

City of El Cerrito

El Cerrito, California

*Independent Accountants' Report on
Applying Agreed Upon Procedures for the
City of El Cerrito Master Installment Sale
Agreement Compliance with Bond
Covenants for the 2008 Sales
Tax Revenue Bonds*

For the year ended June 30, 2017



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES FOR
THE CITY OF EL CERRITO MASTER INSTALLMENT SALE AGREEMENT COMPLIANCE WITH
BOND COVENANTS FOR THE 2008 SALES TAX REVENUE BONDS**

To the Honorable Mayor and City Council
of the City of El Cerrito
El Cerrito, California

We have performed the procedures enumerated below, which were agreed to by the City of El Cerrito (City) on the Master Installment Sale Agreement for the 2008 Sales Tax Revenue Bonds between the City and the Financing Authority for the year ended June 30, 2017. The City's management is responsible for the Master Installment Sale Agreement for the 2008 Sales Tax Revenue Bonds. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings are described below:

1. We obtained the Master Installment Sale Agreement (Agreement) between the City and the Financing Authority dated May 1, 2008.

Finding: No exceptions were noted as a result of our procedures.

2. We obtained a copy of Chapter 4.60 for the City's Municipal Code (Pothole Repair and Local Street Improvement and Maintenance and Use Transaction Tax).

Finding: No exceptions were noted as a result of our procedures.

3. We obtained the general ledger account activity summary for the fiscal year for Fund 211 (Street Improvement Fund).

Finding: No exceptions were noted as a result of our procedures.

4. We obtained documentation of compliance with provisions of Section 2.02 of the Agreement - Revenue Fund; Pledge of Revenues:
 - a. Principal and interest payments made from the Revenue Fund for all parity obligations.
 - b. Excess revenue funds (after payment of parity obligations) used for the payment of any supplemental or subordinate obligations
 - c. Revenues cannot be used for termination payments unless specific conditions are met defined in 2.02(B)(1).

Finding: No exceptions were noted as a result of our procedures.

- We selected expenditures and transfers out of the Fund 211 and determined they were for street improvements, maintenance, associated debt services, or other eligible activities pursuant to Chapter 4.60 of the Municipal Code.

Finding: No exceptions were noted as a result of our procedures. Below is a summary of Fund 211 expenditures and transfers out.

Maintenance and Improvement (Including Project Management, Engineering costs, and Construction Services) - by project:	
C3027 - Street Resurfacing 2007, Planning and design, 2015 Slurry Seal Project and 2016 Slurry Seal and Curb Ramp Project	\$ 532,413
C3070 - Traffic Safety & Management Program, Planning	63,331
C3071 - Arlington Blvd and Brewster Dr Intersection Safety Improvement	23,168
Public Works personnel salaries and benefits - non project	86,893
Debt Service	324,748
Administrative costs:	
Other Administrative Costs	855
	<u>\$ 1,031,408</u>

- With regard to Section 3.01 of the Agreement – Parity Obligations. We inquired as to whether the City issued any parity obligations during the fiscal year, and if yes, obtained documentation that the City complied with provisions of this Section.

Finding: No parity debts were issued during the fiscal year.

- With regard to Section 3.02 of the Agreement – Subordinate Obligations. We inquired as to whether the City issued any subordinate obligations during the fiscal year, and if yes, obtained documentation that the City complied with provisions of this Section.

Finding: No subordinate debts were issued during the fiscal year.

- With regard to Section 3.03 of the Agreement – Execution of Supplemental Installment Sales Agreements (other than the Fist Supplement). We inquired as to whether the City executed any supplemental installment sales agreements during the fiscal year, and if yes, obtained documentation that the City complied with the provisions of this Section.

Finding: No supplemental installment sales agreements executed during the fiscal year.

9. With regard to Section 4 of the Agreement - Covenants of the City. We inquired as to whether the City suspended working on any projects or if there were any other violations with regard to timely use of project funds, and we scanned through Fund 211 expenditure report and accounts payable ledger for suspended payments

Finding: No exceptions were noted as a result of our procedures.

10. With regard to Section 5 of the Agreement - Events of Default and Remedies. We inquired as to whether any of the Events of Default, as defined in the Section, occurred during the fiscal year. If yes, we obtained documentation that the revenues were applied in the manner set forth in this Section.

Finding: No exceptions were noted as a result of our procedures.

11. With regard to Section 6 of the Agreement - Discharge of Obligations. We obtained documentation of compliance with this section for the defeasance of the 2008 Sales Tax Revenue Bonds.

Finding: No exceptions were noted as a result of our procedures.

12. With regard to Section 7.01 of the Agreement - Liability Limited to Revenues. We inquired as to whether the City advanced funds for the payment of the Obligations other than from the Revenues. Revenues, as defined in the agreement include the sales Tax Add-On Revenues and interest earned from the investment of those funds. If yes, we would obtain documentation that the City was reimbursed from the Revenues as defined in the Agreement.

Finding: No exceptions were noted as a result of our procedures.

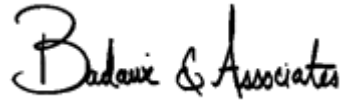
13. We reconciled Sales Tax Add-On Revenues reported per the State of California Board of Equalization Quarterly Reports to the revenues recorded in the general ledger in the Street Improvement Capital Projects Fund (Fund 211).

Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and Members of City Council
of the City of El Cerrito
El Cerrito, California
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This report is intended solely for the information and use of the City and is not intended to be and should not be used by another other than those specified parties.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
August 29, 2018