

In the opinion of Goodwin Procter LLP, Los Angeles, California, Special Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, compliance with certain covenants and requirements described herein, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX MATTERS."

\$27,675,000**CITY OF OXNARD****GAS TAX REVENUE CERTIFICATES OF PARTICIPATION
(2007 STREET IMPROVEMENT PROGRAM)****Evidencing Direct, Undivided Fractional Interests of the Owners Thereof
in Installment Payments to be Made by the****CITY OF OXNARD****Pursuant to an Installment Purchase Agreement****Dated: Date of Delivery****Due: September 1, as shown below**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE CERTIFICATES. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The City of Oxnard Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program) (the "Certificates") are being executed and delivered in the aggregate principal amount of \$27,675,000 by Wells Fargo Bank, National Association, as trustee (the "Trustee"), pursuant to the provisions of a Trust Agreement, dated as of December 1, 2007 (the "Trust Agreement"), by and among the City of Oxnard, California (the "City"), the City of Oxnard Financing Authority (the "Authority"), and the Trustee. Capitalized terms used on this cover page and not otherwise defined shall have the meanings ascribed to them elsewhere in this Official Statement. See in particular "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — SELECTED DEFINITIONS."

The proceeds from the sale of the Certificates will be used to (i) finance the acquisition, construction, and improvement of certain public streets and roadways within the City (the "Project"), (ii) fund a reserve fund established for the Certificates under the Trust Agreement, and (iii) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS," "THE PROJECT," and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES — Reserve Fund."

The Certificates will be executed and delivered in fully registered form without coupons and, when 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 Certificates. Individual purchases of Certificates may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Certificates purchased. See "THE CERTIFICATES — Book-Entry Only System."

Payments of principal and interest with respect to the Certificates will be made by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Certificates as described herein. Interest with respect to the Certificates is payable semiannually each March 1 and September 1, commencing September 1, 2008, until the maturity or the earlier prepayment thereof. Principal and any prepayment premiums with respect to each Certificate will be paid upon surrender of such Certificate at the principal corporate office of the Trustee upon maturity or the earlier prepayment thereof.

The Certificates are subject to optional and mandatory sinking account prepayment prior to their stated principal payment dates as described herein.

The Certificates will evidence direct, undivided fractional interests of the registered owners thereof in Installment Payments (as defined herein), which include principal and interest components, to be made by the City pursuant to an Installment Purchase Agreement, dated as of December 1, 2007 (the "Installment Purchase Agreement"), by and between the City and the Authority. Pursuant to the Installment Purchase Agreement, Installment Payments will be made by the City solely from Gas Tax Revenues on deposit in the Gas Tax Fund (as such terms are defined herein). Pursuant to the Trust Agreement, the Authority's right to receive Installment Payments will be assigned to the Trustee for the benefit of such registered owners. Pursuant to a Sale Agreement, dated as of December 1, 2007 (the "Sale Agreement"), by and between the City and the Authority, the Authority will purchase the Project Site (as defined herein) from the City. Simultaneously with the execution of the Sale Agreement, the Authority will appoint the City as its agent to complete the construction, acquisition, and improvement of the Project pursuant to an Agency Agreement, dated as of December 1, 2007 (the "Agency Agreement"), by and between the City and the Authority. Simultaneously with the execution of the Sale Agreement and the Agency Agreement, the Authority will transfer the Project Site and the Project to the City pursuant to the Installment Purchase Agreement in consideration for the payment by the City of the Installment Payments to the Trustee, as assignee of the Authority. See "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Payment of the principal and interest with respect to the Certificates when due will be insured by a financial guaranty insurance policy to be issued by XL Capital Assurance Inc., a monoline financial guaranty insurance company incorporated under the laws of the State of New York, simultaneously with the delivery of the Certificates.



THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT IS A SPECIAL OBLIGATION OF THE CITY AND DOES NOT CONSTITUTE A DEBT OF THE CITY, THE COUNTY OF VENTURA (THE "COUNTY"), THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

[See Maturity Schedule on Inside Cover]

The Certificates are offered when, as, and if executed and delivered to and received by the Underwriter, subject to the approval of legality by Goodwin Procter LLP, Los Angeles, California, Special Counsel. Certain legal matters will be passed upon for the City and the Authority by Goodwin Procter LLP, Los Angeles, California, as Special Counsel to the City and as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter. It is anticipated that the Certificates in book-entry form will be available for delivery to DTC in New York, New York, on or about December 18, 2007.



MATURITY SCHEDULE

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP ⁽¹⁾ No.</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP ⁽¹⁾ No.</u>
2008	\$240,000	4.000%	2.970%	100.707%	691884 AA8	2018	\$720,000	4.000%	3.930%	100.555% ⁽²⁾	691884 AL4
2009	495,000	4.000	3.050	101.561	691884 AB6	2019	745,000	4.000	4.060	99.440	691884 AM2
2010	515,000	4.000	3.150	102.182	691884 AC4	2020	775,000	4.000	4.180	98.234	691884 AN0
2011	535,000	4.000	3.250	102.592	691884 AD2	2021	210,000	4.100	4.300	97.940	691884 AP5
2012	555,000	4.000	3.320	102.934	691884 AE0	2021	600,000	4.400	4.300	100.780 ⁽²⁾	691884 AQ3
2013	580,000	4.000	3.400	103.082	691884 AF7	2022	845,000	4.200	4.410	97.740	691884 AR1
2014	600,000	5.000	3.500	108.887	691884 AG5	2023	880,000	4.300	4.510	97.649	691884 AS9
2015	630,000	4.000	3.600	102.665	691884 AH3	2024	915,000	4.400	4.570	98.022	691884 AT7
2016	655,000	5.000	3.700	109.592	691884 AJ9	2025	955,000	4.500	4.610	98.672	691884 AU4
2017	690,000	4.000	3.780	101.768	691884 AK6						

\$2,045,000 4.500% Term Certificates due September 1, 2027 Yield: 4.640%; Price: 98.198% (CUSIP ⁽¹⁾ No. 691884 AV2)

\$5,980,000 4.625% Term Certificates due September 1, 2032 Yield: 4.810%; Price: 97.336% (CUSIP ⁽¹⁾ No. 691884 AW0)

\$7,510,000 4.750% Term Certificates due September 1, 2037 Yield: 4.870%; Price: 98.119% (CUSIP ⁽¹⁾ No. 691884 AX8)

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(2) Priced to optional prepayment date of September 1, 2017; callable at par.

CITY OF OXNARD, CALIFORNIA

MAYOR AND CITY COUNCIL

Dr. Thomas E. Holden, *Mayor*
Dean Maulhardt, *Mayor Pro Tem*
Andres Herrera, *Councilmember*
John C. Zaragoza, *Councilmember*
Timothy B. Flynn, *Councilman*

GOVERNING BOARD OF THE AUTHORITY

Dr. Thomas E. Holden, *Chairman*
Dean Maulhardt, *Vice Chairman*
Andres Herrera, *Board Member*
John C. Zaragoza, *Board Member*
Timothy B. Flynn, *Board Member*

CITY OFFICIALS

Edmund F. Sotelo, *City Manager*
Karen R. Burnham, *Assistant City Manager*
Ken Ortega, *Director of Public Works*
Gary L. Gillig, *City Attorney*
Daniel Martinez, *City Clerk*
Dale Belcher, *City Treasurer*
Susan M. Winder, *Interim Finance Director*
Michael J. More, *Financial Services Manager*
Beth Vo, *Financial Analyst III*

PROFESSIONAL SERVICES

Special Counsel and Disclosure Counsel
Goodwin Procter LLP
Los Angeles, California

Trustee
Wells Fargo Bank, National Association
Los Angeles, California

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority, or E. J. De La Rosa & Co., Inc. (the "Underwriter"), to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Certificates, nor shall there be any sale of the Certificates, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Certificates. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described as such herein, are intended solely as such and are not to be construed as representations of fact.

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

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.

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
Authorization and Judicial Validation	1
Use of Certificate Proceeds	2
Payment of Principal and Interest	2
Prepayment of Certificates	2
Security and Sources of Payment for the Certificates	2
Special Obligation of the City	3
Continuing Disclosure	3
Forward-Looking Statements	3
References Qualified	3
ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS	4
THE CERTIFICATES	4
Authorization and Registration of Certificates	4
Judicial Validation of Certificates	4
Payment of Certificates	4
Optional Prepayment of Certificates	5
Mandatory Sinking Account Prepayment of Term Certificates	5
Selection of Certificates for Prepayment	5
Notice of Prepayment; Effect of Notice	6
Book-Entry Only System	6
Debt Service	8
THE PROJECT	9
SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES	10
Installment Payments	10
Pledge of Gas Tax Revenues	10
Absolute and Unconditional Obligation of the City	11
Additional Obligations	11
Reserve Fund	12
Certificate Insurance Policy	12
Insurance	12
Investment of Moneys	13
GAS TAX REVENUES	13
Historical Gas Consumption	13
Gas Tax Apportionments	14
Historic Gas Tax Revenues	15
Gas Tax Fund Financial Statements	16
Debt Service Coverage	17
CERTIFICATE INSURANCE POLICY	18
General	18
Financial Strength and Financial Enhancement Ratings of XLCA	18
Reinsurance	18
Capitalization of the Certificate Insurer	19
Recent Developments	19
Incorporation by Reference of Financials	20
Regulation of the Insurer	20
Payment Under the Certificate Insurance Policy	21
RISK FACTORS	22
Installment Payments Constitute Limited Obligations	22

Passive Revenue Source	22
Additional Obligations	22
Loss of Tax Exemption	22
Limitations on Remedies; Bankruptcy	23
Constitutional Limitations on Appropriations	23
Diversion of Gas Tax Revenues	23
No Liability of Authority to Owners	24
Economic, Political, Social, and Environmental Conditions	24
CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS	24
Article XIII B of the California Constitution – Limitations on Appropriations	24
Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes	25
Future Initiatives	26
THE CITY	26
General Information Regarding the City	26
The City Council	26
THE AUTHORITY	27
TAX MATTERS	27
Special Counsel Opinion	27
Risk of Audit by Internal Revenue Service	29
Original Issue Discount/Premium	29
RATINGS	29
CONTINUING DISCLOSURE	30
UNDERWRITING	30
LITIGATION	30
CERTAIN LEGAL MATTERS	30
MISCELLANEOUS	31
APPENDIX A SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS	A-1
APPENDIX B GENERAL INFORMATION CONCERNING THE CITY OF OXNARD	B-1
APPENDIX C CITY OF OXNARD COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2006	C-1
APPENDIX D PROPOSED FORM OF SPECIAL COUNSEL OPINION	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F SPECIMEN CERTIFICATE INSURANCE POLICY	F-1

OFFICIAL STATEMENT

\$27,675,000

CITY OF OXNARD

GAS TAX REVENUE CERTIFICATES OF PARTICIPATION

(2007 STREET IMPROVEMENT PROGRAM)

**Evidencing Direct, Undivided Fractional Interests of the Owners Thereof
in Installment Payments to be Made by the**

CITY OF OXNARD

Pursuant to an Installment Purchase Agreement

INTRODUCTION

This Official Statement, which includes the cover page, Table of Contents, and Appendices (the “Official Statement”), provides certain information concerning the execution and delivery of the City of Oxnard Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program) (the “Certificates”), in an aggregate principal amount of \$27,675,000. Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Certificates to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – SELECTED DEFINITIONS.”

General

The Certificates will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Certificates. See “THE CERTIFICATES – Authorization and Registration of Certificates” and “– Book-Entry Only System.”

Authorization and Judicial Validation

The Certificates are being executed and delivered by Wells Fargo Bank, National Association, as trustee (the “Trustee”), pursuant to (i) the Trust Agreement, dated as of December 1, 2007 (the “Trust Agreement”), by and among the City of Oxnard, California (the “City”), the City of Oxnard Financing Authority (the “Authority”), and the Trustee, and (ii) Resolution No. 13,275 adopted by the City Council of the City (the “City Council”) on June 12, 2007, and Resolution No. 13,373 adopted by the City Council on December 4, 2007 (collectively, the “Resolution”). See “THE CERTIFICATES – Authorization” and “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT.”

On July 24, 2007, the City filed a complaint in the Ventura County Superior Court (the “Court”) pursuant to California Government Code Section 53510 et seq. and California Code of Civil Procedure Section 860 et seq. (collectively, the “Validation Law”) seeking to validate certain issues raised by the proposed execution and delivery of the Certificates. There was no answering party in the action and, on October 29, 2007, the City obtained a judgment in its favor that enjoins the institution of any action or proceeding raising any issue as to which the judgment is binding and conclusive. An appeal of the judgment may only be filed with the Court within 30 days after the entry of the judgment and, since there was no answering party in the action, only issues related to the jurisdiction of the Court to enter a judgment in the action may be raised during such period. The appeal period expired on November 28, 2007. See “THE CERTIFICATES – Judicial Validation of Certificates.”

Use of Certificate Proceeds

The proceeds from the sale of the Certificates will be used to (i) finance the acquisition, construction, and improvement of certain public streets and roadways within the City (the “Project”), (ii) fund a reserve fund established for the Certificates under the Trust Agreement, and (iii) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. See “ESTIMATED SOURCES AND USES OF FUNDS,” “THE PROJECT,” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Reserve Fund.”

Payment of Principal and Interest

Interest with respect to the Certificates is payable semiannually on March 1 and September 1, commencing September 1, 2008 (each, an “Interest Payment Date”), and is payable by check or draft of the Trustee, sent to the applicable registered owner (each, an “Owner”) by first-class mail, postage prepaid, at such Owner’s address as it appears on the Certificate Register maintained by the Trustee; provided, however, that interest payable to an Owner of \$1,000,000 or more in aggregate principal amount of Certificates will be paid by wire transfer to such account within the United States as such Owner shall have specified in writing prior to the applicable Record Date (as defined herein). Principal and any prepayment premium with respect to each Certificate will be payable upon surrender of such Certificate at the principal corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier prepayment thereof. See “THE CERTIFICATES.”

