities:						
Sale of capital assets	-	-	2,763	-	-	2,763
Purchase of capital assets	-	-	-	(2,036,062)	(330,872)	(2,366,934)
Proceeds from disposal of capital assets	-	-	-	35,015	-	35,015
Net cash provided (used) in capital and related financing activities	-	-	2,763	(2,001,047)	(330,872)	(2,329,156)
Cash flows from investing activities:						
Interest on investments	164,580	15,015	-	228,656	100,734	508,985
Net cash provided by investing activities	164,580	15,015	-	228,656	100,734	508,985
Net increase (decrease) in cash and cash equivalents	310,485	(256,953)	-	(138,077)	214,926	130,381
Cash and cash equivalents, beginning of fiscal year	4,229,809	4,697,498	-	5,737,205	2,283,636	16,948,148
Cash and cash equivalents, end of fiscal year	$ 4,540,294	4,440,545	-	5,599,128	2,498,562	17,078,529
Reconciliation of operating income to net cash provided by operations:						
Operating income (loss)	$ (206,064)	79,166	(303,377)	268,004	(5,647)	(167,918)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	23,561	945,445	211,806	1,180,812
Nonoperating rental income revenue	200,174	5,820	-	-	-	205,994
Internal activity payments to/from other funds	-	2,905	190,636	-	(66)	193,475
Decrease (increase) in accounts receivable	301	-	271	-	-	572
Decrease (increase) in prepaid items	-	(60,459)	-	-	-	(60,459)
Increase (decrease) in accounts payable	(213,086)	(298,714)	1,286	(14,305)	11,794	(513,025)
Increase (decrease) in accrued liabilities	(1,690)	-	4,860	-	3,287	6,457
Increase (decrease) in deposits payable		(530)	-	-	-	(530)
Increase (decrease) in claims payable	366,270	-	-	-	-	366,270
Increase (decrease) in compensated absences payable	-	1,094	-	-	-	1,094
Total adjustments	351,969	(349,884)	220,614	931,140	226,821	1,380,660
Net cash provided by operating activities	$ 145,905	(270,718)	(82,763)	1,199,144	221,174	1,212,742

Noncash investing, capital, and financing activities:
There were no significant noncash investing, capital, and financing activities for the fiscal year ended June 30, 2008.

CITY OF WHITTIER

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations, or other governmental units or funds.

Flex-RAP Fund – to account for employee contributions and related reimbursements for the City's Flexible Reimbursement Account Program in accordance with Section 125 of the Internal Revenue Code.

Special Deposits Fund – to account for refundable deposits being held by the City.

Community Facilities District 1989-1 Fund – to account for funds set aside by the City, on behalf of the CFD 89-1 bondholders, for debt service payments and reserves.

Community Facilities District 1991-1 Fund – to account for funds set aside by the city, on behalf of the CFD 91-1 bondholders, for debt service payments and reserves.

Habitat JPA Fund – to account for funds used and subsequently reimbursed by the Habitat JPA for operations.

CITY OF WHITTIER
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2008

	Flex-RAP	Special Deposits	Community Facilities District 1989-1	Community Facilities District 1991-1	Habitat JPA	Totals
Assets:						
Cash and investments	$ -	544,965	289,819	511,333	-	1,346,117
Cash and investments with fiscal agents	-	-	414,855	660,357	-	1,075,212
Receivable:						
Accounts	45,032	12,067	-	-	94,982	152,081
Interest	-	-	1,511	3,007	-	4,518
Total assets	$ 45,032	557,032	706,185	1,174,697	94,982	2,577,928
Liabilities:						
Accounts payable	$ 15,639	10,620	-	-	12,354	38,613
Deposits payable	-	546,412	-	-	-	546,412
Due to other funds	29,393	-	-	-	82,628	112,021
Due to bondholders	-	-	706,185	1,174,697	-	1,880,882
Total liabilities	$ 45,032	557,032	706,185	1,174,697	94,982	2,577,928

CITY OF WHITTIER
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2008

Flex-Rap		Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Assets					
Cash and investments	$	18,938	613,094	(632,032)	-
Accounts receivable		-	45,032	-	45,032
Total assets	$	18,938	658,126	(632,032)	45,032
Liabilities					
Accounts payable	$	18,938	15,639	(18,938)	15,639
Due to other funds		-	29,393	-	29,393
Total Liabilities	$	18,938	45,032	(18,938)	45,032
Special Deposits					
Assets					
Cash and investments	$	513,454	304,064	(272,553)	544,965
Accounts receivable		9,516	12,067	(9,516)	12,067
Total Assets	$	522,970	316,131	(282,069)	557,032
Liabilities					
Accounts payable	$	23,297	10,621	(23,298)	10,620
Deposits payable		499,673	305,510	(258,771)	546,412
Total Liabilities	$	522,970	316,131	(282,069)	557,032
Community Facilities District 1989-1					
Assets					
Cash and investments	$	306,081	380,149	(396,411)	289,819
Cash and investments with fiscal agent		421,135	414,907	(421,187)	414,855
Interest receivable		6,758	1,511	(6,758)	1,511
Total Assets	$	733,974	796,567	(824,356)	706,185
Liabilities					
Due to bondholders	$	733,974	796,567	(824,356)	706,185
Total Liabilities	$	733,974	796,567	(824,356)	706,185

(Continued)

CITY OF WHITTIER
Combining Statement of Changes in Assets and Liabilities
Agency Funds
(Continued)

Community Facilities District 1991-1	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Assets				
Cash and investments	$ 225,711	899,415	(613,793)	511,333
Cash and investments with fiscal agent	646,343	627,482	(613,468)	660,357
Accounts receivable	301,877	-	(301,877)	-
Interest receivable	10,150	3,007	(10,150)	3,007
Total assets	$ 1,184,081	1,529,904	(1,539,288)	1,174,697
Liabilities				
Due to bondholders	$ 1,184,081	1,529,904	(1,539,288)	1,174,697
Total liabilities	$ 1,184,081	1,529,904	(1,539,288)	1,174,697
Habitat JPA				
Assets				
Accounts receivable	$ 180,009	94,982	(180,009)	94,982
Total assets	$ 180,009	94,982	(180,009)	94,982
Liabilities				
Accounts payable	$ 12,040	12,354	(12,040)	12,354
Due to other funds	167,969	82,628	(167,969)	82,628
Total liabilities	$ 180,009	94,982	(180,009)	94,982
Total Agency Funds				
Assets				
Cash investments	$ 1,064,184	2,196,722	(1,914,789)	1,346,117
Cash and investments with fiscal agent	1,067,478	1,042,389	(1,034,655)	1,075,212
Receivables:				
Accounts	491,402	152,081	(491,402)	152,081
Interest	16,908	4,518	(16,908)	4,518
Total assets	$ 2,639,972	3,395,710	(3,457,754)	2,577,928
Liabilities				
Accounts payable	$ 54,275	38,614	(54,276)	38,613
Deposits payable	499,673	305,510	(258,771)	546,412
Due to bondholders	1,918,055	2,326,471	(2,363,644)	1,880,882
Due to other funds	167,969	112,021	(167,969)	112,021
Total liabilities	$ 2,639,972	2,782,616	(2,844,660)	2,577,928

CITY OF WHITTIER CALIFORNIA

INC. 1898

City of Whittier

Statistical Section

Statistical Section

This section of the City of Whittier's Comprehensive Annual Report provides detailed information to better understand information presented within the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This has not been audited by the independent auditor.

Financial Trends Contain trend information to help the reader understand how the City's financial performance has changed over time.
Revenue Capacity Contain information to help the reader assess the City's most significant local revenue source, the property tax.
Debt Capacity Present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
Demographic and Economic Information Offer information to help the reader understand the environment within which the City's financial activities take place.
Operating Information Contain service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activites it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in the fiscal year ending June 30, 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF WHITTIER CALIFORNIA

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City of Whittier
Net Assets by Component - Last Five Fiscal Years
(in thousands)
(accural basis of accounting)

	Fiscal Year ending June 30,				
	2008	2007	2006	2005 (1)	2004 (1)
Governmental Activities:					
Invested in capital assets, net of related debt	$ 91,640	84,556	84,382	84,755	90,639
Restricted	82,986	72,206	51,929	45,827	20,480
Unrestricted	(2,427)	5,817	18,731	22,136	43,152
Total Governmental Activities Net Assets	172,199	162,579	155,042	152,718	154,271
% change from prior year	5.9%	4.9%	1.5%	-1.0%	0.9%
Business-type Activities:					
Invested in capital assets, net of related debt	26,607	22,700	25,552	27,027	25,917
Restricted	120	48	34	24	117
Unrestricted	21,780	23,135	16,283	12,953	11,327
Total Business-Type Activities Net Assets	48,507	45,883	41,869	40,004	37,361
% change from prior year	5.7%	9.6%	4.7%	7.1%	5.5%
Primary Government:					
Invested in capital assets, net of related debt	118,247	107,256	109,934	111,782	116,556
Restricted	83,106	72,254	51,963	45,851	20,597
Unrestricted	19,353	28,952	35,014	35,089	54,479
Total Primary Government Net Assets	$ 220,706	208,462	196,911	192,722	191,632
% change from prior year	5.9%	5.9%	2.2%	0.6%	1.8%

The City implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available

(1) Restated net assets to record rights of way $5,325,506 and report internal service funds as governmental activities.

City of Whittier
Changes in Net Assets - Last Five Fiscal Years
(in thousands)
(accural basis of accounting)

	Fiscal Year ending June 30,				
	2008	2007	2006	2005	2004
Expenses:					
Governmental activities:					
General government	$ 8,443	7,588	6,840	8,499	7,155
Public safety	18,146	22,765	25,477	24,789	23,010
Public works	13,790	10,726	11,583	10,262	9,582
Community development	7,608	5,596	5,668	5,342	5,720
Libraries	3,412	3,394	3,118	3,017	3,117
Transit	4,671	3,373	3,243	2,767	2,442
Parks and recreation	11,373	11,747	8,724	9,089	7,978
Interest on long-term debt	5,445	2,406	1,614	736	1,358
Total Governmental activities expenses	72,888	67,595	66,267	64,501	60,362
Business-type activities:					
Sewer	1,282	1,170	1,126	1,036	1,063
Water	8,688	7,672	7,469	6,146	5,772
Solid waste	8,950	8,305	8,601	7,918	7,642
Total Business-type activities expenses	18,920	17,147	17,196	15,100	14,477
Total primary government expenses	91,808	84,742	83,463	79,601	74,839
Program revenues:					
Governmental activities:					
Charges for services	18,319	15,119	17,446	14,548	12,334
Operating contributions and grants	5,665	6,874	5,051	6,211	2,554
Capital contributions and grants	4,033	585	3,920	2,645	4,078
Total governmental activities program revenues	28,017	22,578	26,417	23,404	18,966
Business-type activities:					
Sewer	2,250	1,837	1,469	1,525	1,133
Water	9,199	8,360	7,911	6,085	6,043
Solid waste	8,994	8,961	9,008	8,611	8,130
Total business-type activities program revenues	20,443	19,158	18,388	16,221	15,306
Total primary government program revenues	48,460	41,736	44,805	39,625	34,272
Net revenues (expenses):					
Governmental activities	(44,871)	(45,017)	(39,850)	(41,097)	(41,396)
Business-type activities	1,523	2,011	1,192	1,121	829
Total primary government net revenues (expenses)	(43,348)	(43,006)	(38,658)	(39,976)	(40,567)
General revenues and other changes in net assets					
Governmental activities:					
Taxes:					
Property taxes	12,501	12,191	7,337	8,108	8,482
Sales taxes	10,379	10,010	8,768	9,019	9,262
Franchise taxes	2,036	1,778	1,626	1,588	1,552
Utility users tax	7,806	7,872	7,529	7,253	7,175
Motor vehicle in lieu tax, unrestricted	8,786	8,403	8,219	7,123	5,862
Transit tax	2,544	2,560	2,610	2,304	2,176
Other taxes	2,734	2,776	1,542	1,459	2,613
Investment income	6,438	6,051	3,539	2,083	2,085
Other	444	801	656	449	3,840
Transfers	824	112	348	(74)	-
Business-type activities:					
Investment income	1,924	2,115	1,021	1,680	906
Transfers	(824)	(112)	(348)	74	-
Total general revenues and transfers	55,592	54,557	42,847	41,066	43,953
Change in net assets - total primary government	$ 12,244	11,551	4,189	1,090	3,386

The City implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

City of Whitter
Fund Balances of Governmental Funds (1)
Last Five Fiscal Years
(in thousands)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004 (2)
General fund:					
Reserved	$ 27,229	27,575	22,797	21,719	20,781
Unreserved	19,847	18,562	19,236	17,013	13,002
Total general fund	47,076	46,137	42,033	38,732	33,783
Other governmental funds:					
Reserved	69,641 (5)	62,013 (4)	31,800 (3)	35,888 (3)	30,299
Unreserved, reported in:					
Special revenue funds	7,850	2,806	8,793	3,880	4,553
Debt service funds	(2,978)	(4,412)	(14,014)	(14,652)	(15,805)
Capital projects funds	2,773	2,877	2,215	2,833	2,631
Total other governmental funds	77,286	63,284	28,794	27,949	21,678
Total governmental funds	$ 124,362	109,421	70,827	66,681	55,461

The City of Whittier has elected to show only five years of data for this schedule.