Prepayment of Certificates

The Certificates are subject to optional and mandatory sinking account prepayment under certain circumstances as described herein. See “THE CERTIFICATES – Optional Prepayment of Certificates” and “– Mandatory Sinking Account Prepayment of Certificates.”

Security and Sources of Payment for the Certificates

Installment Payments. The Certificates will evidence direct, undivided fractional interests of the Owners thereof in installment payments, which include principal and interest components (“Installment Payments”), to be made by the City pursuant to an Installment Purchase Agreement, dated as of December 1, 2007 (the “Installment Purchase Agreement”), by and between the City and the Authority. Pursuant to the Installment Purchase Agreement, the Installment Payments will be made solely from Gas Tax Revenues (as defined below) on deposit in a special fund to be held and administered by the City, which fund constitutes the “special gas tax street improvement fund” referred to in Streets and Highways Code Section 2113 (the “Gas Tax Fund”). Such moneys on deposit in the Gas Tax Fund and from which the Installment Payments will be made comprise all amounts received by the City from the State of California (the “State”) in accordance with Sections 2105, 2106, and 2107 of the California Streets and Highways Code (the “Streets and Highways Code”), as such provisions may be amended, and all other revenues (except revenues received by the City in accordance with Streets and Highways Code Section 2107.5), if any, received by the City from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions, or reimbursements received by the City from the State in lieu of such revenues (collectively, the “Gas Tax Revenues”). Pursuant to the Trust Agreement, the Authority’s right to receive Installment Payments will be assigned to the Trustee for the benefit of the Owners. Pursuant to a Sale Agreement, dated as of December 1, 2007 (the “Sale Agreement”), by and between the City and the Authority, the Authority will purchase certain public streets and roadways, including rights-of-way, within the City upon which the Project will be acquired, constructed, and improved (the “Project Site”) from the City. Simultaneously with the execution of the Sale Agreement, the Authority will appoint the City as its agent to complete the construction, acquisition, and improvement of the Project pursuant to an Agency Agreement, dated as of December 1, 2007 (the “Agency Agreement”), by and between the City and the Authority. Simultaneously with the execution of the Sale Agreement and the Agency Agreement, the Authority will transfer the Project Site and the Project to the City pursuant to the Installment Purchase Agreement in consideration for the payment by the City of the Installment Payments to the Trustee, as assignee of the Authority. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Installment Payments” and “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – INSTALLMENT PURCHASE AGREEMENT.”

Reserve Fund. Pursuant to the Trust Agreement, the City is required to maintain amounts on deposit in the Reserve Fund, which is held by the Trustee and pledged to the payment of principal and interest with respect to the

Certificates, in an amount equal to the Reserve Requirement (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Reserve Fund” and “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT.”

Certificate Insurance Policy. Concurrently with the execution and delivery of the Certificates, the City has arranged for XL Capital Assurance Inc., a monoline financial guaranty insurance company incorporated under the laws of the State of New York (the “Certificate Insurer”), to deliver to the Trustee a financial guaranty insurance policy (the “Certificate Insurance Policy”). The Certificate Insurance Policy will guaranty the scheduled payments when due of the principal and interest with respect to the Certificates. See “CERTIFICATE INSURANCE POLICY.”

Special Obligation of the City

The obligation of the City to make Installment Payments under the Installment Purchase Agreement is a special obligation of the City and does not constitute a debt of the City, the County of Ventura (the “County”), the State of California (the “State”), or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City, the County, the State, or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the County, the State, or any political subdivision thereof has levied or pledged any form of taxation. The Installment Payments are payable solely from the Gas Tax Revenues, and not from any other source of funds of the City.

Continuing Disclosure

In connection with the execution and delivery of the Certificates, the City will covenant in a continuing disclosure agreement (the “Continuing Disclosure Agreement”), executed for the benefit of Owners, to provide certain financial information and operating data relating to the City and the Project and notices of certain events, if material. See “CONTINUING DISCLOSURE” and “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Forward-Looking Statements

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,” “intend,” “expect,” “propose,” “estimate,” “project,” “budget,” “anticipate,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. **READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.**

References Qualified

The summaries of and references to all documents, statutes, reports, and other instruments referred to in this Official Statement do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS

The following table details the estimated sources and uses of Certificate proceeds.

Estimated Sources:

Principal Amount of Certificates	\$27,675,000.00
Less: Net Original Issue Discount	(207,670.75)
Less: Underwriter's Discount	<u>(300,273.75)</u>
Total Sources	\$27,167,055.50

Estimated Uses:

Transfer to Certificate Insurer ⁽¹⁾	\$ 398,599.39
Deposit into the Reserve Fund ⁽³⁾	1,726,900.00
Deposit into the Costs of Issuance Fund ⁽⁴⁾	140,000.00
Deposit into the Project Fund	<u>24,901,556.11</u>
Total Uses	\$27,167,055.50

⁽¹⁾ Represents the premium for the Certificate Insurance Policy.

⁽²⁾ Represents the Reserve Requirement.

⁽³⁾ Moneys in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of Special Counsel, Disclosure Counsel, the Trustee, and the applicable rating agency, as well as printing and other miscellaneous costs.

THE CERTIFICATES

Authorization and Registration of Certificates

The Certificates are being executed and delivered by the Trustee pursuant to the Trust Agreement and the Resolution. The Certificates will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the Certificates. See "THE CERTIFICATES – Book-Entry Only System" below and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT."

Judicial Validation of Certificates

On July 24, 2007, the City filed a complaint in the Ventura County Superior Court (the "Court") pursuant to the Validation Law seeking to validate certain issues raised by the proposed execution and delivery of the Certificates. There was no answering party in the action and on October 29, 2007, the City obtained a judgment in its favor that enjoins the institution of any action or proceeding raising any issue as to which the judgment is binding and conclusive. An appeal of the judgment may only be filed with the Court within 30 days after the entry of the judgment and, since there was no answering party in the action, only issues related to the jurisdiction of the Court to enter a judgment in the action may be raised during such period. The appeal period expired on November 28, 2007.

Payment of Certificates

The Certificates will be executed and delivered in fully registered form without coupons and, when 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 Certificates. Individual purchases of Certificates may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Certificates purchased. Payments of principal and interest with respect to the Certificates will be made by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Certificates as described herein. Interest with respect to the Certificates is payable semiannually each March 1 and September 1, commencing September 1, 2008, until the maturity or the earlier prepayment thereof. Principal and any prepayment premiums with respect to each Certificate will be paid upon surrender of such Certificate at the principal corporate office of the Trustee upon maturity or the earlier prepayment thereof. See "THE CERTIFICATES – Book-Entry Only System."

Optional Prepayment of Certificates

The Certificates maturing on or before September 1, 2017, are not subject to optional prepayment prior to their stated Principal Payment Dates. The Certificates maturing on or after September 1, 2018, are subject to optional prepayment prior to maturity on or after September 1, 2017, at the option of the City, as a whole or in part on any Business Day, at a prepayment price equal to the principal amount of Certificates to be prepaid, without premium, plus accrued but unpaid interest to the prepayment date, from amounts deposited with the Trustee by the City in accordance with the Installment Purchase Agreement or the Trust Agreement, as applicable, and from any other funds available therefor.

Mandatory Sinking Account Prepayment of Term Certificates

The Certificates maturing on September 1, 2027 (the “2027 Term Certificates”), are subject to prepayment prior to their stated Principal Payment Dates, in part, from Mandatory Sinking Account Payments, on each September 1, commencing September 1, 2026, at the principal thereof plus accrued interest thereon to the date fixed for prepayment, without premium. The principal amount of such 2027 Term Certificates to be so prepaid and the dates therefor shall be as follows:

<u>Year</u> <u>(September 1)</u>	<u>Principal Amount</u>
2026	\$1,000,000
2027 (maturity)	1,045,000

The Certificates maturing on September 1, 2032 (the “2032 Term Certificates”), are subject to prepayment prior to their stated Principal Payment Dates, in part, from Mandatory Sinking Account Payments, on each September 1, commencing September 1, 2028, at the principal thereof plus accrued interest thereon to the date fixed for prepayment, without premium. The principal amount of such 2032 Term Certificates to be so prepaid and the dates therefor shall be as follows:

<u>Year</u> <u>(September 1)</u>	<u>Principal Amount</u>
2028	\$1,090,000
2029	1,140,000
2030	1,195,000
2031	1,250,000
2032 (maturity)	1,305,000

The Certificates maturing on September 1, 2037 (the “2037 Term Certificates” and, together with the 2027 Term Certificates and the 2032 Term Certificates, the “Term Certificates”), are subject to prepayment prior to their stated Principal Payment Dates, in part, from Mandatory Sinking Account Payments, on each September 1, commencing September 1, 2033, at the principal thereof plus accrued interest thereon to the date fixed for prepayment, without premium. The principal amount of such 2037 Term Certificates to be so prepaid and the dates therefor shall be as follows:

<u>Year</u> <u>(September 1)</u>	<u>Principal Amount</u>
2033	\$1,365,000
2034	1,430,000
2035	1,500,000
2036	1,570,000
2037 (maturity)	1,645,000

The amount of each mandatory sinking account prepayment shall be reduced proportionately in the event and to the extent the Term Certificates are prepaid under the optional prepayment provisions described above.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the optional prepayment of Certificates and less than all outstanding Certificates are to be called for prepayment, the Trustee will select Certificates for prepayment

pro rata among maturities, as specified by the City, such that substantially equal debt service results for the remaining years of the term of the Installment Purchase Agreement and such that the Installment Payments to become due in each remaining year of the term of the Installment Purchase Agreement will be as nearly equal as possible to the Installment Payments to come due in every other such year. For the purposes of determining the prepayment of Certificates as described in this paragraph, the Certificates will be deemed to mature in the amounts and on the dates set forth in the Trust Agreement. The Trustee will select Certificates within each maturity for prepayment by lot. The Trustee will promptly notify the City and the Authority in writing of the Certificates so selected for prepayment. Prepayment by lot will be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in an Authorized Denomination.

Notice of Prepayment; Effect of Notice

When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice (the “Prepayment Notice”), at the expense of the City, of the prepayment of the Certificates; provided, however, that neither failure of any Owner to receive a Prepayment Notice nor any defect in a Prepayment Notice will affect the sufficiency of the proceedings for the prepayment of Certificates. Notice of the optional prepayment of Certificates, other than any notice that refers to Certificates that are to be prepaid from proceeds of refunding obligations or from amounts to be provided by the Certificate Insurer in its discretion, may be given only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the Certificates to be prepaid. From and after such prepayment date, interest with respect to the Certificates to be prepaid will cease to accrue and be payable.

Book-Entry Only System

The following information regarding DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the City or the Authority, and neither the City nor the Authority shall have any liability with respect thereto. The City and the Authority shall have no responsibility or liability for any aspects of the records maintained by DTC relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Certificates.

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate certificate will be issued for each maturity of the Certificates, in the aggregate amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participations”) 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, FICC, 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 Dealer, 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 Files applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the 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 (or its nominee), the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered in accordance with the terms of the Trust Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY AND THE AUTHORITY BELIEVE TO BE RELIABLE, BUT NEITHER THE CITY NOR THE AUTHORITY TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE CITY NOR THE AUTHORITY GIVES ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE CERTIFICATES RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY PREPAYMENT NOTICES, OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Debt Service

The table below presents the annual debt service with respect to the Certificates (including sinking account prepayments), assuming that there are no optional prepayments, for the year ending on September 1 in the years shown below:

Debt Service Schedule

Date (September 1)	Principal	Interest	Total
2008	\$ 240,000.00	\$ 870,636.25	\$ 1,110,636.25
2009	495,000.00	1,229,250.00	1,724,250.00
2010	515,000.00	1,209,450.00	1,724,450.00
2011	535,000.00	1,188,850.00	1,723,850.00
2012	555,000.00	1,167,450.00	1,722,450.00
2013	580,000.00	1,145,250.00	1,725,250.00
2014	600,000.00	1,122,050.00	1,722,050.00
2015	630,000.00	1,092,050.00	1,722,050.00
2016	655,000.00	1,066,850.00	1,721,850.00
2017	690,000.00	1,034,100.00	1,724,100.00
2018	720,000.00	1,006,500.00	1,726,500.00
2019	745,000.00	977,700.00	1,722,700.00
2020	775,000.00	947,900.00	1,722,900.00
2021	810,000.00	916,900.00	1,726,900.00
2022	845,000.00	881,890.00	1,726,890.00
2023	880,000.00	846,400.00	1,726,400.00
2024	915,000.00	808,560.00	1,723,560.00
2025	955,000.00	768,300.00	1,723,300.00
2026	1,000,000.00	725,325.00	1,725,325.00
2027	1,045,000.00	680,325.00	1,725,325.00
2028	1,090,000.00	633,300.00	1,723,300.00
2029	1,140,000.00	582,887.50	1,722,887.50
2030	1,195,000.00	530,162.50	1,725,162.50
2031	1,250,000.00	474,893.76	1,724,893.76
2032	1,305,000.00	417,081.26	1,722,081.26
2033	1,365,000.00	356,725.00	1,721,725.00
2034	1,430,000.00	291,887.50	1,721,887.50
2035	1,500,000.00	223,962.50	1,723,962.50
2036	1,570,000.00	152,712.50	1,722,712.50
2037	<u>1,645,000.00</u>	<u>78,137.50</u>	<u>1,723,137.50</u>
Totals	\$27,675,000.00	\$23,427,486.27	\$51,102,486.27

Source: Underwriter.

THE PROJECT

The Project is comprised of facilities that are eligible for expenditure of Gas Tax Revenues under applicable laws of the State. The Project is part of the City's ongoing efforts to rebuild the neighborhood street system within the City and is expected to include the construction of handicap ramps, improvement of sidewalk, pavement, curbs, and gutters, and replacement and upgrade of all striping and street name signs. The Project is expected to cost approximately \$33,474,095, and is currently expected to include the improvements described in the following table.

DESCRIPTION OF PLANNED PROJECT COMPONENTS AND ESTIMATED COSTS (as of November 1, 2007)

<u>Name of Project Component</u>	<u>Description of Project Component</u>	<u>Estimated Cost</u>
Via Marina Neighborhood Resurfacing	Resurface streets in neighborhood bounded by Wooley Road to Hemlock Street and Patterson Road to Victoria Avenue.	\$ 4,717,000
Doris Avenue/Fremont South/Wilson Resurfacing	Resurface streets in neighborhood bounded by Doris Avenue, Oxnard Boulevard, Fifth Street, and Ventura Road.	300,000
Cabrillo Neighborhood Resurfacing	Resurface Streets in neighborhood bounded by Gonzales Road, Ventura Road, Doris Avenue, and Patterson Road.	4,412,962
Ventura Road Resurfacing – Gonzales to Wagon Wheel	Reconstruct roadway and median and install irrigated landscaping on Ventura Road from Gonzales Road to Wagon Wheel Road.	2,225,900
Rose Avenue and Gonzales Road Arterial Resurfacing	Resurface streets on arterial from intersection of Rose Avenue and Gonzales Road to intersection of Third Street and Gonzales Road, from Rose Avenue to Rice Avenue.	4,115,443
Sea View Estates Neighborhood Resurfacing	Resurface streets within neighborhood bounded by Fifth Street, Patterson Road, Wooley Road, and Victoria Avenue.	3,431,440
Carriage Square Neighborhood Resurfacing	Resurface streets in neighborhood bounded by Gonzales Road, Oxnard Boulevard, Doris Avenue, and H Street.	4,983,569
Marina West Neighborhood Resurfacing	Resurface streets in neighborhood bounded by Wooley Road, Ventura Road, Hemlock Street, and Patterson Road.	3,417,538
Tierra Vista Neighborhood Resurfacing	Resurface streets in neighborhood bounded by Pleasant Valley Road to Sanford, and Rose Avenue to Olds Road.	3,732,438
Terrace Estates Neighborhood Resurfacing	Resurface streets in neighborhood bounded by Bard Road to Pleasant Valley Road, and Terrace Avenue to Olds Road.	<u>2,137,805</u>
Total		\$33,474,095

Source: City.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Installment Payments

The Certificates will evidence direct, undivided fractional interests of the registered owners thereof in Installment Payments, which include principal and interest components, to be made by the City pursuant to the Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, Installment Payments will be made solely from Gas Tax Revenues on deposit in the Gas Tax Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Gas Tax Revenues.”

Pursuant to the Trust Agreement, the Authority’s right to receive Installment Payments will be assigned to the Trustee for the benefit of such registered owners. Pursuant to the Sale Agreement, the Authority will purchase the Project Site from the City. Simultaneously with the execution of the Sale Agreement, the Authority will appoint the City as its agent to complete the construction, acquisition, and improvement of the Project pursuant to the Agency Agreement. Simultaneously with the execution of the Sale Agreement and the Agency Agreement, the Authority will transfer the Project Site and the Project to the City pursuant to the Installment Purchase Agreement in consideration for the payment by the City of the Installment Payments to the Trustee, as assignee of the Authority. See “RISK FACTORS” and “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Pledge of Gas Tax Revenues

Pursuant to the Installment Purchase Agreement, Installment Payments will be made solely from Gas Tax Revenues, which comprise all amounts received by the City from the State in accordance with Streets and Highways Code Sections 2105, 2106, and 2107, as such provisions may be amended, and all other revenues (except revenues received by the City in accordance with Streets and Highways Code Section 2107.5), if any, received by the City from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions, or reimbursements received by the City from the State in lieu of such revenues. Pursuant to the Installment Purchase Agreement, the City agrees that the Project will constitute facilities that are eligible for the expenditure of Gas Tax Revenues under applicable laws of the State.

The pledge of Gas Tax Revenues to the payment of Installment Payments under the Installment Purchase Agreement constitutes a first lien on and security interest in the Gas Tax Revenues for such payment. Pursuant to the Installment Purchase Agreement, all Gas Tax Revenues are pledged to the payment of the Installment Payments and the Gas Tax Revenues will not be used for any other purpose while any of the Installment Payments remain unpaid; provided, however, that out of the Gas Tax Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Agreement, including, but not limited to, Additional Obligations (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Obligations.”

In order to carry out and effectuate the pledge of Gas Revenues to the payment of Installment Payments, the City has agreed and covenanted under the Installment Purchase Agreement that all Gas Tax Revenues will be received by the City in trust and will be deposited when and as received in the Gas Tax Fund, which fund the City will maintain so long as any Installment Payments remain unpaid, and all moneys in the Gas Tax Fund will be so held in trust and applied and used solely as provided in the Installment Purchase Agreement. No moneys other than Gas Tax Revenues will be deposited into the Gas Tax Fund. The City will disburse Gas Tax Revenues from the Gas Tax Fund to pay, in the following order of priority, (i) to (a) the Trustee, as assignee of the Authority, the Installment Payments as and when due hereunder and (b) the appropriate entity, the Contract Payments (other than Installment Payments) and principal and interest payments on City Bonds (as defined herein) as and when they become due and payable pursuant to the instrument under which they are issued or arise, and (ii) to (1) the Reserve Fund created under the Trust Agreement, any amounts necessary to make up any deficiency in the Reserve Requirement and (2) the reserve fund created with respect to or for the benefit of any other Obligation, any amounts necessary to make up any deficiency in such fund. In the event there are insufficient Gas Tax Revenues to make all of the payments contemplated by clause (i) of the preceding sentence, then said payments will be made, as nearly as practicable, *pro rata*, based upon the respective amounts of the Installment Payments, City Bonds, and other Contract Payments then due and payable. In the event there are insufficient Gas Tax Revenues to make all of the

payments contemplated by clause (ii) of such preceding sentence, then said payments provided will be made, as nearly as practicable, *pro rata*, based upon the respective deficient amounts in the applicable reserve funds.

After all of the payments contemplated by the immediately preceding paragraph have been made, any Gas Tax Revenues remaining in the Gas Tax Fund may from time to time be used to pay for any other lawful purpose, including payments on account of subordinated debt and for street-related projects for which Gas Tax Revenues are authorized to be expended under the laws of the State.

For more information regarding the Gas Tax Fund, the City's historical Gas Tax Revenues, and estimated debt service coverage for the Certificates, see "GAS TAX REVENUES."

Absolute and Unconditional Obligation of the City

The obligation of the City to make the Installment Payments from Gas Tax Revenues is absolute and unconditional, and until such time as the Certificates have been paid in full (or provision for the payment thereof has been made as provided in the Installment Purchase Agreement, the City will not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project Site or the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed, or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Additional Obligations

The term "Additional Obligations" means (i) all revenue bonds or notes of the City authorized, executed, issued, and delivered under and pursuant to the laws of the State, the payments of which are made from the Gas Tax Revenues and that are on a parity with the Installment Payments (collectively, the "City Bonds"), and (ii) any installment or lease payments (other than the Installment Payments) of interest and principal or, if there are no separate payments of interest and principal, the installment or lease payments (other than the Installment Payments), scheduled to be paid by the City under and pursuant to the Contracts. The term "Contracts" means all contracts or leases of the City authorized and executed by the City under and pursuant to the laws of the State, the installment or lease payments under which are payable from the Gas Tax Revenues on a parity with the Installment Payments. The City Bonds include, but are not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper. The term "Contract Payments" means the Installment Payments due and payable under the Installment Purchase Agreement or the installment or lease payments of interest and principal or, if there are no separate payments of interest and principal, the installment or lease payments, scheduled to be paid by the City under and pursuant to the Contracts. The term "Obligations" means City Bonds and Contract Payments.

The City may at any time incur Additional Obligations payable on a parity with the payment by the City of the Installment Payments provided: (a) there shall not have occurred and be continuing an Event of Default under the terms of (and as defined in) the Installment Purchase Agreement or the Trust Agreement; and (b) the City obtains or provides a certificate or certificates prepared by an authorized consultant showing that the estimated Gas Tax Revenues for the 12 calendar months following the date of incurring such Additional Obligations will be at least equal to 150% of Maximum Annual Debt Service (as defined herein) on all Obligations to be outstanding immediately after the incurring of such Additional Obligations.

The certificate or certificates described above shall not be required if the Additional Obligations being incurred are for the purpose of refunding then outstanding Obligations and at the time of the incurring of such Additional Obligations a certificate of the City shall be delivered showing that Maximum Annual Debt Service on all outstanding Obligations after the incurring of such Additional Obligations will not exceed Maximum Annual Debt Service on all Obligations outstanding prior to the incurring of such Additional Obligations. The term "Maximum Annual Debt Service" means, at any point in time, with respect to Obligations then outstanding, the maximum amount of Debt Service on the Obligations in the then current or any future Fiscal Year or other period, calculated by the City or by an independent certified public accountant and provided to the Trustee.

See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – SELECTED DEFINITIONS" and "– INSTALLMENT PURCHASE AGREEMENT."

Reserve Fund

Pursuant to the Trust Agreement, the City is required to maintain amounts on deposit in the Reserve Fund, which is held by the Trustee and pledged to the payment of principal and interest with respect to the Certificates, in an amount equal to the Reserve Requirement. Amounts in the Reserve Fund are to be used only for the payment of principal and interest with respect to the Certificates in the event amounts in the Debt Service Fund are insufficient to make such payments. Pursuant to the Trust Agreement, the Reserve Fund must be maintained by the Trustee until there are no longer any Certificates outstanding. The Trustee is required to notify the City and the Authority promptly if the amount on deposit in the Reserve Fund is less than the Reserve Requirement. In such event, the City is required, pursuant to the Installment Purchase Agreement, to deposit with the Trustee amounts sufficient to maintain the Reserve Fund at the Reserve Requirement. Any amount deposited in the Reserve Fund in excess of the Reserve Requirement will be transferred and deposited in the Debt Service Fund.

The term “Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the Certificates originally executed and delivered, (ii) maximum annual Installment Payments coming due and payable, or (iii) 125% of the average annual Installment Payments coming due and payable. As of the date of this Official Statement, the Reserve Requirement is \$1,726,900.00.

If, on any Interest Payment Date, the amounts in the Debt Service Fund are less than the principal and interest payments due with respect to the Certificates on such date, respectively, the Trustee will transfer from the Reserve Fund for credit to the Debt Service Fund amounts sufficient to make up such deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the City, the Authority, and the Certificate Insurer of the amount and the date of such transfer.

The City, upon prior written consent of the Certificate Insurer, and upon notice to Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”), reserves the right to substitute, at any time and from time to time, one or more letters of credit, surety bonds, insurance policies, or other form of guaranty from a financial institution, the long-term unsecured obligations of which are rated not less than “Aa” by Moody’s Investors Service, Inc. (“Moody’s”) or “AA” by Standard & Poor’s in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes hereof. Upon deposit by the City, with the prior consent of the Certificate Insurer, with the Trustee of any such letter of credit, surety bond, insurance policy, or other form of guaranty, the Trustee will transfer to the City from the Reserve Fund an amount equal to the principal amount of such letter of credit, surety bond, insurance policy, or other form of guaranty for deposit in a special fund to be established by the City (the “Special Fund”). The City will use amounts on deposit in the Special Fund, (i) to purchase Certificates in the secondary market or (ii) for other capital projects of the City which Independent Counsel has determined will not adversely affect the exclusion from gross income for federal income tax purposes of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates.

See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT.”

Certificate Insurance Policy

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under the Certificate Insurance Policy to be issued concurrently with the delivery of the Certificates by the Certificate Insurer. For a more detailed description of the Certificate Insurance Policy and the Certificate Insurer, see “CERTIFICATE INSURANCE POLICY” and “APPENDIX F – SPECIMEN CERTIFICATE INSURANCE POLICY.”

Insurance

If and solely to the extent the City customarily procures and maintains the same for other projects similar to the Project, the City is required under the Installment Purchase Agreement to procure and maintain or cause to be procured and maintained insurance on the Project with responsible insurers, or provide self-insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or

destruction of the Project) as are usually covered in connection with projects similar to the Project. In the event of any damage to or destruction of the Project caused by the perils covered by such insurance or self-insurance, if any, the Net Proceeds of such insurance or self-insurance will be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Project in accordance with the Installment Purchase Agreement.

The City is also required under the Installment Purchase Agreement to procure and maintain such other insurance that it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with projects similar to the Project; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with projects similar to the Project and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance, if any, required to be maintained under the Installment Purchase Agreement will, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given 30 days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

As described above, the obligation of the City to pay the Installment Payments from the Gas Tax Revenues is an absolute and unconditional obligation of the City, and is not subject to abatement due to damage or destruction of the Project.

See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – INSTALLMENT PURCHASE AGREEMENT – Insurance.”

Investment of Moneys

Amounts on deposit in any fund or account held pursuant to the Trust Agreement will be invested in Permitted Investments, subject to the conditions provided for in the Trust Agreement. All investment earnings on moneys on deposit in any fund or account held under the Trust Agreement will be transferred to the Debt Service Fund, subject to the obligation of the City to maintain the Reserve Fund at the Reserve Requirement and to rebate certain amounts to the United States government as required under the Internal Revenue Code of 1986, as amended. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT.”

GAS TAX REVENUES

Pursuant to the Installment Purchase Agreement, the City has pledged its Gas Tax Revenues for the payment of Installment Payments. Gas Tax Revenues are received by the City and held and maintained in the City’s Gas Tax Fund.

Historical Gas Consumption

The following table details the historical motor vehicle fuel use for the State for calendar years 2000 through 2006. Gas Tax Revenues are received by the City through apportionments of a gas tax levied by the State on the distribution of net taxable motor vehicle and taxable diesel fuel. The revenues from such tax are collected Statewide, and then apportioned to cities and counties in the State based on specified factors, including population.