(1) This schedule reports using the modified accrual basis of accounting.
(2) The City implemented GASB 34, the new reporting standard, in fiscal year 2003.
(3) Reserved fund balance at June 30, 2005 and June 30, 2006 include $7,582,289 unexpended bond proceeds from the 2005 Tax Allocation Bonds.
(4) Reserved fund balance at June 30, 2007 include $7,582,289 unexpended bond proceeds from the 2005 Tax Allocation Bonds, and $25,929,113 from the 2007 Tax Allocation Bonds reserved for redevelopment projects.
(5) Reserved fund balance at June 30, 2008 include $10,280,054 unexpended proceeds from from the 2007 Public Financing Authority Revenue Bonds reserved for redevelopment projects and debt services.

City of Whitter
Changes in Fund Balances of Governmental Funds (1)
Last Four Fiscal Years
(in thousands)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Taxes	$ 38,161	36,163	35,056	30,487	30,167
Licenses and permits	1,938	3,037	2,622	1,935	1,572
Fines and forfeits	1,332	929	992	1,144	1,200
Use of money and property	6,760	5,442	3,841	3,092	1,175
Intergovernmental	19,302	13,081	12,572	13,239	11,849
Charges for services	14,277	13,589	13,148	12,697	13,227
Other	1,914	657	615	591	3,128
Total revenues	83,684	72,898	68,846	63,185	62,318
Expenditures:					
Current:					
General government	7,951	7,331	6,479	6,230	6,073
Public safety	27,773	26,778	25,074	24,330	23,506
Pulbic works	7,976	5,762	6,369	5,769	7,515
Community development	7,379	5,440	5,460	5,622	5,228
Libraries	3,376	3,339	3,058	2,963	3,077
Local transit	4,526	3,148	3,012	2,555	2,532
Parks and recreation	10,493	11,038	10,304	8,675	7,543
Capital outlay	1,997	402	1,744	889	552
Debt service:					
Principal retirement	1,463	1,447	1,304	1,327	1,156
Interest and fiscal charges	4,159	1,997	1,628	1,386	1,195
Pass through agreements	2,220	778	1,574	821	597
Bond issuance costs	293	269		298	
Total expenditures	79,606	67,729	66,006	60,865	58,974
Excess of revenues over (under) expenditures	4,078	5,169	2,840	2,320	3,344
Other financing sources (uses):					
Proceeds from developer loans	1,143	1,158	1,303	1,153	1,148
Transfers in	7,681	3,530	2,380	2,950	2,903
Transfers out	(7,595)	(4,803)	(2,377)	(3,112)	(3,239)
Issuance of debt	15,425	34,355		7,730	
Payment to escrow agent	(5,790)				
Premium (discount) from bond issuance		(815)		179	
Total other financing sources (uses)	10,864	33,425	1,306	8,900	812
Net change in fund balances	$ 14,942	38,594	4,146	11,220	4,156
Debt service as a percentage of non-capital expenditures	10.45%	6.81%	7.01%	6.46%	5.42%

The City of Whittier has elected to show only five years of data for this schedule.

(1) This schedule reports using the modified accrual basis of accounting.

City of Whittier
Assessed Value and Estimated Actual of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

	City				Redevelopment Agency				
Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
1999	$ 3,467,978	83,865	(191,258)	3,360,585	501,673	51,986	(26,784)	526,875	0.1500%
2000	3,556,260	84,925	(172,041)	3,469,144	517,798	47,443	(22,934)	542,307	0.1518%
2001	3,733,305	83,287	(169,240)	3,647,352	539,214	46,445	(28,000)	557,659	0.1453%
2002	3,966,903	93,202	(179,093)	3,881,012	557,562	49,604	(30,450)	576,716	0.1448%
2003	4,194,336	91,102	(148,158)	4,137,280	592,689	47,127	(28,996)	610,820	0.1466%
2004	4,244,395	83,824	(222,733)	4,105,486	911,965	45,720	(35,417)	922,268	0.2939%
2005	4,535,960	42,445	(201,089)	4,377,316	945,865	75,812	(38,515)	983,162	0.2979%
2006	4,925,787	52,803	(227,860)	4,750,730	1,022,370	81,577	(41,284)	1,062,663	0.3048%
2007	5,353,653	51,934	(241,980)	5,163,607	1,220,075	94,901	(48,068)	1,266,908	0.3156%
2008	5,764,223	44,770	(244,924)	5,564,069	1,385,732	100,310	(60,686)	1,425,356	0.3254%

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

Source: *County of Los Angeles Auditor-Controller/Tax Division.*

City of Whittier
Direct and Overlapping Property Tax Rates
(Rate per $100 of assessed value)
Last Ten Fiscal Years

Agency	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Basic Levy*	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
001.53 Detention Facilities 1987 DS	0.00000	0.00066	0.00080	0.00092	0.00099	0.00103	0.00113	0.00131	0.00142	0.00145
030.60 La Co Fl Con Storm Dr DS #4	0.00000	0.00005	0.00002	0.00021	0.00043	0.00062	0.00066	0.00092	0.00097	0.00050
030.61 Flood Con. Ref. Bonds 1993 DS	0.00000	0.00000	0.00003	0.00003	0.00004	0.00026	0.00041	0.00064	0.00079	0.00145
284.42 Uptown Parking District #2	0.16666	0.16666	0.16666	0.16666	0.16666	0.16666	0.16666	0.16666	0.16666	0.16666
301.01 La Habra Hts Co Water Dist	0.00000	0.00000	0.00000	0.00000	0.02779	0.04061	0.03858	0.04316	0.04597	0.04488
315.05 Central Basin Mwd	0.00450	0.00470	0.00520	0.00580	0.00610	0.00670	0.00770	0.00880	0.00890	0.00890
337.05 Orig Area Up S G Vy Mwd	0.00450	0.00470	0.00520	0.00580	0.00610	0.00670	0.00770	0.00880	0.00890	0.00890
469.50 East Whittier DS 1997 Series A	0.00000	0.01736	0.01982	0.02164	0.02356	0.02487	0.02578	0.02817	0.02963	0.02405
469.51 East Whittier DS 1998 Series B	0.00382	0.00876	0.01009	0.01101	0.01209	0.01274	0.01340	0.01490	0.01443	0.01625
469.52 East Whittier DS 2007 Ref Bonds	0.02368	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
657.01 South Whittier School District	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00350
657.51 S Whittier SD DS 1998 Series A	0.04288	0.04637	0.05015	0.05315	0.05629	0.05376	0.05666	0.06075	0.06644	0.04968
657.52 S Whittier Elem DS 2004 Series A	0.01301	0.01633	0.01864	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
695.53 Whittier City SD DS 2000 Series A	0.00201	0.00163	0.00728	0.00929	0.01030	0.01022	0.01041	0.01380	0.00000	0.00000
695.54 Whittier City SD DS 2000 Series B	0.00219	0.00182	0.00669	0.00844	0.00942	0.00977	0.01092	0.00000	0.00000	0.00000
695.55 Whittier City SD DS 2000 Series C	0.00653	0.00686	0.00645	0.00846	0.00955	0.01011	0.00000	0.00000	0.00000	0.00000
695.56 Whittier City SD DS 2000 Series D	0.01155	0.01231	0.01320	0.01591	0.01722	0.00000	0.00000	0.00000	0.00000	0.00000
695.57 Whittier City SD DS 2000 Series E	0.00598	0.00624	0.00562	0.00966	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
695.58 Whittier City SD DS 2006 Ref Bds	0.00756	0.01145	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
745.51 El Monte Un HSD DS 2002 Series A	0.00910	0.00616	0.03707	0.03928	0.03573	0.00000	0.00000	0.00000	0.00000	0.00000
745.52 El Monte Un HSD DS 2002 Series B	0.00000	0.03670	0.01718	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
745.53 El Monte Un HSD DS 2006 Ref Bds	0.01910	0.01560	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
753.52 Fullerton Un HSD DS 2002 Series A	0.00729	0.00834	0.00855	0.00770	0.01750	0.02088	0.00000	0.00000	0.00000	0.00000
753.53 Fullerton Un HSD DS 2002 Series B	0.00617	0.00706	0.00648	0.00784	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
789.52 Whittier Un HSD DS 1999 Series A	0.00000	0.00729	0.00729	0.00855	0.00924	0.00952	0.00999	0.01085	0.01390	0.00000
789.53 Whittier Un HSD DS 2000 Series B	0.00000	0.00439	0.00439	0.00510	0.00553	0.00567	0.00601	0.00774	0.00000	0.00000
789.54 Whittier Un HSD DS 1999 Series C	0.00000	0.00814	0.00814	0.00951	0.01029	0.01112	0.01327	0.00000	0.00000	0.00000
789.55 Whittier Un HSD DS 1999 Series D	0.00000	0.00798	0.00798	0.00769	0.01287	0.00000	0.00000	0.00000	0.00000	0.00000
789.56 Whittier Un HSD DS 1999 Series E	0.00000	0.01710	0.01710	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
789.57 Whittier Un HSD DS 2005 Ref Bds	0.04359	0.04428	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
809.50 Mt San Antonio CCD DS 2001 S-A	0.00200	0.00346	0.00346	0.00332	0.01525	0.01946	0.00000	0.00000	0.00000	0.00000
809.51 Mt San Antonio CCD DS 2004 S-B	0.00503	0.00146	0.01776	0.01141	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
809.52 Mt San Antonio CCD DS 05 Ref Bds	0.00781	0.01535	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
809.53 Mt San Antonio CCD DS 2006 S-C	0.00266	0.00503	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
811.50 N Orange Co CCD DS 2002 S-A	0.00260	0.00248	0.00112	0.01285	0.01364	0.01573	0.00000	0.00000	0.00000	0.00000
811.51 N Orange Co CCD DS 2002 S-04B	0.00349	0.00319	0.00354	0.00156	0.00233	0.00000	0.00000	0.00000	0.00000	0.00000
811.52 N Orange Co CCD DS 2002 S-05	0.00893	0.00877	0.01200	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
816.52 Rio Hondo CCD DS 2004 S-A	0.00644	0.00585	0.01802	0.02170	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
816.53 Rio Hondo CCD DS 2005 Ref Bds	0.00726	0.00884	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
870.50 Hac La Puente USD DS 2000 S-A	0.00545	0.00355	0.00081	0.02203	0.01965	0.05166	0.05521	0.05956	0.00000	0.00000
870.51 Hac La Puente USD DS 2000 S-03B	0.02848	0.02917	0.03072	0.03422	0.03594	0.00000	0.00000	0.00000	0.00000	0.00000
870.52 Hac La Puente USD DS 2005 Ref Bds	0.01710	0.01968	0.02359	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct & Overlapping Tax Rates	**1.47737**	**1.57577**	**1.54105**	**1.50974**	**1.52451**	**1.47809**	**1.42449**	**1.42606**	**1.35801**	**1.32622**
City's Share of 1% Levy Per Prop 13^	0.07325	0.07325	0.07325	0.07325	0.07325	0.07325	0.07325	0.07325	0.07325	0.07325
Redevelopment Rate**	1.00450	1.00541	1.00604	1.00697	1.00755	1.00861	1.00990	1.01167	1.01209	1.01230
Total Direct Rate^^	0.32539	0.31563	0.30480	0.29785	0.29390	0.14658	0.14480	0.14531	0.15176	0.15003

Notes:

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

^City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city

**RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statue. RDA direct and overlapping rates are applied only to the incremental property values.

^^Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical information.

Source: The HdL Companies, Los Angeles County Assessor

City of Whittier
Ten Principal Property Taxpayers
Year Ended June 30, 2008

Taxpayer	No. of Parcels		Assessed Value	Percentage of Total City Property Assessed Value
PPF RTL 15603 Whittwood Lane LP	11	$	115,784,000	1.66%
GMS Five LLC	11		54,661,520	0.78%
Whittier Marketplace	1		26,862,581	0.38%
MGP XXXIII LLC	6		15,731,916	0.23%
CLPF Whittier Industrial Limited Partnership	3		38,619,645	0.55%
Monique E Cho	1		15,404,162	0.22%
New Albertsons Inc.	1		7,650,000	0.11%
Whittier Financial Center	4		28,779,000	0.41%
L & P Property Management	5		18,897,655	0.27%
ESS Prisa LLC	4		7,544,063	0.11%
Total taxable assessed value of ten largest taxpayers			329,934,542	4.72%
Total taxable assessed value of other taxpayers			6,659,490,218	95.28%
Total taxable assessed value of all taxpayers		$	6,989,424,760	100.00%

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Information is not available for nine years prior.