**HISTORICAL FUEL USE
STATE OF CALIFORNIA
Statewide Fuel Distributions
(Millions of Gallons)**

<u>Year</u>	<u>Net Taxable Fuel ⁽¹⁾</u>	<u>Taxable Fuel</u>	<u>Total</u>
2000	14,544,627,116	2,632,760,098	17,177,387,214
2001	15,117,143,010	2,627,365,691	17,744,508,701
2002	15,513,415,849	2,700,122,539	18,213,538,388
2006	15,661,671,712	2,667,933,636	18,329,605,348
2004	15,908,278,251	2,842,332,046	18,750,610,297
2005	15,937,855,020	2,963,733,672	18,901,588,692
2006	15,825,386,719	2,946,407,707	18,771,794,426

(1) Includes aviation gasoline, which constitutes less than 1% of total.

Source: State of California, Board of Equalization, Agency Planning and Research Division, Statistics Section.

Gas Tax Apportionments

Apportionment to the City of per gallon gas taxes that comprise the Gas Tax Revenues is made monthly by the Controller of the State pursuant to Sections 2105, 2106, and 2107 of the California Streets and Highways Code (respectively, “Section 2105,” “Section 2106,” and “Section 2107”).

Section 2105. Pursuant to Section 2105, cities are apportioned a sum equal to the net revenue derived from a tax of 11.5% of certain of the per gallon gas taxes levied under the California Revenue and Taxation Code in excess of \$0.09 per gallon, in the proportion that the total population of the city bears to the total population of all cities in the State.

Section 2106. Pursuant to Section 2106, a sum equal to the net revenue derived from a \$0.0104 per gallon gas tax under the Motor Vehicle Fuel License Law (Section 7301 *et seq.* of the California Revenue and Taxation Code) (the “Motor Vehicle Fuel License Law”) is apportioned monthly from the Highway Users Tax Account in the State’s Transportation Tax Fund (the “Highways Users Tax Account”) to cities as follows: (a) \$400 per month is apportioned to each city and county, and \$800 per month is apportioned to each county and city and county, (b) \$600,000 per month is transferred to the Bicycle Transportation Account in the State Transportation Fund, and (c) the balance is apportioned as follows: (1) the total money is divided among the counties on the basis that the ratio of automobile registration for county bears to the statewide total, (2) within a county, the amount determined is divided between the county and the cities within that county in the proportion that the assessed valuation of tangible property outside the incorporated cities of the county and within the incorporated cities of the county bears to the total assessed valuation of the county, and (3) each city’s share is then divided on the basis of the ratio of the city’s population to the total population of all cities within the county.

Section 2107. Pursuant to Section 2107, a sum equal to the net revenues derived from a per gallon gas tax of \$0.01315 per gallon under the Motor Vehicle Fuel License Tax Law, \$0.0259 per gallon under the Use Fuel Tax Law (Section 8601 *et seq.* of the California Revenue and Taxation Code), and \$0.0180 per gallon under the Diesel Fuel Tax Law (Section 60001 *et seq.* of the California Revenue and Taxation Code), is apportioned monthly to cities from the Highways Users Tax Account as follows: the State Controller allocates annually to each city that has filed a report containing the information prescribed by subdivision (c) of Section 2152 of the California Streets and Highways Code, and that had expenditures in excess of \$5,000 during the preceding fiscal year for snow removal, an amount equal to one-half the amount of its expenditures for snow removal in excess of \$5,000 during such fiscal year. The balance of such sum is allocated to each city in the proportion that the population of the city bears to the total population of all cities in the State.

For purposes of the foregoing statutory apportionment of per gallon gas taxes, the population of each city is determined for that city by the last federal decennial or special census, or by a subsequent census validated by the population research unit of the State Department of Finance, or (if applicable) by the method described in Section 11105.3 of the California Revenue and Taxation Code or Sections 2107.1 or 2107.2 of the California Streets

and Highways Code. Revenues received by the City pursuant to Section 2107.5 of the California Streets and Highways Code are not included in the definition of Gas Tax Revenues.

Historic Gas Tax Revenues

The following table details the historical State gas taxes and income available for apportionment to cities and counties pursuant to the Streets and Highways Code for the fiscal years 1997 through 2006.

STATEWIDE APPORTIONMENTS OF GAS TAX REVENUES STATE OF CALIFORNIA Fiscal Years 1997 through 2006

<u>Fiscal Year</u>	<u>Gasoline</u>	<u>Diesel</u>	<u>Use Fuel</u>	<u>Other</u>
1997	\$2,326,820,014.27	\$ 369,754,215.07	--	\$ 3,556,619.01
1998	2,384,177,816.52	386,196,849.77	\$ 752,429.09	4,587,598.52
1999	2,478,017,159.23	426,248,112.40	2,164,245.17	4,430,721.28
2000	2,465,594,433.20	446,358,768.12	1,806,220.40	3,985,877.16
2001	2,548,249,845.96	462,729,331.53	2,364,342.77	6,446,135.53
2002	2,658,222,917.06	462,921,539.59	2,292,259.94	5,320,384.18
2003	2,644,078,729.07	469,573,686.64	2,919,927.42	4,542,405.31
2004	2,690,175,521.69	508,459,347.89	2,487,020.79	2,260,010.41
2005	2,726,396,601.14	522,992,148.93	2,828,250.40	2,410,852.63
2006	2,684,849,928.33	544,660,666.44	3,454,724.27	3,816,543.02

Source: California State Controller's Office.

The following table details the historical Gas Tax Revenues received by the City, as apportioned under the California Streets and Highway Code to the City for fiscal years 1997 through 2006.

HISTORIC GAS TAX REVENUES CITY OF OXNARD Fiscal Years 1997 through 2006

<u>Year</u>	<u>Section 2105</u>	<u>Section 2106</u>	<u>Section 2107</u>	<u>Totals</u>
1997	\$ 908,023.72	\$612,476.57	\$1,274,325.31	\$2,794,825.60
1998	922,484.56	681,434.90	1,249,584.09	2,853,503.55
1999	957,046.03	687,102.80	1,244,273.65	2,888,422.48
2000	956,642.11	670,323.95	1,273,524.53	2,900,490.59
2001	997,164.08	702,482.66	1,316,349.89	3,015,996.63
2002	1,111,072.44	755,907.01	1,460,826.92	3,327,806.37
2006	1,125,956.73	763,276.18	1,492,774.49	3,382,007.40
2004	1,135,923.51	769,178.11	1,514,646.46	3,419,748.08
2005	1,161,419.58	784,908.40	1,543,049.52	3,489,377.50
2006	1,151,186.06	768,994.00	1,533,687.02	3,453,867.08

Source: City.

Gas Tax Fund Financial Statements

The following tables present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances relating to the Gas Tax Fund for the fiscal years ended June 30, 2002, through June 30, 2006.

BALANCE SHEET CITY OF OXNARD GAS TAX FUND For the Fiscal Years Ended June 30, 2002, through June 30, 2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u> ⁽¹⁾	<u>2006</u>
ASSETS:					
Cash and cash equivalents	\$2,458,521	\$2,708,210	\$2,129,003	\$866,185	\$795,115
Accounts and other receivables	<u>2,520</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,795</u>
Total Assets	\$2,461,041	\$2,708,210	\$2,129,003	\$866,185	\$802,910
LIABILITIES:					
Accounts payable	\$ 66,339	\$47,242	\$ 43,066	\$111,212	\$141,040
Other liabilities	<u>53,048</u>	<u>36,063</u>	<u>62,485</u>	<u>64,929</u>	<u>0</u>
Total liabilities	\$119,387	\$83,305	\$105,551	\$176,141	\$141,040
FUND BALANCES:					
Unreserved:					
Designated for authorized projects	\$1,162,540	\$2,111,383	\$2,635,106	\$1,734,689	\$2,478,861
Undesignated	<u>1,179,114</u>	<u>513,522</u>	<u>(611,654)</u>	<u>(1,024,645)</u>	<u>(1,816,991)</u>
Total fund balances	\$2,341,654	\$2,624,905	\$2,023,452	\$ 710,044	\$ 661,870
Total Liabilities and fund balances	\$2,461,041	\$2,708,210	\$2,129,003	\$ 866,185	\$ 802,910

(1) In the Fiscal Year ending June 30, 2005, actual revenues received were approximately \$3.9 million, while actual expenditures were approximately \$5.2 million, resulting in a decrease in the balance of the Gas Tax Fund of approximately \$1.3 million. Such increase in expenditures was primarily due to new capital improvement projects.
Source: City of Oxnard Comprehensive Annual Financial Reports for the applicable periods.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CITY OF OXNARD GAS TAX FUND For the Fiscal Years Ended June 30, 2002, through June 30, 2006

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
REVENUES					
Intergovernmental	\$3,337,806	\$3,392,007	\$3,429,749	\$3,499,378	\$3,463,867
Interest	<u>91,438</u>	<u>78,448</u>	<u>84,470</u>	<u>37,559</u>	<u>25,347</u>
Miscellaneous	<u>148,731</u>	<u>266,935</u>	<u>467,702</u>	<u>338,394</u>	<u>522,806</u>
Total Revenues	\$3,577,975	\$3,737,390	\$3,981,921	\$3,875,331	\$4,012,020
EXPENDITURES					
Transportation	\$2,667,503	\$3,298,671	\$3,230,410	\$3,331,245	\$3,475,342
Capital outlay	<u>489,503</u>	<u>155,468</u>	<u>1,352,964</u>	<u>1,857,494</u>	<u>584,852</u>
Total Expenditures	\$3,157,006	\$3,454,139	\$4,583,374	\$5,188,739	\$4,060,194
Excess (deficiency) of revenues over expenditures	\$420,969	\$283,251	(\$601,453)	(\$1,313,408)	(\$48,174)
Fund balance, July 1	\$1,920,685	\$2,341,654	\$2,624,905	\$2,023,452	\$710,044
Fund balance (deficit), June 30	\$2,341,654	\$2,624,905	\$2,023,452	\$ 710,044	\$661,870

Source: City of Oxnard Comprehensive Annual Financial Reports for the applicable periods.

Debt Service Coverage

The following table sets forth an estimation of debt service coverage during the term of the Certificates based upon the Gas Tax Revenues received by the City in Fiscal Year 2005-06. Gas Tax Revenues in future Fiscal Years could differ from the amounts set forth below and may be affected by numerous factors, and there can be no assurance that such amounts will remain constant during the term of the Certificates.

DEBT SERVICE COVERAGE CITY OF OXNARD GAS TAX FUND For Certificate Years Ending September 1, 2008, through September 1, 2037			
Certificate Year	Gas Tax Revenues (Fiscal Year 2005-06) ⁽¹⁾	Debt Service ^{(2) (3)}	Debt Service Coverage ⁽²⁾
2008	\$ 3,463,867	\$ 1,110,636	311.88%
2009	3,463,867	1,724,250	200.89
2010	3,463,867	1,724,450	200.87
2011	3,463,867	1,723,850	200.94
2012	3,463,867	1,722,450	201.10
2013	3,463,867	1,725,250	200.77
2014	3,463,867	1,722,050	201.15
2015	3,463,867	1,722,050	201.15
2016	3,463,867	1,721,850	201.17
2017	3,463,867	1,724,100	200.91
2018	3,463,867	1,726,500	200.63
2019	3,463,867	1,722,700	201.07
2020	3,463,867	1,722,900	201.05
2021	3,463,867	1,726,900	200.58
2022	3,463,867	1,726,890	200.58
2023	3,463,867	1,726,400	200.64
2024	3,463,867	1,723,560	200.97
2025	3,463,867	1,723,300	201.00
2026	3,463,867	1,725,325	200.77
2027	3,463,867	1,725,325	200.77
2028	3,463,867	1,723,300	201.00
2029	3,463,867	1,722,888	201.05
2030	3,463,867	1,725,163	200.78
2031	3,463,867	1,724,894	200.82
2032	3,463,867	1,722,081	201.14
2033	3,463,867	1,721,725	201.19
2034	3,463,867	1,721,888	201.17
2035	3,463,867	1,723,963	200.92
2036	3,463,867	1,722,713	201.07
2037	3,463,867	1,723,138	201.02
Totals/Average	\$103,916,010	\$51,102,489	204.64%

(1) Source: City.

(2) Source: Underwriter.

(3) Debt service amounts rounded to the nearest dollar.

CERTIFICATE INSURANCE POLICY

The following information has been supplied by the Certificate Insurer for inclusion in this Official Statement. No representation is made by the City or the Authority as to the accuracy or completeness of the information. Reference is made to Appendix F for a specimen of the Certificate Insurance Policy.

The Certificate Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Certificate Insurer and its affiliates set forth under this heading. In addition, the Insurer makes no representation regarding the Certificates or the advisability of investing in the Certificates.

General

The Certificate Insurer, XL Capital Assurance Inc. (also referred to herein as “XLCA”), is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Certificate Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Singapore.

The Certificate Insurer is an indirect wholly owned subsidiary of Security Capital Assurance Ltd (“SCA”), a company organized under the laws of Bermuda. Through its subsidiaries, SCA provides credit enhancement and protection products to the public finance and structured finance markets throughout the United States and internationally. XL Capital Ltd currently beneficially owns approximately 46% of SCA’s outstanding shares.

The common shares of SCA are publicly traded in the United States and listed on the New York Stock Exchange (NYSE: SCA). SCA is not obligated to pay the debts of or claims against the Insurer.

Financial Strength and Financial Enhancement Ratings of XLCA

The Certificate Insurer’s insurance financial strength is rated “Aaa” by Moody’s, “AAA” by Standard & Poor’s, and “AAA” (Rating Watch Negative) by Fitch, Inc. (“Fitch”). In addition, the Certificate Insurer has obtained a financial enhancement rating of “AAA” from Standard & Poor’s. These ratings reflect Moody’s, Standard & Poor’s, and Fitch’s current assessment of the Insurer’s creditworthiness and claims-paying ability as well as the reinsurance arrangement with XL Financial Assurance Ltd. (“XLFA”) described under “Reinsurance” below.

The above ratings are not recommendations to buy, sell, or hold securities, including the Certificates, and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s, or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Certificates. The Certificate Insurer does not guaranty the market price of the Certificates, nor does it guaranty that the ratings on the Certificates will not be revised or withdrawn.

Reinsurance

The Certificate Insurer has entered into a facultative quota share reinsurance agreement with XLFA, an insurance company organized under the laws of Bermuda, and an affiliate of the Certificate Insurer. Pursuant to this reinsurance agreement, the Insurer expects to cede up to 75% of its business to XLFA. The Certificate Insurer may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss, or excess of loss. Such reinsurance is used by the Certificate Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the Certificate Insurer’s obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 75% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Certificate Insurance Policy.

Based on the audited financial statements of XLFA, as of December 31, 2006, XLFA had total assets, liabilities, redeemable preferred shares, and shareholders' equity of \$2,007,395,000, \$874,028,000, \$54,016,000, and \$1,079,351,000, respectively, determined in accordance with generally accepted accounting principles in the United States ("US GAAP"). XLFA's insurance financial strength is rated "Aaa" by Moody's, "AAA" by Standard & Poor's, and "AAA" (Rating Watch Negative) by Fitch. In addition, XLFA has obtained a financial enhancement rating of "AAA" from Standard & Poor's.

The ratings of XLFA or any other member of the SCA group of companies are not recommendations to buy, sell, or hold securities, including the Certificates and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's, or Fitch.

Notwithstanding the capital support provided to the Insurer described in this section, the Owners will have direct recourse against the Certificate Insurer only, and XLFA will not be directly liable to the Owners.

Capitalization of the Certificate Insurer

Based on the audited financial statements of XLCA, as of December 31, 2006, XLCA had total assets, liabilities, and shareholder's equity of \$1,224,735,000, \$974,230,000, and \$250,505,000, respectively, determined in accordance with U.S. GAAP.

Based on the audited statutory financial statements for XLCA as of December 31, 2006, filed with the State of New York Insurance Department, XLCA has total admitted assets of \$429,073,000, total liabilities of \$222,060,000, total capital and surplus of \$207,013,000, and total contingency reserves of \$20,876,000, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP").

Recent Developments

On December 12, 2007, following the completion of its capital adequacy analysis as described below, Fitch issued a press release indicating that it was placing XLCA and XLFA on "Rating Watch Negative" and that its review indicates that SCA's capital adequacy under Fitch's Matrix financial guaranty capital model currently falls below the guidelines for an "AAA" insurer financial strength ("IFS") rating by more than \$2 billion due to sharp downgrades by Fitch in a number of SCA's insured structured finance collateralized debt obligation ("SF CDO") exposures. This press release also noted that if within the next four to six weeks, SCA is able to obtain firm capital commitments, and/or put in place reinsurance or other risk mitigation measures that enable SCA to meet capital guidelines, Fitch would expect to affirm SCA's ratings with a "Stable Rating Outlook." If SCA is unable to meet capital guidelines in the noted time frame, Fitch would expect to downgrade SCA's ratings. Assuming little change to SCA's current capital position, based on the results of Fitch's updated capital analysis, Fitch would expect the IFS rating to be downgraded to the "AA" category. On December 12, 2007, and December 13, 2007, SCA issued press releases indicating that it has a plan to address Fitch's additional capital requirements. This plan involves a range of options for increasing SCA's capital position within the time frame indicated by Fitch. Components of the plan include, but are not limited to, the following possible actions: the use of traditional and non-traditional reinsurance; the commutation and restructuring of certain CDO obligations with SCA's counterparties; the receipt of capital credit for certain contractual obligations in favor of SCA; and the raising of additional debt or equity capital from external sources. Although SCA and its subsidiaries are actively working to address such additional capital requirements, none of SCA, XLCA, or XLFA can give any assurance as to whether this plan will be successful or whether one or more other rating agencies will require additional capital following the completion of their review of SCA and its subsidiaries.

On November 5, 2007, Fitch issued a press release indicating that it was updating its capital adequacy analysis for the financial guaranty industry in light of recent rating actions by the rating agencies with respect to SF CDOs with exposure to subprime mortgage-backed securities. Fitch's preliminary observation is that there is a "moderate probability" that SCA may experience pressure in its capital cushion under Fitch's updated stress analysis due to relatively high SF CDO exposures relative to its most recently measured capital cushion. Fitch noted that it would consider actions taken by a financial guarantor to mitigate risk or enhance its capital position while Fitch completes its review over the next four to six weeks.

On November 8, 2007, Moody's issued a comment indicating that it is re-estimating capital adequacy ratios to reflect deterioration in the expected performance of residential mortgage-backed security ("RMBS") transactions within the insured portfolios of financial guarantors. At the same time, Moody's is updating an earlier stress test (the results of which were described in a September 25, 2007, report published by Moody's) by determining the impact of higher subprime cumulative loss assumptions on both the financial guarantors' direct RMBS and asset-backed security collateralized debt obligation ("ABS CDO") exposures using granular underlying collateral information as it relates to vintage, originator, and performance to date. Based on an initial analysis of the updated data Moody's noted there is a "moderate risk" of XLCA falling below Moody's Aaa capital adequacy benchmark under a stress scenario. On December 5, 2007 Moody's stated that it expects to complete its analysis within two weeks and that upon completion of its analysis it will take any ratings action appropriate, giving consideration to the individual financial guarantors' near- and medium-term capital plans.

On November 26, 2007, Standard & Poor's issued a press release indicating it is preparing another in its series of comments on bond insurers' subprime exposure. Among other things, the release generally described new and updated data that Standard & Poor's is incorporating into its stress modeling in order to test bond insurers' ability to withstand further subprime stress. A credit opinion will be published by Standard & Poor's upon completion of this process.

Incorporation by Reference of Financials

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the SEC by SCA and may be reviewed at the EDGAR website maintained by the SEC.

The Annual Report of SCA on Form 10-K for the fiscal year ended December 31, 2006, and filed on March 15, 2007, the Quarterly Report of SCA on Form 10-Q for the period ended September 30, 2007, and filed on November 14, 2007, and all financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by SCA pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 and all documents filed or furnished by SCA on Current Report on Form 8-K pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, the Current Reports on Form 8-K of SCA, the Annual Report of Form 10-K of SCA, and the Quarterly Report on Form 10-Q of SCA, no other information contained in the reports filed with the Commission by SCA is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of the Insurer

The Certificate Insurer is regulated by the Superintendent of Insurance of the State of New York. In addition, the Certificate Insurer is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, the Certificate Insurer is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss, and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders, and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. The Certificate Insurer is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets, and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY THE CERTIFICATE INSURER, INCLUDING THE CERTIFICATE INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of the Certificate Insurer are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

Payment Under the Certificate Insurance Policy

If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (“Payment Date”), there is not on deposit with the City under the Trust Agreement, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Payment Date, the City shall give notice to the Certificate Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”), by telephone or telecopy, of the amount of such deficiency by 10:00 a.m., New York City time, on such Business Day. If, on the Business Day prior to the related Payment Date, there is not on deposit with the Trustee moneys sufficient to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall make a claim under the Certificate Insurance Policy and give notice to the Certificate Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of any deficiency in the amount available to pay principal and interest, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to the Certificate Insurer and the Insurer’s Fiscal Agent by 10:00 a.m., New York City time, on such Business Day, by delivering the Notice of Nonpayment and Payment Certificate.

For the purposes of the preceding paragraph, “Notice” means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Trustee to the Certificate Insurer, which notice shall specify (a) the name of the entity making the claim, (b) the policy number, (c) the claimed amount, and (d) the date such claimed amount will become Due for Payment. “Nonpayment” means the failure of the City to have provided sufficient funds to the Trustee for payment in full of all principal and interest with respect to the Certificates that are Due for Payment. “Due for Payment,” when referring to the principal with respect to the Certificates, means when the stated maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments, acceleration or other advancement of maturity, unless the Certificate Insurer shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest with respect to the Certificates, means when the stated date for payment of interest has been reached. “Payment Certificate” means a certificate in form and substance satisfactory to the Certificate Insurer as to the Trustee’s right to receive payment under the Certificate Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Certificates paid by the Certificate Insurer at maturity on its books as a reduction in the principal amount of Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Certificate Insurer, registered in the name of XLCA, as the case may be, in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the City on any Certificate or the subrogation rights of the Certificate Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Certificate Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest and principal paid with respect to any Certificate. The Certificate Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Certificate Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of Certificates referred to herein as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under Certificate Insurance Policy in trust on behalf of holders of Certificates and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making

the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of Certificates in the same manner as principal and interest payments are to be made with respect to the Certificates as described herein. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.

Any funds remaining in the Policy Payments Account following a Certificates payment shall be remitted promptly to the Certificate Insurer.

RISK FACTORS

Investment in the Certificates involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Certificates for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Installment Payments Constitute Limited Obligations

The obligation of the City to make Installment Payments under the Installment Purchase Agreement is a special obligation of the City and does not constitute a debt of the City, the Authority, the County, the State, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City, the Authority, the County, the State, or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the Authority, the County, the State, or any political subdivision thereof has levied or pledged any form of taxation.

Passive Revenue Source

The payment of principal and interest with respect to the Certificates is secured solely by a pledge by the City of Gas Tax Revenues and certain funds under the Installment Purchase Agreement. The City has no control over the amount of Gas Tax Revenues to be received by the City because (1) the amount of Gas Tax Revenues received by the City is based on State-wide fuel consumption and the City has no ability to control such consumption or to increase the rate at which such fuel is taxed within the State, and (2) the City has no control over the collection or distribution procedures related to any State taxes, including taxes levied in connection with fuel consumption.

Additional Obligations

The City is permitted to enter into other obligations that constitute additional charges against its Gas Tax Revenues without the consent of Owners of the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Obligations." To the extent that Additional Obligations are incurred by the City, the funds available to pay Installment Payments may be decreased.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the City in violation of its covenants in the Trust Agreement and the Installment Purchase Agreement could result in the interest represented by the Certificates being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain outstanding.

On May 21, 2007, the United States Supreme Court (the "Supreme Court") agreed to review the State of Kentucky Court of Appeals decision in *Davis v. Department of Revenue of the Finance and Administration Cabinet*,

et al., 197 S.W.3d 557, 564 (Ky.Ct.App. 2006) (the “Kentucky Case”). The Supreme Court heard oral arguments with respect to the Kentucky Case on November 5, 2007. The Supreme Court is expected to decide whether a state violates the commerce clause of the United States Constitution by providing an exemption from its income tax for interest income derived from bonds issued by the state and its political subdivisions, while treating interest income realized from bonds issued by other states and their political subdivisions as taxable to the same extent, and in the same manner, as interest earned on bonds issued by commercial entities, whether foreign or domestic. The outcome of this or any similar case cannot be predicted, but the result could be a change in the treatment for state tax purposes of interest with respect to the Certificates. If the decision in the Kentucky Case is affirmed by the Supreme Court, states such as California may be required to eliminate the disparity between the income tax treatment of out-of-state tax-exempt obligations and the income tax treatment of in-state tax-exempt obligations, such as the interest with respect to the Certificates. The impact of such a Supreme Court decision may also affect the market price for, or the marketability of, the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding this matters. See also “TAX MATTERS.”

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the City’s obligations under the Installment Purchase Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Constitutional Limitations on Appropriations

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

Diversification of Gas Tax Revenues

Section 6 of Article XIX of the California Constitution permits the State to loan to the State General Fund the revenues derived from taxes imposed on gasoline and diesel fuels within the State (collectively, the “Fuel Tax Revenues”) if (a) any amount loaned is to be repaid in full during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the State budget bill for the subsequent fiscal year, or (b) any amount loaned is to be repaid in full within three fiscal years from the date on which the loan was made and one of the following has occurred: (1) the Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the State General Fund, or (2) the aggregate amount of State General Fund revenues for the current fiscal year, as projected by the Governor in a report to the State Legislature in May of the current fiscal year, is less than the aggregate amount of State General Fund revenues for the previous fiscal year, adjusted for the change in the cost of living and the change in population, as specified in the budget submitted by the Governor in the current fiscal year. A loan made to the General Fund as described in this paragraph could have an adverse impact on the amount or availability of Gas Tax Revenues.

While the State has, in recent years, loaned Fuel Tax Revenues to the State General Fund, such amounts have been loaned from the State portion of such Fuel Tax Revenues, and not from amounts paid to local governments, and the City has received its full payment of Gas Tax Revenues in each of the last 20 years.

A proposition to amend the California Constitution ("Proposition 91") has qualified for the February 5, 2008, presidential primary election ballot in California (the "Primary Ballot"). If passed, Proposition 91 would remove the ability of the State to loan any Fuel Tax Revenues to the State General Fund for multiple years, requiring such amounts to be repaid not more than 30 days after the date of enactment of the State budget bill for the subsequent fiscal year. However, there can be no assurance that Proposition 91 will appear on any upcoming California ballot, including the Primary Ballot, or, if Proposition 91 does appear on any such ballot, that California voters will approve it.

No Liability of Authority to Owners

Subject to any provisions in the Trust Agreement to the contrary, the Authority has no obligation or liability to the Owners of the Certificates with respect to the payment when due of the Installment Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by the City under the Installment Purchase Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any of the Trustee's rights or obligations under the Trust Agreement.

Economic, Political, Social, and Environmental Conditions

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

CONSTITUTIONAL PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII B of the California Constitution – Limitations on Appropriations

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

Appropriations of an entity of local government subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include,

but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues, and (iii) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

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

Installment Payments are subject to the Article XIII B appropriations limitations. For fiscal year 2006-07, the City calculated its appropriations limit at \$155,966,438. For fiscal year 2007-08, the City has budgeted its appropriations limit at \$180,467,433. The City's appropriations have never exceeded the limitation on appropriations under Article XIII B. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Articles XIII C and XIII D of the California Constitution – The Right to Vote on Taxes

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

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund such as the City's general fund, require a two-thirds vote. Article XIII C further provides that any general purpose tax imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The City has not so imposed, extended, or increased any such taxes which are currently in effect.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, and charges were imposed. Article XIII C 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 XIII C to fees imposed after November 6, 1996, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters of the City will not, in the future, approve initiatives which reduce or repeal, or prohibit the future imposition or increase of, local taxes, assessments, fees or charges currently comprising a substantial part of the City's general fund. "Assessments," "fees," and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as for Article XIII D described below. If not, the scope of the initiative power under Article XIII C potentially could include any general fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income. The City does not levy any property related "fees" or "charges" that it considers subject to challenge under Article XIII C.