Source: The HdL Companies, Los Angeles County Assessor

City of Whittier
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of Levy: Amount	Collection within the Fiscal Year of Levy: Percent of Levy	Delinquent Tax Collections in Subsequent Years (2)	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
1999	$ 2,647,473	2,571,374	97.13%	165,030	2,736,404	103.36%
2000	2,729,680	2,604,178	95.40%	183,953	2,788,131	102.14%
2001	2,846,755	2,768,008	97.23%	109,799	2,877,807	101.09%
2002	3,016,548	2,880,488	95.49%	146,981	3,027,469	100.36%
2003	3,234,156	3,191,371	98.68%	198,723	3,390,094	104.82%
2004	3,451,229	3,361,573	97.40%	247,441	3,609,014	104.57%
2005	3,576,103	3,562,882	99.63%	443,453	4,006,335	112.03%
2006	3,911,717	3,767,850	96.32%	673,755	4,441,605	113.55%
2007	4,125,910	3,929,805	95.25%	635,568	4,565,373	110.65%
2008	4,353,503	4,139,659	95.09%	599,133	4,738,792	108.85%

Note: (1) The figures provided for property tax levies and collections are for the City of Whittier, special taxing districts (Uptown Parking District & Uptown Village Maintenance District) and property with weed abatement liens only. Do not include tax increments levied and collected on behalf of the Whittier Redevelopment Agency.

(2) Includes prior years secured supplemental collections.

Source: Los Angeles County Auditor Controller's Office

City of Whittier
Taxable Sales by Category
Last Ten Calender Years
(in thousands of dollars)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Apparel stores	$ 44,665	45,169	44,534	42,522	42,035	45,376	45,949	45,902	36,061	29,161
General merchandise	107,074	99,377	66,397	56,722	56,305	58,124	62,141	61,648	59,531	58,757
Food stores	43,911	43,969	39,801	36,326	43,753	45,188	45,507	45,479	43,155	38,420
Eating and drinking places	118,271	109,832	104,037	97,486	90,047	87,065	84,388	82,215	74,653	71,273
Building materials	66,117	70,715	70,966	57,699	55,417	52,187	47,936	46,980	26,055	22,315
Auto dealers and supplies	185,079	208,911	209,526	228,289	226,981	203,185	183,477	191,183	183,484	179,660
Service stations	91,059	85,537	73,643	68,356	56,554	45,766	45,700	48,281	41,322	39,434
Other retail stores	123,851	122,554	113,721	104,152	108,930	108,747	112,574	109,069	106,418	97,028
All other outlets	232,955	221,813	208,085	200,392	186,346	202,436	203,867	190,093	188,967	175,921
Total	$1,012,982	1,007,877	930,710	891,944	866,368	848,074	831,539	820,850	759,646	711,969

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Source: State of California Board of Equalization and the HdL Companies

City of Whittier

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	DDA Loans	PFA Revenue Bonds		Tax Allocation Bonds		Capital Lease Payable		Loans (1)	Total Governmental Activities (2)
1999	$2,164,145	4,090,000		6,730,000	(5)	-		8,800,618	21,784,763
2000	2,477,736	3,510,000		6,630,000		203,203	(6)	9,377,233	22,198,172
2001	2,740,451	2,835,000		6,525,000		176,516		9,980,454	22,257,421
2002	2,895,324	7,505,000	(7)	6,415,000		148,304		10,191,888	27,155,516
2003	3,191,643	7,505,000		6,300,000		118,477		9,637,647	26,752,767
2004	3,528,162	7,280,000		6,180,000		86,945		9,896,983	26,972,090
2005	3,742,270	7,050,000		13,785,000	(9)	53,610		10,383,408	35,014,288
2006	3,981,417	6,810,000		13,655,000		18,369		10,540,893	35,005,679
2007	4,230,511	6,565,000		47,735,000	(10)	-		9,972,409	68,502,920
2008	4,310,395	21,735,000	(12)	41,800,000	(11)	-		10,486,245	78,331,640

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

(1) Includes operating and sales tax loans to the Whittier Redevelopment Agency from the City.

(2) Not includes noncommitment debt.

(3) Assessed property value has been used because personal income is not available.

(4) The ratio is calculated using population for the prior calendar year.

(5) The Whittier Redevelopment Agency issued $6,795,000 of new tax allocation bonds to refund one of the Whittier Public Financing Authority revenue bonds.

(6) The City entered into a capital lease agreement with City National Bank.

(7) The Whittier Public Financing Authority issued $7,505,000 of new revenue bonds and part of the proceeds to refund the existing revenue bonds.

(8) The Whittier Utility Authority issued new revenue bonds to refund the 1993 revenue bonds.

(9) The Whittier Redevelopment issued $7,730,000 of 2005 tax allocation bonds.

(10) The Whittier Redevelopment issued $34,355,000 of 2007 tax allocation bonds.

(11) The Whittier Redevelopment 1998 tax allocation bonds were refunded.

(12) The Whittier Public Financing Authority issued $15,425,000 of new revenue bonds.

Water Revenue Bonds		Solid Waste Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percent of Assessed Value (3)	Debt per Capita (4)
7,375,000		4,920,000	12,295,000	34,079,763	0.83%	401
7,135,000		4,715,000	11,850,000	34,048,172	0.81%	395
6,880,000		4,500,000	11,380,000	33,637,421	0.76%	398
6,610,000		4,270,000	10,880,000	38,035,516	0.81%	444
10,595,000	(8)	4,035,000	14,630,000	41,382,767	0.84%	479
10,425,000		3,790,000	14,215,000	41,187,090	0.78%	474
10,255,000		3,530,000	13,785,000	48,799,288	0.87%	563
10,070,000		3,255,000	13,325,000	48,330,679	0.79%	556
9,875,000		2,965,000	12,840,000	81,342,920	1.21%	933
9,670,000		2,660,000	12,330,000	90,661,640	1.24%	1,043

City of Whittier
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt: PFA Revenue Bonds	Tax Allocation Bonds	Total	Percent of Assessed Value (1)	Per Capita
1999	$ 4,090	6,730	10,820	0.26%	127
2000	3,510	6,630	10,140	0.24%	118
2001	2,835	6,525	9,360	0.21%	111
2002	7,505	6,415	13,920	0.30%	163
2003	7,505	6,300	13,805	0.28%	160
2004	7,280	6,180	13,460	0.25%	155
2005	7,050	13,785	20,835	0.37%	240
2006	6,810	13,655	20,465	0.34%	235
2007	6,565	47,735	54,300	0.81%	623
2008	21,735	41,800	63,535	0.87%	731

Notes: General bonded debt is debt payable with government fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

City of Whittier

Direct and Overlapping Debt

June 30, 2008

City Assessed Valuation	$ 5,564,069,026
Redevelopment Agency Incremental Valuation	1,425,355,734
Total 2007-2008 Assessed Valuation	$ 6,989,424,760

	Percentage Applicable	Outstanding Debt 6/30/08	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.775%	$ 150,054,336	1,162,880
East Whittier DS 1998 Series B	63.582%	230,000	146,238
E Whittier City DS 2007 Ref Bonds	63.582%	16,960,000	10,783,484
S Whittier SD DS 1998 Series A	0.379%	11,608,567	43,979
S Whittier Elementary DS 2004 Series A	0.379%	7,499,788	28,413
Whittier City SD DS 2000 Series A	53.028%	100,000	53,028
Whittier City SD DS 2000 Series B	53.028%	220,000	116,663
Whittier City SD DS 2000 Series C	53.028%	4,625,000	2,452,565
Whittier City SD DS 2000 Series D	53.028%	9,340,000	4,952,856
Whittier City SD DS 2000 Series E	53.028%	4,810,000	2,550,668
Whittier City SD DS 2006 Ref Bonds	53.028%	9,270,000	4,915,736
Fullerton Union HSD DS 2002 Series A	25.547%	2,771,127	707,936
Fullerton Union HSD DS 2005 Series B	25.547%	2,333,814	596,216
Whittier Union HSD DS 2005 Ref Bonds	36.475%	93,857,133	34,234,361
N Orange Co CCD DS 2002 Series A	24.924%	313,075	78,030
N Orange Co CCD DS 2003 Series B	24.924%	1,361,342	339,297
N Orange Co CCD DS 2005	24.924%	3,816,434	951,197
Rio Hondo CCD DS 2004 Series A	23.374%	11,335,000	2,649,414
Rio Hondo CCD DS 2005 Ref Bonds	23.374%	46,482,244	10,864,639
Total overlapping debt		$ 376,987,860	77,627,601
City direct debt			7,070,000
Total direct and overlapping debt		(1)	84,697,601

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Debt to 2007-2008 City Assessed Valuation Ratios:

Direct Debt	0.13%
Overlapping Debt	1.40%
Total Debt	1.53%

Source: HdL Coren & Cone

City of Whittier

Legal Debt Margin

Last Ten Fiscal Years

Fiscal Year	Assessed Valuation	Conversion Percentage	Adjusted Assessed Valuation	Debt Limit Percentage	Debt Limit	Debt Applicable to Limit	Legal Debt Margin
1998-99	$ 3,887,459,817	25%	971,864,954	15%	145,779,743	-	145,779,743
1999-00	4,011,451,082	25%	1,002,862,771	15%	150,429,416	-	150,429,416
2000-01	4,205,011,072	25%	1,051,252,768	15%	157,687,915	-	157,687,915
2001-02	4,457,727,668	25%	1,114,431,917	15%	167,164,788	-	167,164,788
2002-03	4,748,100,147	25%	1,187,025,037	15%	178,053,756	-	178,053,756
2003-04	5,027,753,728	25%	1,256,938,432	15%	188,540,765	-	188,540,765
2004-05	5,360,478,410	25%	1,340,119,603	15%	201,017,940	-	201,017,940
2005-06	5,813,393,289	25%	1,453,348,322	15%	218,002,248	-	218,002,248
2006-07	6,430,515,245	25%	1,607,628,811	15%	241,144,322	-	241,144,322
2007-08	6,989,424,760	25%	1,747,356,190	15%	262,103,429	-	262,103,429

Note: The Government Code of the State of California provides for a legal debt limit of 15% of assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective 1981-82, assessed value became equivalent to full market value. The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: Controller's Office, City of Whittier

City of Whittier

Pledged-Revenue Coverage

Water Revenue Bonds

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1999	$ 6,827	3,803	3,024	230	413	643	4.70
2000	6,908	3,961	2,947	240	402	642	4.59
2001	6,501	4,035	2,466	255	391	646	3.82
2002	6,180	4,608	1,572	270	379	649	2.42
2003	17,009 (3)	4,698	12,311	6,960	355	7,315	1.68
2004	6,583	4,588	1,995	170	485	655	3.05
2005	6,828	5,177	1,651	170	479	649	2.54
2006	8,445	6,922	1,523	185	471	656	2.32
2007	9,459	6,642	2,817	195	464	659	4.27
2008	9,662	7,503	2,159	205	456	661	3.27

Note: The rate covenant of the 1993 and 2003 water bonds requires net revenue to equal at least 125 percent of the debt service requirements. The bond originally issued in 1987 was defeased in 1993, and was refunded in March 2003.

(1) Restated to exclude AB1600 Water Connection Fee.

(2) Excludes depreciation.

(3) Includes bond proceeds in the amount of $10,777,584.

Source: Controller's Office, City of Whittier

City of Whittier

Pledged-Revenue Coverage

Solid Waste Revenue Bonds

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
1999	$ 6,373	5,170	1,203	200	256	456	2.64
2000	6,818	5,341	1,477	205	247	452	3.27
2001	7,111	5,406	1,705	215	238	453	3.76
2002	7,235	5,313	1,922	230	228	458	4.20
2003	6,507	5,611	896	235	217	452	1.98
2004	7,770	5,717	2,053	245	205	450	4.56
2005	8,361	5,892	2,469	260	193	453	5.45
2006	8,589	6,275	2,314	275	174	449	5.15
2007	8,826	6,358	2,468	290	159	449	5.50
2008	8,828	6,593	2,235	305	144	449	4.98

Note: The rate covenant of the 1993 solid waste bonds requires net revenue to equal at least 150 percent of the debt service requirements. The bond originally issued in 1989 was defeased in December 1993.

(1) Restated to exclude fees collected for the landfill expansion.

(2) Excludes depreciation.