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

Article XIII D also added several new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a

requirement that the assessment must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. “Assessment” in Article XIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks.

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

The City does not believe that the provisions of Article XIIC or Article XIID will directly impact the Gas Tax Revenues available to it to make the Installment Payments required pursuant to the Installment Purchase Agreement.

Future Initiatives

Article XIIB, Article XIIC, and Article XIID were each adopted as measures that qualified for the ballot pursuant to the State’s Constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase or apply revenues and to make or increase appropriations.

THE CITY

General Information Regarding the City

The City is located in the western portion of the County on the shore of the Pacific Ocean, approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and six miles south of the county seat of the County. The City is the financial hub of the County and the largest city in the County, with a population estimated at nearly 189,990 in 2006, accounting for approximately 23% of the County’s population. The City was incorporated as a general law city on June 30, 1903, and operates under a council-manager form of government. The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service and government sectors. The City has maintained a steady population growth rate of, on average, approximately 2.2% for the past decade. See “APPENDIX B – GENERAL INFORMATION CONCERNING THE CITY OF OXNARD.”

The City Council

The City is governed by a five-member City Council elected at large for four-year alternating terms, with the exception of the Mayor, who is directly elected for a two-year term. The current members of the City Council and their respective City offices are listed below:

<u>Name</u>	<u>Office</u>
Dr. Thomas E. Holden	Mayor
Dean Maulhardt	Mayor Pro Tem
Andres Herrera	Councilmember
John C. Zaragoza	Councilmember
Timothy B. Flynn	Councilman

THE AUTHORITY

The Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California pursuant to a Joint Powers Agreement, dated as of October 8, 1991, as amended on April 21, 1992, by and among the City, the Oxnard Community Development Commission, and the Housing Authority of the City of Oxnard. The Authority was created on October 8, 1991, to finance the cost of any capital improvement, working capital, or liability and other insurance needs, or projects wherever there are significant public benefits, as determined by the City.

The Authority is governed by a five-member Governing Board. The current members of the Board are listed below:

<u>Name</u>	<u>Office</u>
Dr. Thomas E. Holden	Chairman
Dean Maulhardt	Vice Chairman
Andres Herrera	Board Member
John C. Zaragoza	Board Member
Timothy B. Flynn	Board Member

The Authority is also served by the officers listed below who, in the case of the Authority Controller and General Counsel, serve in these capacities by virtue of their duties as Interim Finance Director and City Attorney, respectively or, in the case of the Authority Secretary, is appointed by the Board and serves at the pleasure of the Board. The officers of the Authority are listed below:

<u>Name</u>	<u>Position</u>
Susan M. Winder	Acting Controller
Gary L. Gillig	General Counsel
Daniel Martinez	Secretary

Neither the Authority nor its Board members or officers have any obligations or liability to the Owners of the Certificates with respect to the payment of Installment Payments by the City under the Installment Purchase Agreement, or with respect to the performance of the City of other covenants made by it in the Installment Purchase Agreement.

TAX MATTERS

Special Counsel Opinion

In the opinion of Goodwin Procter LLP, Los Angeles, California, Special Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Special Counsel is further of the opinion the portion of Installment Payments designated as and comprising such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Special Counsel observes that such portion of Installment Payments designated as and comprising such interest is included in

adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the proposed form of opinion of Special Counsel is set forth in Appendix D hereto and will accompany the Certificates.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of the portion of Installment Payments designated as and comprising interest and received by the Owners of the Certificates. The City and the Authority have covenanted to comply with certain restrictions designed to ensure that the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates will not be included in gross income for federal income tax purposes. Failure to comply with those covenants may result in the portion of Installment Payments designated as and comprising such interest being included in gross income for federal income tax purposes, possibly from the date of execution and delivery of the Certificates. The opinion of Special Counsel assumes compliance with those covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Certificates may affect the tax status of the portion of the Installment Payments designated as and comprising such interest.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Installment Purchase Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Certificates) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Special Counsel expresses no opinion as to any Certificate or the interest thereon if any such change occurs or action is taken upon the advice or approval of a bond counsel other than Special Counsel.

Special Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Certificates may affect the federal or state tax status of interest with respect to the Certificates or the tax consequences of ownership of the Certificates. No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, will not contain provisions, which could directly or indirectly reduce the benefit of the excludability of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates from gross income for federal income tax purposes.

Although Special Counsel has rendered an opinion that the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes and State of California personal income tax purposes, a Certificate Owner’s federal and State tax liability may otherwise be affected by the ownership or disposition of the Certificates. The nature and extent of these other tax consequences will depend upon the Certificate Owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Certificates should be aware that: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates, or in the case of a financial institution, that portion of a holder’s interest expense allocated to interest with respect to the Certificates; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Certificates; (iii) with respect to life insurance companies, life insurance company taxable income subject to the tax imposed by Section 801 of the Code is determined by permitting deductions for certain dividends received but not to the extent such dividend is from a non-insurance corporation and is out of tax-exempt interest, including interest with respect to the Certificates; (iv) interest with respect to the Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest with respect to the Certificates, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Certificates; and (vii) under Section 32(i) of the Code, receipt of investment income, including interest with respect to the Certificates, may disqualify the recipient thereof from obtaining the earned income credit. Special Counsel has expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Certificates.

Risk of Audit by Internal Revenue Service

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. No assurances can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service is likely to treat the City as the taxpayer and the Owners of the Certificates may have no right to participate in such procedure.

Special Counsel’s opinion represents its legal judgment based upon its review of existing law, regulations, rulings, judicial decisions, and other authorities, and upon the covenants and representations of the parties and such other facts as it has deemed relevant to render such opinion, and is not a guaranty of a result. Neither the City nor the Underwriter nor Special Counsel is obligated to defend the tax-exempt status of the Certificates. Neither the City nor Special Counsel is responsible to pay or reimburse the costs of any Owner with respect to any audit or litigation relating to the Certificates.

Original Issue Discount/Premium

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest with respect to the Certificates that is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on maturity) of such Certificates. Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original execution and delivery or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser’s basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

RATINGS

It is anticipated that Standard & Poor’s will assign its municipal bond rating of “AAA” to the Certificates. Such rating is based on the issuance of the Certificate Insurance Policy by the Certificate Insurer. In addition, Standard & Poor’s has assigned an underlying municipal bond rating of “A” to the Certificates. There is no assurance that any such ratings will be in effect for any given period of time or that either or both will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Certificates. Such ratings reflect only the views of the rating agency and an explanation of the significance of a rating may be obtained only from the rating agency furnishing the same.

CONTINUING DISCLOSURE

The City will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City and notices of certain events, if material. Such information and notices will be filed by the City with certain Nationally Recognized Municipal Securities Repositories. The specific nature of the information to be provided is set forth in the Continuing Disclosure Agreement, a form of which is attached hereto as Appendix E. This covenant has been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended. The City has never failed to provide any previous continuing disclosure or notices of material events. See “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

UNDERWRITING

The Certificates are being purchased by E. J. De La Rosa & Co., Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Certificates at a price of \$27,167,055.50 (which represents the aggregate principal amount of the Certificates, less an Underwriter’s discount of \$300,273.75, less a net original issue discount of \$207,670.75).

The contract of purchase pursuant to which the Certificates are being purchased by the Underwriter provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices or yields different from the prices or yields stated on the cover page of this Official Statement. In addition, the offering prices or yields may be changed from time to time by the Underwriters.

Although the Underwriter expects to maintain a secondary market in the Certificates after the initial offering, no guaranty can be made that such a market will develop or be maintained by the Underwriter or others.

LITIGATION

The City will certify that there is no action, suit, or proceeding known to the City to be pending or, to the best knowledge of the City, threatened, restraining or enjoining the execution or delivery of the Certificates, the Installment Purchase Agreement, or the Trust Agreement or in any way contesting or affecting the validity of the foregoing or any proceeding of the City taken with respect to any of the foregoing or that will materially affect the City’s ability to pay Installment Payments when due.

CERTAIN LEGAL MATTERS

Goodwin Procter LLP, Los Angeles, California, Special Counsel, will render an opinion with respect to the Certificates in substantially the form set forth in Appendix D hereto. Copies of such opinion will be furnished to the Underwriter at the time of delivery of the Certificates. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Goodwin Procter LLP, Los Angeles, California, as Special Counsel to the City and as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Certificates. Quotations from and summaries and explanations of the Certificates and other documents contained herein do not purport to be complete and reference is made to said documents for full and complete statements of their provisions.

This Official Statement and its distribution have been duly authorized and approved by the City and the Authority.

CITY OF OXNARD

By: /s/ Susan M. Winder
Susan M. Winder
Interim Finance Director

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

SELECTED DEFINITIONS

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Additional Obligations” means Obligations other than the Installment Payments.

“Authority Representative” means the Chairman, Vice Chairman, or Controller of the Authority or another official designated by any such officer and authorized to act on behalf of the Authority under or with respect to the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, and all other agreements related thereto.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Business Day” means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, (2) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the Principal Office of the Trustee or the principal office of the Certificate Insurer is located.

“Certificate of the Authority” means an instrument in writing signed by an Authority Representative.

“Certificate of the City” means an instrument in writing signed by a City Representative.

“Certificate Register” means the registration books referred to in the Trust Agreement.

“Certificate Year” means the period of twelve consecutive months commencing on September 2 and ending on September 1 in any year during which Certificates are or will be Outstanding; provided, however, the first Certificate Year will commence on the Closing Date and end on September 1, 2008, and that the final Certificate Year will end on the date on which the Certificates are fully paid or prepaid.

“City Bonds” means all revenue bonds or notes of the City authorized, executed, issued, and delivered under and pursuant to the laws of the State, the payments of which are made from the Gas Tax Revenues and that are on a parity with the Installment Payments. The term “City Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

“City Representative” means the City Manager or the Finance Director of the City or another official designated by either such officer and authorized to act on behalf of the City under or with respect to the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, and all other agreements related thereto.

“Closing Date” means the date of delivery of the Certificates to the initial purchasers thereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consultant” means the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant, or accounting firm retained by the City to perform the acts and carry out the duties provided for such consultant in the Installment Purchase Agreement. Such consultant, consulting firm, engineer, architect,

engineering firm, architectural firm, accountant, or accounting firm shall be recognized within its profession for work of the character required.

“Contract Payment Date” means any date on which Contract Payments are scheduled to be paid by the City under and pursuant to any Contract.

“Contract Payments” means the Installment Payments due and payable under the Installment Purchase Agreement or the installment or lease payments of interest and principal or, if there are no separate payments of interest and principal, the installment or lease payments, scheduled to be paid by the City under and pursuant to the Contracts.

“Contracts” means the Installment Purchase Agreement and all contracts or leases of the City authorized and executed by the City under and pursuant to the laws of the State, the installment or lease payments under which are payable from the Gas Tax Revenues on a parity with the Installment Payments.

“Costs of Issuance Fund” means the fund of that name established pursuant to Trust Agreement.

“Debt Service Fund” means the fund of that name established pursuant to Trust Agreement.

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest payable during such Fiscal Year or other period on all outstanding City Bonds, assuming that all outstanding serial City Bonds are retired as scheduled and that all outstanding term City Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any City Bonds), (2) that portion of the principal amount of all outstanding serial City Bonds maturing on any principal payment date that falls in such Fiscal Year or other period, (3) that portion of the principal amount of all outstanding term City Bonds required to be redeemed or paid on any redemption date that falls in such Fiscal Year or other period (together with the redemption premiums, if any, thereon), and (4) that portion of the Contract Payments required to be made in such Fiscal Year or other period. For purposes of calculating Debt Service, the following assumptions shall be used:

(a) In determining the principal amount due in each Fiscal Year or other period, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any scheduled payment at maturity or mandatory redemption or prepayment of Obligations on the basis of value, and for such purpose, the scheduled payment at maturity or redemption payment or prepayment shall be deemed a principal payment.

(b) In determining the interest due in each Fiscal Year or other period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates.

(c) If any outstanding Obligations constitute Variable Rate Indebtedness, the interest rate on such Obligations shall be assumed to be 110% of the greater of (i) the daily average interest rate on such Obligations during the 12 calendar months ending with the month preceding the date of calculation, or (ii) the rate of interest on such Obligations on the date of calculation.

(d) In the event that the City shall issue Additional Obligations that bear interest at a variable rate, such Additional Obligations shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation or, if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus 50 basis points.

Notwithstanding the foregoing, for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Further notwithstanding the foregoing, for purposes of satisfying the provisions of the Installment Purchase Agreement in connection with the issuance of Additional Obligations, Variable Rate Indebtedness shall be deemed to bear interest at the an assumed rate per annum that is equal to the then-current fixed-rate interest per annum applicable to substantially similar Obligations.

(e) If moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Permitted Investments, or from the earnings thereon, shall be disregarded and not included in calculating Debt Service.

(f) The amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted.

(g) With respect to Contract Payments, including the Installment Payments, that are not comprised of separate payments of interest and principal but that, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on bonds, notes, or other obligations of an entity other than the City, for purposes of calculating Debt Service, interest payments and principal payment (whether at maturity or by redemption or prepayment) with respect to such bonds, notes, or other obligations shall be deemed to be interest payments and principal payments with respect to such Contract Payments; provided, however, that for purposes of such calculation, the Contract Payment Dates applicable to such Contract Payments shall be used, whether or not such Contract Payment Dates coincide with the dates on which such Contract Payments are to be applied to the payment of interest and principal with respect to such bonds, notes, or other obligations.

“Depository” means DTC and its successors and assigns or, if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the City discontinues use of the Depository pursuant to the Trust Agreement, any other securities depository that agrees to follow procedures required to be followed by a securities depository in connection with the Certificates and that is selected by the City with the consent of the Trustee.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Gas Tax Fund” means the special fund held and administered by the City into which the Gas Tax Revenues shall be deposited as provided in the Installment Purchase Agreement, which fund constitutes the “special gas tax street improvement fund” referred to in California Streets and Highways Code Section 2113.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Counsel” means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the City.

“Information Services” means Financial Information, Inc.’s “Financial Daily Called Certificate Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Certificate Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s Investors Service “Municipal and Government,” 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Certificate Department; Standard and Poor’s “Called Certificate Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressees providing information with respect to called Certificates as the City may designate in writing to the Trustee.

“Installment Payment Date” means each March 1 and September 1, commencing September 1, 2008.

“Installment Payments” means the Installment Payments scheduled to be paid by the City under and pursuant to the Installment Purchase Agreement, as set forth in Exhibit B thereto.

“Interest Payment Date” means March 1 and September 1 in each year, commencing September 1, 2008, so long as any Certificates remain Outstanding hereunder.

“Investment Earnings” means interest received in respect of the investment of money on deposit in any fund or account maintained hereunder.

“Mandatory Sinking Account Payment” means the principal amount of Certificates required to be paid on each applicable September 1 pursuant to the Trust Agreement.

“Maximum Annual Debt Service” means, at any point in time, with respect to Obligations then outstanding, the maximum amount of Debt Service on the Obligations in the then current or any future Fiscal Year or other period, calculated by the City or by an Independent Certified Public Accountant and provided to the Trustee.

“Net Proceeds” means, when used with respect to any insurance, self-insurance, or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Obligations” means City Bonds and Contract Payments.

“Outstanding,” when used as of any particular time with respect to any Certificate, means (subject to the provisions regarding disqualified Certificates in the Trust Agreement) any Certificate executed and delivered under the Trust Agreement except:

- (1) any Certificate previously cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) any Certificate that has been paid or is deemed to have been paid within the meaning of the Trust Agreement;
- (3) any Certificate that has been duly called for prepayment prior to maturity under the provisions of the Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to maturity at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient money shall be held by the Trustee irrevocably in trust for the payment of the prepayment price of such Certificate, or portion thereof, and accrued interest with respect thereto to the date fixed for prepayment; and
- (4) any Certificate in lieu of or in exchange or in substitution for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid.

“Owner” means the registered owner, as indicated in the Certificate Register, of any Certificate.

“Permitted Investments” means any of the investments listed below; provided at the time of investment the investment is a legal investment under the laws of the State for the moneys proposed to be invested therein:

- (1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”).

- (2) Direct obligations¹ of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:
 - (a) Export-Import Bank of the United States - Direct obligations and fully guaranteed certificates of beneficial interest;
 - (b) Federal Housing Administration – debentures;
 - (c) General Services Administration – participation certificates;
 - (d) Government National Mortgage Association (“GNMAs”) – guaranteed mortgage-backed securities and guaranteed participation certificates;
 - (e) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates;
 - (f) U.S. Department of Housing & Urban Development – local authority bonds;
 - (g) U.S. Maritime Administration – guaranteed Title XI financings; and
 - (h) Washington Metropolitan Area Transit Authority – guaranteed transit bonds.
- (3) Direct obligations¹ of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
 - (a) Federal National Mortgage Association (“FNMA”) - senior debt obligations rated Aaa by Moody’s and AAA by S&P
 - (b) Federal Home Loan Mortgage Corporation (“FHLMCs”) - participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P
 - (c) Federal Home Loan Banks - consolidated debt obligations
 - (d) Student Loan Marketing Association - debt obligations
 - (e) Resolution Funding Corporation - debt obligations
- (4) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P.
- (5) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody’s and A-1 or better by S&P.
- (6) Certificates of deposit, savings accounts, deposit accounts, or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation (“FDIC”), including the Bank Insurance Fund and the Savings Association Insurance Fund.

¹ The following are explicitly excluded from the securities enumerated in clauses (2) and (3):

- (a) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only, and range notes;
- (b) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (c) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (d) Collateralized Mortgage-Backed Obligations (“CMOs”).

- (7) Certificates of deposit, deposit accounts, federal funds, or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank, which may include the Trustee or its affiliates, or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).
- (8) Investments in money-market funds rated AAAm or AAAm-G by S&P. Such money market funds may include funds for which the Trustee or its affiliates or subsidiaries provide investment advisory or other management services.
- (9) State-sponsored investment pools rated AA- or better by S&P.
- (10) Repurchase agreements that meet the following criteria:
 - (a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.
 - (b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by the Certificate Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.
 - (c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn, or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within 10 days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.
 - (d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in clauses 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's, or FHLMC's. The repurchase agreement shall require (i) the Trustee or an independent third party acting solely as agent for the Trustee (the "Agent") to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two Business Days of such valuation.
 - (e) The repurchase securities shall be delivered free and clear of any lien to the Trustee or the Agent, and such Agent is (i) a Federal Reserve Bank or (ii) a bank which is a member of the FDIC and which has combined capital, surplus, and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.
 - (f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the City and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

- (g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.
- (h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless the Certificate Insurer directs otherwise:
 - i. insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;
 - ii. failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under clause 10(d) above; or
 - iii. failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.
- (11) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:
 - (a) A master agreement or specific written investment agreement governs the transaction.
 - (b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by the Certificate Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.
 - (c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured, and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by the Certificate Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in clause 11(f) below.
 - (d) The investment agreement shall provide that, if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within 10 days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.
 - (e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn, or fall below A3 from Moody's or A- from S&P. Within 10 days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.
 - (f) The investment agreement shall provide for the delivery of collateral described in clause i or ii below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:
 - i. U.S. Government Securities at 104% of principal plus accrued interest; or

- ii. Obligations of GNMA, FNMA, or FHLMC (described in clauses 2(d), 3(a), and 3(b) above) at 105% of principal and accrued interest.
- (g) The investment agreement shall require the Trustee or the Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:
 - i. the last quoted “bid” price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal, or Reuters;
 - ii. valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
 - iii. the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.
- (h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account, and registered in the name of the Trustee or the Agent.
- (i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under clause 11(f) above, the Trustee and the Certificate Insurer shall receive an opinion of counsel as to the perfection of the security interest in the collateral.
- (j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee, or other penalty, upon not more than two Business Days notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:
 - i. In the event of a deficiency in the debt service account;
 - ii. Upon acceleration after an event of default;
 - iii. Upon refunding of the Certificates in whole or in part;
 - iv. Reduction of the Reserve Requirement for the Certificates; or
 - v. If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the City’s obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the Certificates and to make deposits to the Reserve Fund.

- (k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

- i. Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times, or in the amounts described above;
 - ii. Insolvency of the provider or the guarantor (if any) under the investment agreement;
 - iii. Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
 - iv. Failure by the provider to make a payment or observe any covenant under the agreement;
 - v. The guaranty (if any) is terminated, repudiated, or challenged; or
 - vi. Any representation of warranty furnished to the Trustee or the City in connection with the agreement is false or misleading.
- (l) The investment agreement must incorporate the following general criteria:
- i. “Cure periods” for payment default shall not exceed two Business Days;
 - ii. The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or the Certificate Insurer;
 - iii. Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of the Certificate Insurer;
 - iv. If the investment agreement is for the Reserve Fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate;
 - v. The provider shall be required to immediately notify the Certificate Insurer and the Trustee of any event of default or any suspension, withdrawal, or downgrade of the provider’s ratings;
 - vi. The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim; and
 - vii. The agreement shall require the provider to submit information reasonably requested by the Certificate Insurer, including balance invested with the provider, type and market value of collateral, and other pertinent information.
- (12) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:
- (a) A specific written investment agreement governs the transaction.
 - (b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the SIPC jurisdiction, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated A3/P-1 or better by Moody’s and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured,

and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies approved by the Certificate Insurer and rated, or domestic structured investment companies with a guarantor rated, Aaa by Moody's and AAA by S&P.

- (c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn, or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within 10 days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.
- (d) Permitted securities shall include the investments listed in clauses 1, 2, and 3 above.
- (e) The forward delivery agreement shall include the following provisions:
 - i. The permitted securities must mature at least one Business Day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.
 - ii. The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.
 - iii. Any breakage fees shall be payable only on Interest Payment Dates and shall be subordinated to the payment of debt service fund and Reserve Fund replenishments.
 - iv. The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency, or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and shall otherwise be acceptable to the Certificate Insurer.
 - v. The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of the Certificate Insurer.
- (13) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty, or other hedging arrangement, only with the prior written consent of the Certificate Insurer.
- (14) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of the State or of any agency, instrumentality, or local governmental unit of the State that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's.
- (15) Shares in any money market mutual fund registered under the Investment Company Act of 1940 whose investment portfolio consists solely of direct obligations of the United States Government, provided that any such fund has been rated in the highest category by a nationally recognized rating agency and, provided further, that such mutual funds may include funds for which the Trustee or its affiliates or subsidiaries provide investment advisory or other management services.

- (16) The Local Agency Investment Fund (“LAIF”) of the State.
- (17) Other forms of investments approved in writing by the Certificate Insurer with notice by the City to S&P.
- (18) Maturity of investments shall be governed by the following:
 - (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.
 - (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
 - (c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

“*Pledged Assets*” means the Installment Payments and the amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (except for amounts on deposit in the Rebate Fund).

“*Principal Office of the Trustee*” means the principal corporate trust office of the Trustee located in Los Angeles, California, or such other office as the Trustee may designate, except that, with respect to the presentation of Certificates for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*Principal Payment Date*” means each of the September 1 maturity dates set forth in the Trust Agreement, with a final maturity date of September 1, 2037.

“*Project Site*” means the certain public streets and roadways, including rights-of-way, within the City upon which the Project shall be acquired, constructed, and improved, more particularly described in Exhibit A to the Sale Agreement.

“*Project Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Purchase Price*” means the amount to be paid by the City to the Authority for the purchase of the Project Site and the Project under the terms of the Installment Purchase Agreement.

“*Rebate Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Record Date*” means the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

“*Reserve Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*Reserve Requirement*” means, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the Certificates originally executed and delivered, (ii) maximum annual Installment Payments coming due and payable, or (iii) 125% of the average annual Installment Payments coming due and payable. As of the Closing Date, the Reserve Requirement is \$1,726,900.00.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Special Fund*” means the fund of that name established pursuant to the Trust Agreement.

“*State*” means the State of California.

“Tax Certificate” means the Tax Certificate delivered by the City and the Authority on the Closing Date, as the same may be amended or supplemented in accordance with its terms.

“Variable Rate Indebtedness” means any portion of any Obligations the interest rate on which is not fixed at the time of issuance of such Obligations and has not, at some subsequent date, been fixed at a rate that is not subject to fluctuation or subsequent adjustment.

THE TRUST AGREEMENT

Investment of Moneys in Funds

Money held by the Trustee in any fund or account under the Trust Agreement shall be invested by the Trustee in Permitted Investments pending application as provided in the Trust Agreement, solely at the written direction of a City Representative, shall be registered in the name of the Trustee, as Trustee, and shall be held by the Trustee. The City shall direct the Trustee prior to 12:00 p.m. Los Angeles time on the last Business Day before the date on which a Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. In the absence of such direction, the Trustee shall invest in Permitted Investments described in clause (8) of the definition thereof. Money held in any fund or account under the Trust Agreement may be commingled for purposes of investment only. The obligations in which moneys in the said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out under the Trust Agreement. The obligations in which moneys in the Reserve Fund are so invested shall be invested in obligations maturing no later than five years after the date of investment; provided no such investment shall mature later than the final maturity date of the Certificates; provided further, if such investments may be redeemed at par so as to be available on each Interest Payment Date, any amount of the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity date of the Certificates. Cash amounts in the Reserve Fund shall be valued at fair market value and marked to market twice per year.

All Investment Earnings with respect to amounts in the Rebate Fund shall be retained therein. All Investment Earnings with respect to amounts in the Project Fund shall be retained therein. The Trustee shall transfer all Investment Earnings on deposit in all other funds and accounts established under the Trust Agreement (except, to the extent required by the Trust Agreement, in the Reserve Fund) to the Debt Service Fund. For purposes of determining the amount of deposit in any fund held under the Trust Agreement, all Permitted Investments credited to such fund shall be valued at the cost thereof.

Payment Procedure Pursuant to Certificate Insurance Policy

As long as the Certificate Insurance Policy shall be in full force and effect, the City, the Authority, and the Trustee, as applicable, shall comply with the following provisions:

If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date, there is not on deposit with the Trustee under the Trust Agreement, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest due with respect to the Certificates due on such Interest Payment Date or Principal Payment Date, the Trustee shall give notice to the Certificate Insurer and to its designated agent (if any) (the “Certificate Insurer’s Fiscal Agent”), by telephone or telecopy, of the amount of such deficiency by 10:00 a.m., New York City time, on such Business Day. If, on the Business Day prior to the related Interest Payment Date or Principal Payment Date, there is not on deposit with the Trustee moneys sufficient to pay the principal and interest due with respect to the Certificates on such Interest Payment Date or Principal Payment Date, the Trustee shall make a claim under the Certificate Insurance Policy and give notice to the Certificate Insurer and the Certificate Insurer’s Fiscal Agent (if any) by telephone of the amount of any deficiency in the amount available to pay principal and interest, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to the Certificate Insurer and the Certificate Insurer’s Fiscal Agent by 10:00 a.m., New York City time, on such Business Day, by delivering the Notice of Nonpayment and XLCA Certificate.