Source: Controller's Office, City of Whittier

City of Whittier
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population (1)	Household Effective Buying Income Whittier (2)	**Per Capita Personal Income (3)	Unemployment Rate (4)
1998-99	84,948	$ 38,170	$ 28,469	3.8%
1999-00	83,639	39,348	29,402	3.5%
2000-01	84,602	44,260	32,155	3.9%
2001-02	85,593	44,951	32,155	3.7%
2002-03	86,414	42,743	32,544	4.4%
2003-04	86,919	43,930	33,435	3.9%
2004-05	86,736	44,816	35,170	4.1%
2005-06	86,841	45,591	37,441	3.3%
2006-07	87,190	47,546	39,880	3.6%
2007-08	86,945	49,210	41,875	5.8%

** Per Capita Personal Income in Los Angeles-Long Beach-Santa Ana metropolitan statistical area.

Sources: (1) *California Department of Finance, Demographic Research Unit*
(2) *Sales and Marketing Management Survey of Power, Claritas Inc.*
(3) *U.S Dept. of of Commerce, Bureau of Economic Analysis*
(4) *State of California Employment Development Department, Labor Market Information Division*

City of Whittier
Demographic and Economic Statistics
2008 Ten Largest Employers

Rank	Name	Number of Employees	Type
1	Interhealth Corporation	2,600	Healthcare
2	Whittier Hospital Medical Certer	850	Healthcare
3	City of Whittier	807	Municipality
4	Whittier Union HS District	412	Education
5	Whittier College	325	Education
6	U.S. Post Office	315	Postal Service
7	Integrated Medical Management	300	Healthcare
8	Leggett & Platt, Inc.	250	Manufacturing
9	Johnson Controls Inc	250	Plumbing & HVAC Corporate Headquarters
10	Los Angeles College of Chiropractor	220	Education

Information is not available for nine years prior.

Source: *ReferenceUSA.com*

City of Whittier
Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years

	Full-time and Part-time Employees by function									
As of June 30	General government	Public safety	Public works	Community development	Library	Transit	Parks and recreation	Water / sewer	Solid waste	Total
1999	45	200	62	20	84	9	129	25	26	600
2000	58	196	74	20	84	7	123	26	33	621
2001	48	205	60	21	77	8	162	24	31	636
2002	61	203	62	17	85	10	175	24	28	665
2003	52	188	55	19	82	8	184	25	28	641
2004	50	204	57	17	72	7	174	24	35	640
2005	50	191	61	20	82	6	152	22	32	616
2006	52	179	60	24	76	3	159	27	33	613
2007	46	190	64	21	83	3	152	27	32	618
2008	53	208	58	22	101	4	300	27	34	807

Source: *City of Whittier Controller's Office*

City of Whittier
Operating Indicators
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Sworn employees-full time	131	130	133	133	130	130	124	121	128	135
Civilian employees-full time	61	57	58	58	52	56	69	68	68	75
Physical arrests	3,042	3,073	3,265	3,246	3,378	3,660	3,391	3,558	3,321	2,923
Parking violations	14,488	16,044	17,638	14,703	18,220	13,474	13,305	10,480	11,263	13,635
Traffic violations	8,484	9,533	10,135	9,617	7,559	8,952	7,323	6,599	7,349	11,044
Libraries										
Total items	305,000	305,000	305,000	305,000	386,276	362,450	360,000	378,828	381,975	332,299
Volumes checked out	684,000	732,000	701,000	706,143	645,747	545,342	530,872	545,885	531,400	571,904
Library patrons	not available------------------------------			498,445	509,181	473,564	465,784	431,078	473,510	452,823
New library cards	10,000	8,600	8,336	9,107	8,400	6,500	7,129	7,335	6,864	7,291
Public Transit System										
Fixed route:										
Routes	2	2	2	2	2	2	2	2	2	N/A
Revenue service miles	172,092	171,323	142,676	169,923	170,899	157,223	159,070	149,683	148,373	N/A
Riders	376,517	376,735	361,097	327,985	293,573	255,135	212,087	182,306	166,078	N/A
Dial-A-Ride:										
Revenue service miles	not available------------------------------							172,072	167,881	176,830
Riders	not available------------------------------							46,904	53,870	54,648
Parks & Recreation										
Senior center patrons	144,000	144,000	144,000	144,000	120,000	103,860	103,860	119,786	100,860	129,506
Aquatics program participants	88,000	88,000	88,000	88,000	62,500	61,654	61,654	58,172	55,720	61,300
Tennis program participants	78,000	78,000	78,000	78,000	55,000	47,300	47,300	26,560	26,000	31,400
Youth program participants	225,000	225,000	225,000	220,000	190,000	175,805	195,000	206,181	209,850	209,960
Community center patrons	248,000	248,000	248,000	260,000	245,000	217,000	230,000	223,825	235,810	236,105
Parnell community & senior center patrons	N/A------------------------------								74,563	80,576
York field patrons	N/A------------------------------								45,360	103,000
Water Utility										
Avg daily water comsumption	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Maximum plant capicity per day	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000	19,400,000
Sanitary Landfill										
Permitted limit tons per day	350	350	350	350	350	350	350	350	350	350
Sewer System										
Single-family sewer service	18,442	18,442	18,442	18,442	18,442	18,442	18,442	18,442	18,442	18,442
Multi-residential sewer service	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024
Commercial sewer service	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675	1,675

Source: City of Whittier Departments

City of Whittier
Capital Asset Statistics by Function
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	27	27	29	29	29	29	29	29	32	32
Number of canine units	1	1	1	1	2	2	2	2	2	2
Number of motorcycle units	5	5	5	5	5	5	5	5	5	5
Public Works:										
Miles of streets	188	188	190	190	190	190	190	212	212	212
Traffic signals	55	55	93	97	97	97	97	98	99	99
Number of street lamps	2,138	2,138	3,235	3,240	3,240	3,248	3,248	3,248	3,262	3,262
Libraries										
Number of libraries	2	2	2	2	2	2	2	2	2	2
Public Transit System										
Number of fixed route vehicles	4	4	4	4	4	4	4	4	4	N/A
Number of dial-a-ride vehicles	3	3	3	5	5	6	5	7	7	9
Parks & Recreation:										
Number of parks	20	20	20	20	20	20	20	20	20	20
Acres of parks	411	411	411	411	411	411	411	411	411	411
Acres of designated open space	1,486	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of tennis courts	13	13	13	13	13	13	13	13	13	13
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of senior centers	1	1	1	1	1	1	1	2	2	2
Water Utility										
Miles of mains	137	137	137	137	137	137	137	137	137	137
Number of hydrants	910	910	910	910	910	910	910	910	910	910
Sanitary Landfill										
Acres of landfill permitted	132	132	132	132	132	132	132	132	132	132
Sewer System										
Miles of sanitary sewer lines	214	214	214	214	214	214	214	214	214	214

Source: City of Whittier Departments

CITY OF WHITTIER CALIFORNIA

INC. 1898

APPENDIX D

SUMMARY OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture not otherwise summarized in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the complete text of the Indenture for the complete terms thereof.

Definitions

"*Act*" means Articles 1 through 4 (commencing with section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

"*Additional Project*" means additions, extensions, alterations or improvements to the Enterprise, financed with Parity Obligations.

"*Authority*" means the Whittier Utility Authority, a joint exercise of powers authority organized and existing under the constitution and laws of the State, and any successor thereto.

"*Authorized Representative*" means, with respect to the Authority, the Executive Director of the Authority or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by the Executive Director of the Authority and filed with the Trustee.

"*Board of Directors*" means the Board of Directors of the Authority.

"*Bond Fund*" means the fund by that name referred to in the Indenture.

"*Bond Law*" means section 6546 of the Act, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

"*Bond Registration Books*" means the books maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"*Bond Year*" means any twelve-month period commencing on June 2 in a year and ending on the next succeeding June 1, both dates inclusive; *provided, however*, that the first Bond Year shall commence on the Closing Date relating to the Bonds and shall end on June 1, 2010.

"*Bonds*" means the Authority's Whittier Utility Authority Water Revenue Bonds, 2009 Series A, issued and at any time Outstanding under the Indenture.

"*Business Day*" means a day of the year on which banks in Los Angeles, California, are not required or authorized to remain closed and on which The New York Stock Exchange is not closed.

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

"*City*" means the City of Whittier, a charter city and municipal corporation organized and existing under the constitution and laws of the State, and any successor thereto.

"*City Council*" means the City Council of the City.

"*Closing Date*" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Original Purchaser thereof.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date, or as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"*Continuing Disclosure Certificate*" means that certain Continuing Disclosure Certificate executed by the Authority and the City and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Costs of Issuance*" means all expenses directly or indirectly payable by the Authority and related to the authorization, issuance, sale and delivery of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, compensation, fees and expenses of the Authority and the Trustee and their respective counsel, compensation to any financial consultants or underwriters, legal fees and expenses, rating agency fees, bond insurance fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Costs of Issuance Fund*" means the fund so designated and established pursuant to the Indenture.

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

(a) The principal amount, including by reason of sinking fund redemption, of all Outstanding Bonds coming due and payable by their terms in such period; and

(b) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"*Defeasance Obligations*" means: (a) cash, (b) U.S. Treasury certificates, notes and bonds (including State and Local Government Series), (c) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities, (d) the interest component of Resolution Funding Corp. ("REFCORP") strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (e) obligations listed in (b)(i), (ii), (iii), (v), (vii) and (viii) of the definition of Permitted Investments; or (f) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; if, however, the issue is only rated by S&P, 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).

"*Enterprise*" or "*Water System*" means any and all facilities, properties and improvements at any time controlled or operated by the Authority used or pertaining to the supply of water, consisting of the entire water production and distribution enterprise of the Authority, including all additions, extensions, expansions, improvements and betterments thereto and equippings thereof and any necessary lands, rights of way and other real and personal property useful in connection therewith, but exclusive of any portion of the existing system not required for the continued operation thereof; *provided, however*, that to the extent the Authority is not the sole owner of an asset or property, or lessee thereof from the City, only the Authority's ownership interest in such asset or property or leasehold interest therein from the City, shall be considered a part of the Enterprise.

"*Event of Default*" means any of the events of default described in the Indenture.

"*Federal Securities*" means direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same.

"*Fiscal Year*" means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

"*Gross Revenue Fund*" means the Water Fund held by the City into which all Gross Revenues, as received, are deposited.

"*Gross Revenues*" means all gross charges received for, and all other gross income and revenues derived by the Authority from, the operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to (a) all fees and charges received by the Authority for the services of the Enterprise, (b) charges received by the Authority for water connections, and (c) all receipts derived from the investment of such income or revenues.

"*Indenture*" means the Indenture of Trust, dated as of October 1, 2009, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"*Independent Accountant*" means any certified public accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority;

(b) does not have any substantial interest, direct or indirect, with the Authority; and

(c) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

"*Information Services*" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey Authority, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250-77 Center Drive, Charlotte, North Carolina 28217, Attention: Called Bond Dept.; Kenny S&P, 55 Water Street, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"*Insurance and Condemnation Proceeds Fund*" means the fund by that name established pursuant to the Indenture.

"*Insurance Consultant*" means a person (which may be the Authority's insurance agent or broker) having experience and a favorable reputation in consulting on the insurance requirements of water and sewer utilities in the State of the general size and character of the Enterprise, selected by the Authority.

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

"*Interest Payment Date*" means June 1 and December 1 in each year, beginning December 1, 2009, and continuing so long as any Bonds remain Outstanding.

"*Lease Agreement*" means that certain Enterprise Lease Agreement, dated as of February 1, 2002, as amended, by and between the City and the Authority, pursuant to which the City leased the Enterprise to the Authority and the Authority leased the Enterprise from the City.

"*Maintenance and Operation Costs*" means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated based upon accounting principles consistently applied, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature. Maintenance and Operation Costs do not include lease payments, if any, made by the Authority to the City under the Lease Agreement.

"*Maintenance and Operation Fund*" means the fund by that name established and held by the Authority pursuant to the Indenture.

"*Maximum Aggregate Annual Debt Service*" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Bond Year with respect to all Bonds and any Parity Obligations Outstanding.

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

"*Net Proceeds*" means the par amount of the Bonds plus accrued interest and premium, if any, less the amount of any underwriter's and original issue discount, if any, less the proceeds applied to pay Costs of Issuance, and less the amount of proceeds deposited in the Reserve Account.

"*Net Revenues*" means, for any Fiscal Year, an amount equal to all of the Gross Revenues received with respect to such Fiscal Year, minus the amount required to pay all Maintenance and Operation Costs becoming payable with respect to such Fiscal Year.

"*Optional Redemption Account*" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"*Original Purchaser*" means the first purchaser of the Bonds from the Authority.

"*Outstanding*," when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Indenture or any Supplemental Indenture.

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

"*Parity Obligations*" means indebtedness or other obligations of the Authority (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Bonds. For all purposes of the Indenture, the 2003 Bonds shall constitute, be deemed to be and be treated as Parity Obligations.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Permitted Investments*" means the following:

(a) Federal Securities;

(b) debentures of the Federal Housing Administration to the extent such obligations are guaranteed by the full faith and credit of the United States of America;

(c) obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association; *provided, however*, that not more than ten percent (10%) of the proceeds of the Bonds may, in the aggregate, be invested in any such obligations at one time;

(d) Federal funds, negotiable certificates of deposit, time deposits and bankers acceptances (having maturities of not more than 180 days) of banks (including the Trustee and its affiliates) the short-term obligations of which are rated in one of the two highest Rating Categories by Moody's and S&P;

(e) deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation ("FDIC");

(f) debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) rated in one of the two highest Rating Categories by Moody's and S&P, without regard to gradations;

(g) commercial paper (having original maturities of not more than 270 days) rated in one of the two highest Rating Categories by Moody's and S&P, without regard to gradations;

(h) money market funds or money market mutual funds rated "Aam" or higher by S&P and, if rated by Moody's, rated "Aa2" or higher, including any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, 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 the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(i) demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits or certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, including in the case of any such deposit, fund or account of the Trustee or any of its affiliates, rated in the AA long-term ratings category or higher by S&P or Moody's, without regard to gradations, or which are fully FDIC-insured;

(j) Collateralized investment agreements with qualified financial institutions rated AAA by at least one national rating service; investments shall be collateralized with treasuries or government agencies at one hundred and ten percent (110%) of funds deposited and subject to the Agencies' retaining the right to sell the instrument if the financial institution's rating falls below AA;

(k) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(l) other forms of investments that satisfy the City's Statement of Investment Policy.

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

"*Principal Payment Date*" means June 1 in each year, beginning June 1, 2011, and continuing so long as any Bonds remain Outstanding.

"*Project*" means the additions, extensions, alterations and improvements to the Enterprise, financed with the Bonds, more particularly described in the Indenture.

"*Project Fund*" means the fund by that name established pursuant to the Indenture.

"*Project Plans*" means the plans for the Project as such plans may be revised from time to time in accordance with the provisions of the Indenture.

"*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 and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met as of the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is in the highest rating category by S&P, or the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Account Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

"*Rate Stabilization Fund*" means the fund by that name established pursuant to the Indenture.

"*Rating Category*" means, with respect to any Permitted Investment, one or more of the generic categories of rating by Moody's and/or S&P applicable to such Investment Security, without regard to any refinement or gradation of such rating category by a plus or minus sign.

"*Record Date*" means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date.

"*Redemption Fund*" means the fund by that name established pursuant to the Indenture.

"*Redemption Price*" means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"*Reserve Account*" means the account by that name in the Bond Fund so designated and established pursuant to the Indenture.

"*Reserve Account Requirement*" means, as of any date of calculation, to be equal to the least of (a) Maximum Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, (b) 125% of average Annual Debt Service on the Bonds for the then current or every subsequent Bond Year, and (c) 10% of the original principal amount of the Bonds.

"*S&P*" means Standard & Poor's Ratings Services, New York, New York, or its successors.

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

"*Sinking Account*" means the subaccount in the Principal Account established pursuant to the Indenture.

"*Special Record Date*" means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

"*Special Redemption Account*" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"*State*" means the State of California.

"*Subsidy Payments*" means all payments received from the U.S. Department of Treasury of the tax credit for those Bonds issued as Direct Payment Build America Bonds provided for in sections 54AA(b) and 6431 of the Code. Subsidy Payments, as received, will be deposited in the Interest Account of the Bond Fund.

"*Supplemental Indenture*" means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"*Term Bonds*" means the Bonds maturing on June 1, 2029, and June 1, 2039.

"*Trust Office*" means the principal corporate trust office of the Trustee in Los Angeles, California; *provided, however*, that the Trustee may from time to time designate other offices for purposes of payment, transfer, exchange or registration of Bonds; provided such office for the Bonds shall be initially the corporate trust operations office of the Trustee in St. Paul, Minnesota.

"*Trustee*" means U.S. Bank National Association, appointed by the Authority to act as trustee under the Indenture, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"*2003 Bonds*" means the Authority's $10,945,000 principal amount of its Whittier Utility Authority Water Revenue Bonds, 2003 Series A, issued pursuant to the 2003 Indenture.

"*2003 Indenture*" means the Indenture of Trust, dated as of March 1, 2003, by and between the Authority and the Trustee, providing for the issuance of the 2003 Bonds.

Establishment and Application of Costs of Issuance Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay Costs of Issuance upon receipt by the Trustee of a Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account.

At the end of six months from the Closing Date, or upon earlier receipt of a Certificate of the Authority stating that amounts in the Costs of Issuance Fund are no longer required for the payment of Costs of Issuance, the Costs of Issuance Fund shall be closed and any amounts then remaining in said account shall be transferred to the Project Fund.

Establishment and Application of Project Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the costs of the Project.

Before any payment from the Project Fund shall be made, the Authority shall file or cause to be filed with the Trustee a Requisition of the Authority stating (i) the item number of such payment; (ii) the name of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs of the Project theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligation in the stated therefrom; and (vi) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Upon receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund.

When the Project shall have been completed, the Authority shall deliver to the Trustee a Certificate of the Authority stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved).

Upon the receipt of such Certificate of the Authority, the Trustee shall, as directed by said Certificate of the Authority, transfer any remaining balance in the Project Fund, less the amount of any such retention, to the Bond Fund.

Pledge of Net Revenues and Subsidy Payments

Subject to the provisions of the Indenture, the Bonds and any Parity Obligations shall be secured by a first pledge of all of the Net Revenues and the Subsidy Payments. In addition, the Bonds shall be secured by a pledge of all of the moneys in all funds and accounts held by the Trustee under the Indenture, including all amounts derived from the investment of such moneys. Such pledge shall constitute a lien on the Net Revenues and such other moneys for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with the terms of the Indenture. The Bonds and any Parity Obligations shall be equally secured by a pledge, charge and lien upon the Net Revenues, without priority for number or date. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys shall not be used for any other purpose, except, that out of the Net Revenues, there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

The Authority represents and warrants in the Indenture that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Net Revenues that ranks on a parity with or prior to the pledge granted under the Indenture, except to secure the obligations disclosed in the Indenture that will be outstanding upon issuance of the Bonds. The Authority also represents and warrants in the Indenture that it has not described the Net Revenues in a Uniform Commercial Code financing statement that will remain effective when the Bonds are issued, except in connection with the foregoing pledges, assignments, liens, and security interests. The Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Net Revenues that ranks prior to or on a parity with the pledge granted under the Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Indenture.

The Authority will, to the extent required by law, cause all UCC financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the security of the Owners in the Net Revenues and any other collateral and the rights of the Trustee. The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as may be required for the better securing, assuring, continuing, transferring, conveying, pledging, assigning and confirming unto the Owners or the Trustee, the Net Revenues and any other collateral pledged to the payment of the principal of, premium, if any, and interest on the Bonds. Except to the extent it is exempt therefrom, the Authority will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or State fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance.

The Authority agrees that, so long as any of the Bonds and any Parity Obligations remain Outstanding, all of the Gross Revenues shall be deposited as soon as practicable upon receipt in a fund or funds, collectively designated as the "Gross Revenue Fund" which the Authority shall establish and maintain at such banking or financial institution or institutions as the Authority shall from time to time designate for such purpose. The Authority may commingle amounts in said fund with other monies of the

Authority for investment purposes, so long as it maintains accounting records which at all times identify the amount therein and any investment gains or losses thereon.

Receipt, Deposit and Application of Gross Revenues and Net Revenues

Application of Gross Revenues. All of the Gross Revenues shall be deposited by the City, on behalf of the Authority, immediately upon receipt in the Gross Revenue Fund. All Gross Revenues shall be held in trust by the City, on behalf of the Authority, in the Gross Revenue Fund and shall be applied, transferred, used and withdrawn only for the following purposes:

(i) **Maintenance and Operation Costs**. The Authority shall first pay from the moneys in the Gross Revenue Fund the budgeted Maintenance and Operation Costs as such Maintenance and Operation Costs become due and payable.

(ii) **Payment of Debt Service**. On or before the 15th day of each May and November, the City, on behalf of the Authority, shall withdraw from the Gross Revenue Fund and (A) transfer to the Trustee, for deposit in a special fund designated as the "Bond Fund" which the Trustee has previously established with respect to the 2003 Bonds and which it shall continue to maintain and hold in trust, an amount which, together with the balance then on deposit in the Bond Fund, the Interest Account and the Principal Account (other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), that is equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on the next succeeding Interest Payment Date and (B) transfer to the Trustee an amount equal to the aggregate amount of principal of and interest coming due and payable on any Parity Obligations on the next succeeding Interest Payment Date.

(iii) **Reserve Account**. After making the payments, allocations and transfers provided for in subparagraphs (i) and (ii) above, (A) if the balance in the Reserve Account is less than the Reserve Requirement, the notice of which deficiency shall have been given by the Trustee to the Authority, or (B) if the balance in a bond reserve account established for any Parity Obligations is less than the bond reserve requirement established for such Parity Obligations, the notice of which deficiency shall have been given to the Authority, or (C) if any reserve surety bond for the Bonds or for any Parity Obligations has been drawn upon to make delinquent payments, the notice of which deficiency shall have been given to the Authority, the deficiency shall be restored by transfers from the first moneys which become available in the Gross Revenue Fund to the Trustee for deposit in the Reserve Account and for deposit in the bond reserve account established for such Parity Obligations, such transfers to be made no less than semiannually.

(iv) **Surplus**. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsections (ii) and (iii), inclusive, any moneys remaining in the Gross Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

Application of Net Revenues. On or before the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Net Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding;

Second: to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date, if any; and

Third: to the Reserve Account, the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account; provided that no deposit need be made into the Reserve Account so long as the balance in said account shall be at least equal to the Reserve Account Requirement.

Application of Interest Account

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

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee establishes and maintains within the Principal Account a subaccount for the Term Bonds (the "Sinking Account"). On or before the second Business Day preceding each Mandatory Sinking Account Payment date, the Trustee shall transfer the amount deposited in the Principal Account pursuant to the Indenture for the purpose of making a Mandatory Sinking Account Payment from the Principal Account to the Sinking Account.

With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Authority shall apply moneys in the Gross Revenue Fund to the purchase of Term Bonds made by the Authority at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the Redemption Price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Authority has purchased Term Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Authority has deposited Term Bonds with the Trustee, or Term Bonds were at any time purchased by the Authority or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be canceled and destroyed by the Trustee and the Trustee shall provide evidence of such destruction to the Authority. Any amounts remaining in the Sinking Account when all of the Term Bonds are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Gross Revenue Fund. All Term Bonds purchased from the Sinking Account or deposited by the Authority with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then pro-rata to the remaining Mandatory Sinking Account Payments in proportion to the amount of such Mandatory Sinking Account Payments. All Bonds purchased or deposited pursuant to this subsection shall be canceled and destroyed by the Trustee and the Trustee shall provide evidence of such destruction to the Authority.

Notwithstanding the foregoing, if some but not all of the Term Bonds have been theretofore redeemed pursuant to the Indenture, the total amount of all future Mandatory Sinking Account Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, allocated among such Mandatory Sinking Account Payments on a pro rata basis in integral multiples of $5,000 as determined by the Authority (notice of which determination shall be given to the Trustee).

Application of Reserve Account

All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (a) paying interest on or principal of the Bonds when due and payable to the extent that moneys deposited in the Interest Account or Principal Account, respectively, are not sufficient for such purpose, and (b) making the final payments of principal of and interest on the Bonds. On the date on which all Bonds shall be retired under the Indenture or provision made therefor pursuant to the Indenture, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the Authority.

Amounts in the Reserve Account shall be valued by the Trustee not less often than semi-annually. If, on any date of computation, moneys and securities on deposit in the Reserve Account are less than the Reserve Account Requirement (unless such deficiency is a result of a transfer therefrom), the Authority covenants and agrees that it will, within twelve months thereof, increase the amount therein to the Reserve Account Requirement. If such deficiency is a result of a transfer therefrom, the Authority covenants and agrees that it will, within twenty-four months thereof, increase the amount therein to the Reserve Account Requirement. If, on any date of computation, moneys and securities on deposit in the Reserve Account are in excess of the Reserve Account Requirement, the Trustee shall withdraw such excess amount and transfer such amount to the Interest Account.

The Authority shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause interest with respect to the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee shall transfer such funds from the Reserve Account to the Authority for deposit by the Authority in a segregated account maintained by the Authority and used exclusively for the acquisition, construction and installation of improvements to the Enterprise. Prior to the expiration of any Qualified Reserve Account Credit Instrument, the Authority shall be obligated either (a) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (b) to remit or cause to be remitted to the Trustee for deposit in the Reserve Account an amount of moneys equal to the Reserve Account Requirement, to be derived from Net Revenues; *provided, however*, that if the Authority shall fail to replace an expiring Qualified Reserve Account Credit Instrument or to deposit moneys equal to the Reserve Account Requirement, the Trustee shall draw on such Qualified Reserve Account Credit Instrument before such expiration and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Account Requirement shall at any time be maintained in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that more than one Qualified Reserve Account Credit Instrument shall be maintained as all or a portion of the Reserve Account Requirement, and the Trustee is otherwise required under the Indenture to draw on such Qualified Reserve Account Credit Instruments, the Trustee shall draw pro rata on each such Qualified Reserve Account Credit Instrument. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Net Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to the Indenture, shall be used to reinstate the Qualified Reserve Account Credit Instrument.

Notwithstanding any other provision of the Indenture, the Authority need not replace any Qualified Reserve Account Credit Instrument or deposit cash in the Reserve Account in the event that the provider of the Qualified Reserve Account Credit Instrument is downgraded by S&P or Moody's or fails to honor a draw thereon; it being the intent of the Authority that if the Qualified Reserve Account Credit Instrument meets the requirement of the Indenture at the time it is delivered to the Trustee, it will remain a Qualified Reserve Account Credit Instrument for its stated term.

Application of Redemption Fund

The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish, maintain and hold in trust) a separate Optional Redemption Account and a separate Special Redemption Account. The Authority may at any time deposit moneys into the Optional Redemption Account for the purposes of redeeming Bonds in accordance with the terms of the Indenture. The Authority may at any time deposit moneys into the Special Redemption Account for the purposes of redeeming Bonds in accordance with the terms of the Indenture. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee upon Order of the Authority shall apply such amounts to the purchase of Bonds made by the Authority at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the par value of such Bonds.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the Indenture shall, upon Request of the Authority provided at least two Business Days prior to the date of investment, be invested by the Trustee, but solely in Permitted Investments. In the absence of such Request of the Authority, the Trustee shall invest available moneys in investments described in paragraph (h) of the definition of Permitted Investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in the money market fund set forth in the letter of authorization and direction executed by the Authority and delivered to the Trustee. If no specific money market fund had been specified by the Authority, the Trustee shall make a request to the Authority for investment directions and, if no investment directions are provided within 10 days, such amount shall be held in cash, uninvested during such 10 day period and thereafter, until specific investment directions are provided by the Authority to the Trustee. Notwithstanding the foregoing, amounts in the Project Fund may be invested in any lawful investment for City funds, in accordance with the City's Statement of Investment Policy (the Authority shall confirm in writing to the Trustee that any such investment is in accordance with the City's Statement of Investment Policy). All Permitted Investments shall be acquired subject to the limitations as to maturities hereinafter set forth in the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority.

Moneys in the Reserve Account shall be invested in Permitted Investments maturing prior to the final maturity of the Bonds. Moneys in the remaining 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 by the Trustee.

All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the Indenture shall be deposited when received in the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account for the credit of which such Permitted Investment was acquired.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may 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 or account to which such Permitted Investment is credited, and, subject to the provisions of the Indenture, the Trustee shall not be liable or responsible for any loss resulting from such investment.

The Authority acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture. The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

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

Certain Covenants

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

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

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

Operation of Enterprise in Efficient and Economical Manner. The Authority covenants and agrees to operate, or cause to be operated, the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order.

Against Encumbrances. Except as provided in the Indenture, the Authority covenants that the property, facilities and improvements of the Enterprise shall not be mortgaged or otherwise encumbered, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless: (a) the Authority shall cause to be filed with the Trustee written evidence from Moody's, if Moody's is rating the Bonds, and/or S&P, if S&P is rating the Bonds, that such sale or other disposition will not cause a reduction or withdrawal of the uninsured rating then assigned to the Bonds by each such rating agency; and (b) such sale or other disposition shall be so arranged as to provide for a continuance of payments into the Bond Fund sufficient in amount to permit payment therefrom of the principal of and interest on and premiums, if any, due upon the call and redemption thereof, of the Outstanding Bonds, and also to provide for such payments into the funds as are required under the terms of the Indenture. Notwithstanding the foregoing, the Authority may lease real property or water rights constituting a portion of the Enterprise; provided that the lease payments shall be considered Gross Revenues under the Indenture.

The Authority further covenants that the Net Revenues or any other funds pledged or otherwise made available to secure payment of the principal of and interest on the Outstanding Bonds shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of the Indenture. The Authority further covenants that it will not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the principal and interest of the Bonds or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues. If any substantial part of the Enterprise is sold the payment therefor shall either be used for the acquisition and/or construction of improvements and extensions of the Enterprise or shall be deposited with the Trustee in the Redemption Fund and shall be used to redeem the Outstanding Bonds on a *pro rata* basis.

Records and Accounts. The Authority covenants that it shall keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

The Authority covenants that it will cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Trust Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant. Any such audit may be combined with and be a part of the general audit of the Authority's financial records.

Continuing Disclosure. The Authority covenants and agrees in the Indenture that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Assumption of Obligations Upon Termination of the Lease Agreement. In the event the Lease Agreement is, for any reason, terminated prior to the final payment of all Bonds under the Indenture, the Authority will assume all of the Authority's obligations under the Indenture for the payment of the principal of and interest on the Bonds.

Maintenance and Operation of the Enterprise. The Authority covenants and agrees that it will operate and maintain the Enterprise in accordance with all applicable governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Authority.

Taxes, Assessments, Other Governmental Charges and Utility Charges. The Authority covenants and agrees that it will pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, and utility charges which may be or have been assessed or which may have become liens upon the Enterprise or the interest therein of the Trustee or of the Owners of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Enterprise or any part thereof, and upon request, will furnish to the Trustee receipts for all such payments, or other evidence satisfactory to the Trustee; *provided, however*, that the Authority shall not be required to pay any tax, assessment, rate or charge as provided in the Indenture as long as it shall in good faith contest the validity thereof, provided that the Authority shall have set aside adequate reserves with respect thereto.

Public Liability and Property Damage Insurance. The Authority shall maintain or cause to be maintained, so long as any Bonds or Parity Obligations remain outstanding, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Authority and their respective members, officers, agents, assignees and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Enterprise. Said policy or policies shall provide coverage in such liability amounts and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Authority or the Authority, and may be maintained in whole or in part in the form of self-insurance by the Authority or the Authority, in the form of the participation by the Authority or the Authority in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

Casualty Insurance. The Authority shall procure and maintain or cause to be procured and maintained, so long as any Bonds or Parity Obligations remain outstanding, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary with respect to works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance coverage carried by the Authority or the Authority and may be maintained, in whole or in part, in the form of self-insurance by the Authority or the Authority, subject to the provisions of the Indenture, or in the form of the participation by the Authority or the Authority in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Enterprise and, to the extent not so applied or to the extent the Authority determines it is not economically feasible or in the best interests of the Authority to so repair, rebuild or replace such damaged or destroyed portion of the Enterprise, shall be applied to redeem the Bonds pro rata with any Parity Obligations.

Insurance Net Proceeds; Form of Policies. The Authority shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Authority shall annually, on or before December 1, deliver to the Trustee a Certificate of the Authority to the effect that the Authority has complied with the requirements of the Indenture. In the event that any insurance required pursuant to the Indenture shall be provided in the form of self-insurance, the Authority shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the Authority maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the Authority, the Authority shall not be obligated to make any payment with respect to any insured event except from Gross Revenues or from such reserves.

Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, at the election of the Authority (evidenced by a Certificate of the Authority filed with the Trustee and the Authority) shall either (a) be used for the lease, acquisition or construction of improvements or extension of the Enterprise, or (b) be applied to redeem the Bonds pro rata with any Parity Obligations.

Rates and Charges; Rate Stabilization Fund.

Rates and Charges. The Authority shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which (together with other funds accumulated from Gross Revenues and which are lawfully available to the Authority for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) all Maintenance and Operation Costs estimated by the Authority to become due and payable in such Fiscal Year;

(ii) the principal of and interest on the Outstanding Bonds and Parity Obligations becoming due and payable during such Fiscal Year, including all Mandatory Sinking Account payments during such Fiscal Year, but excluding an amount equal to the Subsidy Payments expected to be received in such year;

(iii) all other payments required for compliance with the Indenture and the instruments pursuant to which any Parity Obligations shall have been issued;

(iv) all payments required to meet any other obligations of the Authority which are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues; and

(v) any other lawful purposes of the Authority, including, but not limited to, deposits to the Rate Stabilization Fund in accordance with the Indenture.

In addition, the Authority shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield Net Revenues, including connection charges together with other funds which are lawfully available to the Authority for payment of the debt service on the Bonds and any Parity Obligations, at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding clause (ii) in such Fiscal Year.

Rate Stabilization Fund. There is to be created, if necessary, a separate fund to be known as the "Rate Stabilization Fund," to be held and maintained by the Authority. The Rate Stabilization Fund is not pledged to secure payment of the Bonds. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in the Indenture. The Authority shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding paragraph, the Authority shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Gross Revenue Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the Authority shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

Notwithstanding the foregoing, amounts on deposit in the Rate Stabilization Fund and transferred to the Gross Revenue Fund shall be accounted separately from all other amounts deposited in the Gross Revenue Fund and, if such amounts shall become available to the Authority in accordance with the Indenture, such amounts may not again be deposited in the Rate Stabilization Fund.

Limitations on Future Obligations Secured by Net Revenues

No Obligations Superior to Bonds or Parity Obligations. In order to protect further the availability of the Net Revenues and the security for the Bonds and any Parity Obligations, the Authority covenants that no additional bonds or other indebtedness will be issued or incurred on a senior basis to the Bonds or such Parity Obligations that are payable out of the Net Revenues in whole or in part.

Parity Obligations. The Authority further covenants that, except for obligations incurred to prepay or post a security deposit for the payment of the Bonds or Parity Obligations, the Authority may issue or incur Parity Obligations during the term of the Bonds if:

(i) No Event of Default shall have occurred and then be continuing.

(ii) The indenture providing for the issuance of such Parity Obligations shall specify the purposes for which such Parity Obligations are being issued, which shall be one or both of the following:

(A) to provide moneys needed to complete the Project or to acquire, install, construct or complete an Additional Project, including reimbursements of any sums advanced by the Authority for such purposes, by depositing into the Project Fund or in the project fund established for the such Additional Project, as the case may be, the proceeds of such Parity Obligations to be so applied, or

(B) to refund all or part of the Bonds of any one or more Parity Obligations then Outstanding, by depositing with the Trustee, in trust, moneys or Defeasance Obligations in the necessary amount to discharge all liability of the Authority with respect to the Bonds or the Parity Obligations to be refunded.

The indenture providing for the issuance of such Parity Obligations may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of such Parity Obligations, interest on such Parity Obligations and, in the case of Parity Obligations issued to refund the Bonds or other Parity Obligations, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or other Parity Obligations to be refunded.

(iii) The indenture providing for the issuance of such Parity Obligations also shall require that a bond reserve account be established for such Parity Obligations and there be deposited to such accounts, forthwith upon the receipt of the proceeds of the sale of such Parity Obligations, an amount at least equal to the bond reserve account requirement with respect to such Parity Obligations.

(iv) Parity Obligations shall be payable as to principal on June 1 in each year in which principal becomes due, and shall be payable as to interest semiannually on June 1 and December 1, except that the first installment of interest may be payable on either June 1 or December 1 and shall be for a period not longer than twelve (12) months.

(v) The aggregate principal amount of Parity Obligations issued shall not exceed any limitation imposed by law.

(vi) The sum of (x) Net Revenues, calculated based upon accounting principles consistently applied, as shown by the books of the Authority for the latest Fiscal Year for which audited financial statements are available, as shown by an audit certificate or opinion of an Independent Accountant, (y) other funds accumulated in the Gross Revenue Fund and which are lawfully available to the Authority for the payment of debt service on the Bonds and such Parity Obligations, plus (z) at the option of the Authority, any or both of the items hereinafter in this subsection designated (A) and (B), shall have amounted to at least 1.25 times the sum of the Maximum Aggregate Annual Debt Service coming due and payable in any future Fiscal Year immediately subsequent to the incurring of such Parity Obligations, less the Subsidy Payment amount for such future Fiscal Year.

Any or all of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (vi):

(A) An allowance for Net Revenues from any additions to or improvements or extensions of the Enterprise to be made with the proceeds of such Parity Obligations, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Authority.

(B) An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the issuance of such Parity Obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the issuance of such Parity Obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the Authority; *provided, however*, that such any increase in the charges that are temporary in nature, for example to address drought conditions, shall not be included.

Nothing contained in the Indenture shall prevent or be construed to prevent the instrument providing for the issuance of Parity Obligations from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Parity Obligations or any portion thereof.

Subordinate Obligations. Additional obligations may be issued on a basis subordinate to the Bonds and Parity Obligations without limitation.

Tax Covenants

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code.

Private Loan Financing Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private loan financing test of section 141(c) of the Code.

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

Rebate Requirement. The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

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

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

Small Issuer Exemption fro Bank Deductibility Restriction. The Authority designates the Bonds as "qualified tax-exempt obligations" for the purposes and within the meaning of section 265(b)(3) of the Code. In support of such designation, the Authority certifies that (A) the Bonds will be at no time "private activity bonds" (as defined in section 141 of the Code), (B) as of the Closing Date, other than the Bonds, no tax-exempt obligations of any kind have been issued (1) by or on behalf of the City, (2) by other issuers, any of the proceeds of which have been or will be used to make any loans to the City, or (3) any portion of which has been allocated to the City for purposes of section 265(b) of the Code, and (C) not more than $30,000,000 of obligations of any kind (including the Bonds) issued (1) by or on behalf of the City, (2) by other issuers any of the proceeds of which have been or will be used to make any loans to the City, or (3) any portion of which has been allocated to the City for purposes of section 265(b) of the Code during calendar year 2009 will be designated for purposes of section 265(b)(3) of the Code.

Events of Default And Remedies of Bondowners

Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of any Bond or Parity Obligation when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond or Parity Obligation when and as such interest installment shall become due and payable;

(c) default by the Authority in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained (other than as referred to in subsections (a) or (b) above), if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(d) the Authority's filing a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or making an assignment for the benefit of creditors, or admitting in writing to its insolvency or inability to pay debts as they mature, or consenting in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Enterprise.

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

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

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

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including, but not limited to, reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

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

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may execute when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, provided in the Indenture for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, other than Parity Obligations, or deprive the Owners of the Bonds of the lien created by the Indenture on such Net Revenues and other assets (except as expressly provided in the Indenture), or terminate the insurance of the Bonds, without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners at the addresses shown on the Bond Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may execute without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Owners of the Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(iii) to make such additions, deletions or modifications as may be necessary to assure exclusion from gross income for purposes of federal income taxation of interest on the Bonds; or

(iv) to issue Parity Obligations or to substitute a Qualified Reserve Account Credit Instrument.

No such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its prior written consent thereto; nor shall the Trustee be required to consent to any such Supplemental Indenture which affects its rights or obligations under the Indenture.

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

Defeasance

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

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

(b) by depositing with the Trustee, in trust, at or before maturity, money or Permitted Investments described in paragraph (a) of the definition thereof ("Defeasance Obligations") in the necessary amount to pay or redeem such Bonds Outstanding; or

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

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

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Owner thereof shall be entitled to payment of the principal of and interest to the maturity or redemption date on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for such payment, provided further, however, that the provisions of the Indenture shall apply in all events.

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

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

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

(b) Defeasance Obligations the principal of and interest on which when due will provide money sufficient, in the opinion of an Independent Accountant, to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or redemption premium of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee, as the case may be, may (at the cost of the Authority) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the Owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the WHITTIER UTILITY AUTHORITY (the "Authority") and the CITY OF WHITTIER (the "City") in connection with the issuance of $9,095,000 aggregate principal amount of Whittier Utility Authority Water Revenue Bonds, 2009 Series A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association as trustee (the "Trustee"). The Authority and the City covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority and the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Authority and the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean U.S. Bank National Association or any successor Dissemination Agent designated in writing by the Authority and the City and which has filed with the Authority and the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean Stone & Youngberg, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Authority under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB*. The Authority and the City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Authority's and the City's fiscal year (which currently ends on June 30), commencing with the report for the 2008-2009 Fiscal Year, which is due not later than April 1, 2010, provide to the Participating Underwriter and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Certificate; provided that the audited financial statements of the Authority and the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the Authority's and 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(d).

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the Authority and the City shall provide the Annual Report to the Dissemination Agent (if other than the Authority or the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority and the City.

(d) *Report of Non-Compliance*. If the Authority and the City are unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the Authority or the City, file a report with the Authority and the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the Authority and the City for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the Authority's and 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 included in the audited final statement of the Authority and the City, the Annual Report shall also include operating data with respect to the Authority and the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) Water Meter Types;
(ii) Ten Largest Users—Consumption;
(iii) Ten Largest Users—Revenue;
(iv) Water Consumption;
(v) Water Sales;
(vi) Water Consumption versus Water Production;
(vii) Water System Demand and Peaking Factors;
(viii) Water Rate Increases;
(ix) Water Rate Structure;
(x) Competitive Rates; and
(xi) Debt Service Coverage.

(c) 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 Authority and the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Authority and the City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Authority and 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.

Section 5. Reporting of Significant Events.

(a) *Listed Events*. Pursuant to the provisions of this Section 5, the Authority and the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.
(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

(b) *Determination of Materiality of Listed Events*. Whenever the Authority or the City obtains knowledge of the occurrence of a Listed Event, the Authority and the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) *Notice to Dissemination Agent*. If the Authority or the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority and the City shall promptly notify the Dissemination Agent (if other than the Authority or the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) *Notice of Listed Events*. The Authority and the City shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by EMMA, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's, the City's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority and the City shall give notice of such termination in the same manner as for a Listed Event under Section 5 and provide written notice to the Dissemination Agent.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The initial Dissemination Agent shall be U.S. Bank National Association. The Authority and the City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the

Dissemination Agent is not the Authority or the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority or the City pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the Authority and the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Authority and the City from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Authority and the City, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Authority and the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Authority and the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority and the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Authority and the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Authority and the City shall describe such amendment or waiver in the next following 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 Authority and the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority and the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority and the City choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority and the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Authority and the City to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority and the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Authority and the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority and the City agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority and the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

WHITTIER UTILITY AUTHORITY

By ____
Executive Director

CITY OF WHITTIER

By ____
City Manager

ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Whittier Utility Authority
Name of Issue:	Whittier Utility Authority Water Revenue Bonds, 2009 Series A
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Whittier Utility Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated October 1, 2009, furnished by the City in connection with the Bond Issue. The City anticipates that the Annual Report will be filed by _____________.

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By ____
Name ______________________________________
Title _______________________________________

cc: Trustee

APPENDIX F

FORM OF BOND COUNSEL OPINIONS

OPINION FOR TAX-EXEMPT BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors
Whittier Utility Authority
13230 East Penn Street
Whittier, California 90602

OPINION: $3,150,000 Whittier Utility Authority Water Revenue Bonds, 2009 Series A (Tax-Exempt Bonds)

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the Whittier Utility Authority (the "Authority") of its $3,150,000 Water Revenue Bonds, 2009 Series A (Tax-Exempt Bonds) (the "Bonds"), under the provisions of section 6546 of the California Government Code (the "Law"), an Indenture of Trust, dated as of October 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and Resolution No. WUA-09-06, adopted by the Board of Directors of the Authority on September 22, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers agency and public entity duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Net Revenues of the Water System (as such terms are defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. Subject to the Authority's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) interest on the Bonds is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Indenture is subject to the limitations on the imposition of certain fees and charges by the City of Whittier related to the Water System under Articles XIIIC and XIIID of the California Constitution. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

OPINION FOR BUILD AMERICA BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors
Whittier Utility Authority
13230 East Penn Street
Whittier, California 90602

OPINION: $5,945,000 Whittier Utility Authority Water Revenue Bonds, 2009 Series A (Direct Payment Build America Bonds)

Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the Whittier Utility Authority (the "Authority") of its $5,945,000 Water Revenue Bonds, 2009 Series A (Direct Payment Build America Bonds) (the "Bonds"), under the provisions of section 6546 of the California Government Code (the "Law"), an Indenture of Trust, dated as of October 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and Resolution No. WUA-09-06, adopted by the Board of Directors of the Authority on September 22, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers agency and public entity duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Net Revenues of the Water System (as such terms are defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Indenture is subject to the limitations on the imposition of certain fees and charges by the City of Whittier related to the Water System under Articles XIIIC and XIIID of the California Constitution. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX G

CITY INVESTMENT POLICY

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2009 STATEMENT OF INVESTMENT POLICY
for the
CITY OF WHITTIER
WHITTIER HOUSING AUTHORITY
WHITTIER PUBLIC FINANCING AUTHORITY
WHITTIER REDEVELOPMENT AGENCY
WHITTIER UTILITY AUTHORITY

POLICY:

It is the policy of the City of Whittier, Whittier Housing Authority, Whittier Public Financing Authority, Whittier Redevelopment Agency, and Whittier Utility Authority to provide for the prudent investment of public funds in a manner which will protect its funds, meet the daily cash flow for expenditures, enhance the economic status of the City, Agency, or Authorities and conform with all state and local statutes governing the investment of public funds.

SCOPE:

This investment policy applies to all financial assets of the City of Whittier, Whittier Redevelopment Agency, Whittier Public Financing Authority, Whittier Housing Authority, or Whittier Utility Authority, herein after referred to as “Agencies” except when a provision is not applicable to all five organizations.

The funds established to distribute these financial assets are accounted for in the City of Whittier’s Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust Funds
- Bond Funds
- Any new agency funds created by the Agencies unless specifically exempted.

This investment policy does not apply to the financial assets of the following funds, since the Treasurer does not manage those assets:

- Retirement/Pension Funds
- Deferred Compensation

PRUDENCE:

Investments made by the Treasurer, Assistant Treasurer, or Deputy Treasurer in the name of the Agencies shall be made with the judgment and care which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

The standard of prudence to be used by the Treasurer, Assistant Treasurer and Deputy Treasurer, as the Agencies' investment officials, shall be the prudent investor standard, as described above, and shall be applied in managing the overall investment portfolio. The Treasurer, Assistant Treasurer and Deputy Treasurer, acting in accordance with written procedures and the investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided such risk or change is reported to the City Manager/Executive Director and City Council/Board in a timely fashion and appropriate action is taken to control adverse developments that would place the Agencies at further risk.

OBJECTIVE:

The Agencies' cash management system is designed to monitor and forecast expenditures and revenues, thus enabling the Agencies to invest funds and attain diversification to the fullest extent possible. The primary objectives of the Agencies' investments, by order of priority, shall be:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments of the Agencies shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, the Agencies will invest through a variety of financial institutions and diversify their investments by investing in funds among a variety of securities.

2. Liquidity. The Agencies' investment portfolio will remain sufficiently liquid to enable the Agencies to meet all operating requirements which might be reasonably anticipated.

3. Yield. The yield is the potential dollar earnings an investment can provide, and sometimes is described as the rate of return. The Agencies' portfolios shall be designed to attain a market-average rate of return through economic cycles, commensurate with the Agencies' investment risk constraints and the cash flow characteristics of the portfolio.

DELEGATION OF INVESTMENT AUTHORITY:

The Agencies' investment program authority is derived from the following:

1. Statement of Investment Policy
2. Written Investment Procedures
3. City Charter
4. Whittier Redevelopment Agency Resolution No. WRA-R87-1
5. Whittier Public Financing Authority Resolution No. PFA-89-02
6. Whittier Housing Authority Resolution No. 1
7. Whittier Utility Authority Resolution No. WUA-02-01
8. State law
9. Authorization-to-Trade agreements with brokers

Management responsibility for the investment program is hereby delegated to the Treasurer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Treasurer.

INVESTMENT PROCEDURES:

The Treasurer shall establish written procedures pertaining to the investment program which must conform with the investment policy. The procedures shall include: safekeeping, wire transfer instructions and agreements, permitted and prohibited instrument features, banking service contracts, authorized dealers/brokers, collateral/depository agreements, internal controls, and persons responsible for investment transactions and recordkeeping. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

ETHICS AND CONFLICTS OF INTEREST:

The Treasurer, Assistant Treasurer, and Deputy Treasurer involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions.

The investment officials described above shall disclose any material financial interests in financial institutions that conduct business within the City of Whittier. They shall also disclose any personal financial/investment positions that could be related to the performance of the Agencies, particularly with regard to the time of purchases and sales. Such disclosures shall be made annually by the Treasurer, Assistant Treasurer, and Deputy Treasurer on his/her Statement of Economic Interests.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

The Treasurer shall maintain a list of qualified institutions and broker/dealers who are authorized to provide investment services and are located in the state of California. Qualified institutions and broker/dealers are defined as “primary” dealers or regional dealers that qualify under Securities Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule) and Government Code Section 53601.5. Public deposits shall only be made in qualified public depositories as established by California law.

An annual authorization to trade agreement and financial statement shall be filed by qualified institutions and broker/dealers with the Treasurer for review and approval. These documents shall remain on file for each financial institution and broker/dealer with which the Agencies invest.

All financial institutions and broker/dealers seeking to become a bidder for investment trades with the Agencies will only be considered upon termination of the Agencies’ existing relationship with a financial institution and/or broker/dealer. The newly appointed financial institution and broker/dealer will provide audited financial statements, proof of National Association of Security Dealers certification, proof of state of California registration, completed authorization to trade agreement and signed statement of having read and agreeing to comply with the Agencies’ investment policy.

AUTHORIZED AND SUITABLE INVESTMENTS:

From the Agencies’ governing bodies’ perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle.

The statutes followed by the Agencies are:

- Government Code Section 53601 outlining authorized investments (Exhibit A).

Investment types deemed to be suitable purchases by the Agencies under these regulations include:

- United States Treasury notes, bonds and bills
- Obligations issued by a federal agency or United States government-sponsored enterprise such as Federal Home Loan Bank (FHLB), Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corporation (FHLMC)
- Certificates of Deposit (time deposits) placed with nationally or state-chartered bank, savings association, federal association, or state or federal credit union
- Bankers’ Acceptances of prime quality
- Commercial Paper of prime quality
- Local Agency Investment Fund (State Pool)

- Medium Term Corporate Notes of prime quality
- Passbook Savings Account Demand Deposits

Investment types deemed unsuitable for purchase by the Agencies include:

- Repurchase/Reverse Repurchase Agreements
- County Pooled Funds
- Mutual Funds
- Speculative Derivatives

COLLATERALIZATION:

The Agencies shall require collateralization on certificates of deposit. Collateralization shall be set as specified in the California Government Code Section 53652 and pursuant to Sections 53656 and 53658 (Exhibit B).

The Treasurer may, at his or her discretion, waive security for that portion of a deposit which is insured pursuant to federal law. Currently, the first $250,000 of a deposit is federally insured. It is to the Agencies' advantage to waive the collateral requirement for the first $250,000[1] since it is federally insured.

SAFEKEEPING AND CUSTODY:

All securities purchased by the Treasurer shall be issued in the individual Agencies' name and shall be held in third party safekeeping by an approved financial institution designated by the Treasurer. The Agencies and the safekeeping custodian shall execute a custody agreement with defined terms and fees. The method of delivery shall be delivery-versus-payment (DVP) basis or book entry.

Third party safekeeping does not apply to time deposits in banks, savings and loans, or credit unions. Time deposit collateral is held by the Federal Home Loan Bank or an approved Agent of Depository. (Depositories include: state or national banks, state or federal savings banks or savings and loan associations, state or federal credit unions and federally insured industrial loan companies.)

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[1] Federal Deposit Insurance Corporation (FDIC) insurance is available up to $250,000 through December 31, 2009. Collateral for investments with maturity dates beyond that date will be waived only up to the FDIC insurance limit in place after December 31, 2009.

DIVERSIFICATION:

The Agencies shall diversify their investments to reduce:

- risk,
- disproportional distribution of instrument type and issuer, and
- over concentration in the maturity area.

Additional considerations include:

- volatility
- inflation
- interest rate
- inventory, and
- liquidity.

The concept is to diversify the portfolio to meet daily and future operational costs while attaining the average rate of return on the Agencies' portfolios.

The Agencies' permitted percentages within an investment type shall be no greater than the following:

- United States Treasury securities – Unlimited percentage of the portfolio because of safety and liquidity.
- Federal Agencies – Maximum of 60% of the portfolio in short and long term maturities, split among different federal agencies.
- Local Agency Investment Fund – City maximum 50%; Redevelopment Agency and Authorities unlimited due to liquidity.
- Banker's Acceptances – Maximum of 20% and no more than 10% of the portfolio may be invested in the banker's acceptances of any one commercial bank.
- Commercial Paper – Maximum of 20% of the portfolio and no more than 10% of an issuing corporation may be purchased.
- Medium Term Notes – Maximum of 20% of the portfolio with one to three year maturity.
- Certificates of Deposit (Time Deposits) – Maximum of 30% of the portfolio.

MAXIMUM MATURITIES:

The Treasurer or his/her representative is not to invest any of the Agencies' monies in any investment allowed under this policy which has a maturity date in excess of five years from the settlement date without direct authorization from the governing board.

It shall be the duty of the Treasurer, or designee, to match the investments with anticipated cash flow requirements. The prescribed method of the City of Whittier shall be referred to as "layering" the investments. The Whittier Redevelopment Agency, Whittier Public Financing Authority, Whittier Housing Authority, and Whittier Utility Authority may choose not to use layering due to liquidity needs. Monies not needed to cover immediate operating costs may be invested up to a five-year maturity. The average days to maturity of the total portfolio shall never exceed 400 days.

INTERNAL CONTROL:

The Treasurer shall maintain separation of investments, responsibilities, and cash reconciliation duties as outlined in the investment procedures. In addition, the Agencies' annual interim and final audit by an independent auditor, of all finance functions shall address whether the investments made are in compliance with the Statement of Investment Policy and may include a complete audit by an independent auditor, of the administrative procedures followed by the Treasurer's office relating to investment practices.

PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Agencies.

MARKET YIELD (BENCHMARK):

The Agencies' investment strategy is conservative and is reflected in its "hold to maturity" philosophy. Given this strategy the benchmark for investment considerations, other than LAIF, shall be six-month U.S. Treasury Bills and the average Federal Funds rate.

REPORTING:

The Treasurer will submit monthly reports to the Governing Boards to demonstrate that sufficient cash flow liquidity is available to meet the expenditure requirements for the next six months and addressing the portfolio's compliance with the Statement of Investment Policy. In addition, a monthly report of investments including those managed under contract will be submitted to the Governing Boards. The report shall contain information about the type of investment, issuer, date of maturity, average days to maturity, percentage of portfolio in each investment type, investment rate, par and dollar amount invested in all securities, market valuation and source valuation.

RECONCILIATION:

The Treasurer shall, on a monthly basis, reconcile documentation for every security purchased against the report of the third party safekeeping agent, buy form, and broker purchase and confirmation documentation, and resolve any discrepancies.

BOND PROCEEDS:

Investment of the proceeds received from the Agencies' tax-exempt bond issues require special policy guidance. This section of the investment policy provides guidance to bond counsel, financial advisors and investment personnel regarding such investments.

Permitted Investments

Bond proceeds shall be invested in the following instruments:

1. United States Treasury notes, bonds and bills
2. Obligations issued by a federal agency or United States government-sponsored enterprise such as Federal Home Loan Bank (FHLB), Tennessee Valley Authority (TVA), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC).
3. Certificates of Deposit (time deposits) placed with commercial banks and/or savings and loan companies.
4. Bankers Acceptances of prime quality
5. Commercial Paper of prime quality
6. Medium Term Corporate Notes of prime quality
7. Money Market Mutual Funds which invest solely in United States Treasuries and are rated in the highest rating category by a rating agency.
8. Collateralized investment agreements with qualified financial institutions rated AAA by at least one national rating service; investments shall be collateralized with treasuries or government agencies at one hundred and ten percent (110%) of funds deposited and subject to the Agencies' retaining the right to sell the instrument if the financial institution's rating falls below AA.
9. Local Agency Investment Fund (State Pool).

Monies identified by the Agencies as reserve funds may be invested in securities up to five years if the maturity of such investments are made to coincide, as nearly as practicable, with the expected use of the funds.

Conflicts of Interest

Underwriters and financial advisors shall refrain from participating in the investment process and may not receive compensation or finders fees from parties involved in the investment transaction. If a financial advisor or underwriter also acts in an investment capacity, the firm shall certify that its fees do not exceed the fees it customarily charges for investment activity and include no compensation for services provided in the underwriting.

~~Avoiding of Abuses~~

The Agencies do not engage in abusive practices, such as co-mingling monies, in the investment of bond proceeds, and will obtain market-price instruments. For bond issues to which federal yield or arbitrage restrictions apply, the primary objective shall be to prudently obtain satisfactory market yields and to minimize the costs associated with investments of such funds.

The Treasurer and/or investment official shall obtain full disclosure of brokerage and other fees associated with investments of bond proceeds, and shall require written disclosure of any payments made by investment firms or brokers to third parties associated with the issuance of its bonds.

~~Arbitrage Recordkeeping~~

The Treasurer and City Controller/Fiscal Officer shall establish systems and procedures to comply with federal regulations governing the investments of bond proceeds, including investment recordkeeping systems. The recordkeeping system is subject to review by the independent auditor for procedural compliance and adequacy in tracking arbitrage or penalties.

~~INVESTMENT POLICY ADOPTION~~:

The Agencies' Statement of Investment Policy is to be submitted to Agencies governing board annually for review and approval of any modifications to the Policy. It is to continue to serve as the basis for the responsibilities and actions taken by the Treasurer relative to the investment of the Agencies' funds.

Approved by the Whittier City Council on January 27, 2009
Approval by the Whittier Housing Authority on June 23, 2009
Approved by the Whittier Public Financing Authority on June 23, 2009
Approved by the Whittier Redevelopment Agency on January 27, 2009
Approved by the Whittier Utility Authority on January 27, 2009

GLOSSARY OF TERMS

AGENCIES: The City of Whittier, Whittier Redevelopment Agency, Whittier Housing Authority, Whittier Public Financing Authority and Whittier Utility Authority.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Whittier. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security; and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): FFCB is a government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for cooperatives. The Federal Farm Credit System was established by the Farm Credit Act of 1971 to provide credit services to farmers and farm-related enterprises through a network of 12 Farm Credit districts. The system sells short-term (5 to 270 day) notes in $50,000 increments. Rates are set by the FFCB.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLB's is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): FHLMC is a publicly chartered agency that buys qualifying residential mortgages from lenders, packages them into new securities backed by pooled mortgages, and then resells the securities on the open market. The corporation, nicknamed Freddie Mac, has created an enormous secondary market, providing more funds for mortgage lending. The corporation was established in 1970.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNING BOARD: The governing boards for the Agencies covered by this Policy are as follows: City of Whittier - City Council; Whittier Redevelopment Agency – Board Members; Whittier Public Financing Authority – Directors; Whittier Housing Authority – Board Members; Whittier Utility Authority - Directors.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FNMA mortgages. The term "pass-through" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities; you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio.* Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

(a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security.

(b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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Government Code Section 53601

53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the bankers' acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars ($500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision-making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold on reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

Government Code Sections 53652, 53656, and 53658

53652**.** To secure active or inactive deposits a depository shall at all times maintain with the agent of depository eligible securities in securities pools, pursuant to Sections 53656 and 53658, in the amounts specified in this section. Uncollected funds shall be excluded from the amount deposited in the depository when determining the security requirements for the deposits.

(a) Eligible securities, except eligible securities of the classes described in subdivisions (m) and (p) of Section 53651, shall have a market value of at least 10 percent in excess of the total amount of all deposits of a depository secured by the eligible securities.

(b) Eligible securities of the class described in subdivision (m) of Section 53651 shall have a market value at least 50 percent in excess of the total amount of all deposits of a depository secured by those eligible securities.

(c) Eligible securities of the class described in subdivision (p) of Section 53651 shall have a market value of at least 5 percent in excess of the total amount of all deposits of a depository secured by those eligible securities. For purposes of this article, the market value of a letter of credit which is an eligible security under subdivision (p) of Section 53651 shall be the amount of credit stated in the letter of credit.

53656. (a) At the time the treasurer enters into a contract with the depository pursuant to Section 53649, he or she shall authorize the agent of depository designated by the depository, but including the trust department of the depository only when acceptable to both the treasurer and the depository, to hold securities of the depository in accordance with this article to secure the deposit of the local agency.

(b) Only those trust companies and trust departments, or the Federal Home Loan Bank of San Francisco, which have been authorized by the administrator pursuant to Section 53657 shall be authorized by treasurers to act as agents of depository.

(c) The securities are subject to order of the depository in accordance with Section 53654 except when the provisions of subdivision (i) of Section 53661 and Section 53665 are in effect.

(d) An agent of depository shall not release any security held to secure a local agency deposit in a depository unless the administrator issues an order authorizing the release where either of the following occurs:

(1) A state or federal regulatory agency has taken possession of the depository.

(2) A conservator, receiver, or other legal custodian has been appointed for the depository.

53658. An agent of a depository may hold and pool securities to secure deposits for one or more depositories pursuant to Section 53656, but shall maintain a separate pool for each said depository. Each local agency shall have an undivided security interest in the pooled securities in the proportion that the amount of its deposits bears to the total amount of deposits secured by the pooled securities.

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix H has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and the Authority takes no responsibility for the accuracy or completeness thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.