For the purposes of the preceding paragraph, "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Trustee to the Certificate Insurer, which notice shall specify (a) the name of the entity making the claim, (b) the policy number, (c) the claimed amount, and (d) the date such claimed amount will become Due for Payment. "Nonpayment" means the failure of the City to have provided sufficient funds to the Trustee for payment in full of all principal and interest with respect to the Certificates that are Due for Payment. "Due for Payment," when referring to the principal of the Certificates, means when the stated maturity date or mandatory prepayment date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for prepayment (other than by application of required sinking fund installments), acceleration, or other advancement of maturity, unless the Certificate Insurer shall elect, in its sole discretion, to pay such principal due upon such acceleration; and when referring to interest with respect to the Certificates, means when the stated date for payment of interest has been reached. "XLCA Certificate" means a certificate in form and substance satisfactory to the Certificate Insurer as to the Trustee's right to receive payment under the Certificate Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to the Certificates paid by the Certificate Insurer at maturity on its books as a reduction in the principal amount of Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Certificate Insurer, registered in the name of the Certificate Insurer, as the case may be, in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the City with respect to any Certificate or the subrogation rights of the Certificate Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Certificate Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest and principal paid with respect to any Certificate. The Certificate Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Certificate Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Certificates referred to in the Trust Agreement as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Certificate Insurance Policy in trust on behalf of Owners of the Certificates and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the Certificates in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of the Trust Agreement regarding payment with respect to the Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses, or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Certificate payment date shall promptly be remitted to the Certificate Insurer.

Tax Covenants

The City and the Authority shall contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates is includable in gross income of such recipients under federal income tax laws. Notwithstanding any other provision of the Trust Agreement, absent an opinion of Independent Counsel that the exclusion from gross income of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates will not be adversely affected for federal income tax purposes, each of the City and the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. Neither the City nor the Authority shall take any action or refrain from taking any action or make any use of the proceeds of the Certificates or of any other moneys or property that would cause

any of the Certificates or the Installment Purchase Agreement to be a “private activity bond” within the meaning of Section 141 of the Code.

(b) Arbitrage. Neither the City nor the Authority shall make any use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action that will cause any of the Certificates or the Installment Purchase Agreement to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(c) Federal Guaranty. Neither the City nor the Authority shall make any use of the proceeds of the Certificates or take or omit to take any action that would cause any of the Certificates or the Installment Purchase Agreement to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The City and the Authority shall take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) No Hedge Bond. Neither the City nor the Authority shall make any use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause any of the Certificates or the Installment Purchase Agreement to be considered a “hedge bond” within the meaning of Section 149(g) of the Code unless the City or the Authority, as applicable, takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates for federal income tax purposes.

(f) Miscellaneous. Neither the City nor the Authority shall take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City and the Authority in connection with the execution and delivery of the Certificates and each shall comply with the covenants and requirements stated therein and incorporated by reference in the Trust Agreement.

(g) Taxable Obligations. The covenants described above and set forth in the Trust Agreement shall not be applicable to, and nothing contained in the Trust Agreement shall be deemed to prevent the City or the Authority from issuing other obligations, the interest on which has been determined by the City or the Authority, as applicable, to be subject to federal income taxation.

The Trustee

The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Trust Agreement and the Trustee shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee shall be protected and shall incur no liability in acting upon or processing in good faith any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, Certificate, requisition, or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may or may not be counsel to the City or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith reliance thereon.

Notwithstanding any other provision of the Trust Agreement, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the Owners as if there were no Certificate Insurance Policy.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or relating to the exercise of any trust or power conferred upon the Trustee under the Trust Agreement.

Except as otherwise expressly provided in the Trust Agreement, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements in the Trust Agreement or of any of the documents executed in connection with the Certificates, or as to the existence of a default or event of default thereunder.

Whenever in the administration of its duties under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) shall be deemed to be conclusively proved and established by a Certificate of the City or a Certificate of the Authority and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement in good faith reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee may become an Owner or a pledgee of any Certificates with the same rights it would have if it were not the Trustee; may acquire and dispose of Certificates or other evidences of indebtedness of the City or the Authority and enforce its rights as owner thereof to the same extent as if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

The recitals, statements, and representations by the City or the Authority contained in the Trust Agreement or in the Certificates shall be taken and construed as made by and on the part of the City or the Authority, as applicable, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any such recital, statement, or representation. The Trustee may execute any of the trusts or powers under the Trust Agreement and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, shall not be liable for the acts or omissions of such attorneys, agents, or receivers appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties thereunder. No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers if the repayment of such funds, or adequate indemnity against such risk or liability, is not reasonably assured to it.

The Trustee shall not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event or occurrence beyond the control of the Trustee. The Trustee shall have no responsibility or liability with respect to any information, statements, or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Certificates.

Amendments of the Trust Agreement

Except as provided in the following paragraph, the Trust Agreement may be amended only in writing by agreement among the City, the Authority, and the Trustee, with the prior written consent of the Certificate Insurer, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy,

and the approval in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. In addition, no such modification or amendment shall (i) extend the maturity of or reduce the interest rate on any Certificate or otherwise alter or impair the obligation of the City to pay the principal, interest, or prepayment premium (if any) at the time and place and at the rate and in the currency provided therein of any Certificate without the express written consent of the Owner of such Certificate, (ii) reduce the percentage of Certificates required for the written consent to any such amendment or modification, or (iii) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Notwithstanding the foregoing paragraph, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of the City, the Authority, and the Trustee, with written notice to the Certificate Insurer, but only (1) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting, or supplementing any defective provision contained in the Trust Agreement, (2) in regard to questions arising under the Trust Agreement that the City, the Authority, and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and that shall not adversely affect the interests of the Owners of the Certificates then Outstanding, (3) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding; provided that the City, the Authority, and the Trustee may rely in entering into any such amendment or modification of the Trust Agreement upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive principal and interest in accordance with the terms of such Owner's Certificate.

The Certificate Insurer has reserved the right to charge the City a fee for any consent or amendment to the Trust Agreement while the Certificate Insurance Policy is outstanding, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy.

The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment authorized by the Trust Agreement that adversely affects the Trustee's own rights, duties, or immunities under the Trust Agreement or otherwise.

Disqualified Certificates

In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent, or waiver under the Trust Agreement, Certificates that are owned or held by or for the account of the City or the Authority (but excluding Certificates held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent, or waiver, only Certificates that the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the City or the Authority, as applicable, shall specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

Event of Default and Acceleration of Maturities

If one or more of the following events (each, an "Event of Default") shall happen, that is to say:

(a) if default shall be made in the due and punctual payment of the interest with respect to any Certificate when and as the same shall become due and payable; provided, however, that in determining whether a payment default has occurred or whether a payment with respect to the Certificates has been made under the Trust Agreement, no effect shall be given to payments made under the Certificate Insurance Policy;

(b) if default shall be made in the due and punctual payment of the principal or prepayment premium, if any, with respect to any Certificate when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for prepayment; provided, however, that in determining whether a payment

default has occurred or whether a payment with respect to the Certificates has been made under the Trust Agreement, no effect shall be given to payments made under the Certificate Insurance Policy;

(c) if default shall be made by the City or the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the City or the Authority, and such default shall have continued for a period of 60 days after the City or the Authority, as applicable, shall have been given notice in writing of such default by the Trustee;

(d) if any Event of Default (as defined in the Installment Purchase Agreement) shall have occurred and be continuing under the Installment Purchase Agreement; or

(e) if the City or the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City or the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or the Authority or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and, upon the written direction of the Certificate Insurer, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy, or the written request of the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding, with the consent of the Certificate Insurer, shall, by notice in writing to the Authority, the City, and the Certificate Insurer, declare the principal with respect to all Certificates then Outstanding and the interest payable with respect thereto to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Certificates to the contrary notwithstanding. The provisions described in this paragraph, however, are subject to the condition that if at any time after principal and interest with respect to the has been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay the unpaid principal and interest with respect to the Certificates due prior to such declaration, with interest on such overdue installments at the rate or rates applicable thereto in accordance with the terms of the Trust Agreement, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the Certificates due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City and the Authority, may rescind and annul declaration and its consequences; 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. In the event of payment default as provided in subsection (a) or (b) above, the Trustee shall notify the Certificate Insurer immediately of such default and in the event of all other Events of Default as provided in the Trust Agreement, the Trustee shall notify the Certificate Insurer within 30 days of the Trustee's actual knowledge thereof.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Certificate Insurer, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Certificates insured by the Certificate Insurer or the Trustee for the benefit of the Owners of such Certificates under the Trust Agreement, including, without limitation, the right to declare the principal of all Certificates then Outstanding and the interest payable with respect thereto to be due and payable immediately, as well as the right to rescind and annul such declaration and its consequences. The Certificate Insurer shall be entitled to notify the Authority, the City, the Trustee, or any applicable receiver of the occurrence of an Event of Default with respect to the Certificates and request the Trustee or such receiver to intervene in judicial proceedings that affect such Certificates. The Trustee or such receiver shall be required to accept such notice of Event of Default from the Certificate Insurer.

Rights of Owners

Anything in the Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners therein, upon the happening and continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement with respect to such Certificates.

The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Restrictions on Owners' Action

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Trust Agreement, no Owner of any of the Certificates shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or with respect to said Certificates, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than 25% in aggregate principal amount of the Certificates then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding, or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Trust Agreement granted, or to institute such action, suit, or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request, and offer of indemnity are declared under the Trust Agreement in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement; it being understood and intended that no one or more Owners of the Certificates shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the provisions of the Trust Agreement, or to enforce any right under the Trust Agreement with respect to the Certificates, except in the manner in the Trust Agreement provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner in the Trust Agreement provided, and for the equal benefit of all Owners of Outstanding Certificates; subject, however, to the provisions of the Trust Agreement.

Waiver of Events of Default; Effect of Waiver

The Trustee shall waive any Event of Default under the Trust Agreement and its consequences and rescind any declaration of acceleration upon the written direction of the Certificate Insurer, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy, or the written request of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding. If any Event of Default shall have been waived as provided in the Trust Agreement, the Trustee shall promptly give written notice of such waiver to the Authority and the City and shall give notice thereof by first-class mail, postage prepaid, to all Owners of Outstanding Certificates if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission, and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

No delay or omission of the Trustee, the Certificate Insurer, or of any Owner of the Certificates to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by the Trust Agreement to the Trustee, the Certificate Insurer, and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Defeasance

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest, principal, and prepayment premiums, if any, payable with respect thereto at the times and in the manner stipulated in the Trust Agreement and such Certificates, then the Owners of such Certificates shall cease to be entitled to the pledge of the Pledged Assets as provided in the Trust Agreement, and all agreements, covenants, and other obligations of the City and the Authority to the Owners of such Certificates hereunder shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all money or securities held by it pursuant hereto which are not required for the payment of the interest, principal, and prepayment premiums, if any, with respect to such Certificates.

Subject to the provisions of the above paragraph, when any of the Certificates shall have been paid and if, at the time of such payment, the City and the Authority shall have kept, performed, and observed all the covenants and promises in such Certificates and in the Trust Agreement required or contemplated to be kept, performed, and observed by the City or the Authority or on its part on or prior to that time, then the Trust Agreement shall be considered to have been discharged in respect of such Certificates and such Certificates shall cease to be entitled to the lien of the Trust Agreement and such lien and all covenants, agreements, and other obligations of the City and the Authority hereunder shall cease, terminate, become void, and be completely discharged as to such Certificates.

Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Certificates, those provisions of the Trust Agreement relating to the maturity of the Certificates, interest payments and dates thereof, exchange and transfer of Certificates, replacement of mutilated, destroyed, lost, or stolen Certificates, the safekeeping and cancellation of Certificates, nonpresentment of Certificates, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Certificates and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, prepayment premium, if any, and interest with respect to the Certificates, to pay to the Owners of Certificates the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Certificates, those provisions of the Trust Agreement relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee, the City, and the Authority.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal or interest due with respect to the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid, and the assignment and pledge of the Pledged Assets and all covenants, agreements, and other obligations of the City and the Authority to the Owners shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such Owners.

(b) Any Outstanding Certificates shall prior to the maturity date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above (1) in case any of such Certificates are to be prepaid on any date prior to their maturity date, the City shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Trust Agreement, a Prepayment Notice for such Certificates on said prepayment date, such Prepayment Notice to be given in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligations or guaranteed securities the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or pre-refunded municipal bonds rated AAA by S&P and Aaa by Moody's; provided, however, that, if such pre-refunded municipal bonds are rated only by S&P, then such bonds shall have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipal obligations (or any combination thereof) (or any such other obligations or securities as shall be approved in writing by the Certificate Insurer) the interest on and principal of which when paid will provide money that, together with the money, if any, deposited with the Trustee at the same

time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due with respect to such Certificates on and prior to the maturity date or prepayment date thereof, as the case may be, and the principal and prepayment premiums, if any, payable with respect to such Certificates, (3) in the event such Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Certificates and the Certificate Insurer that the deposit required by clause (2) above has been made with the Trustee and that such Certificates are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or prepayment date upon which money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Certificates, and (4) in the case of Certificates subject to the book-entry system, the Trustee shall give notice to the Depository of the prepayment of all or part of such Certificates on the date proceeds or other funds are deposited in escrow with respect to Certificates. Nothing in this paragraph shall preclude prepayments pursuant to the Trust Agreement.

(c) After the payment of all the interest and principal with respect to all Outstanding Certificates as provided above, the Trustee shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the City all moneys or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest and principal represented by such Certificates. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners of Certificates shall thereafter be entitled to payments due under the Certificates pursuant to the Installment Purchase Agreement, but only from amounts deposited pursuant to the defeasance provisions of the Trust Agreement and from no other source.

(d) Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid, and the assignment and pledge of the Pledged Assets and all covenants, agreements, and other obligations of the City and the Authority to the Owners shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such Owners.

(e) As a precondition to the defeasance of the Certificates pursuant to the Trust Agreement, the Certificate Insurer shall be provided with: (i) 15 Business Days notice of any advance refunding of the Certificates; (ii) a report of an Independent Certified Public Accountant acceptable to the Certificate Insurer verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date; and (iii) an opinion of Independent Counsel to the effect that the Certificates are no longer Outstanding under the Trust Agreement and that the escrow agreement establishing such defeasance operates to legally defease the Certificates within the meaning of the Trust Agreement.

Unclaimed Moneys

All money that the Trustee shall have received from any source and set aside for the purpose of paying any Certificate shall be held in trust for the Owner of such Certificate, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of one year after the date on which any payment with respect to such Certificate shall have become due and payable shall be paid to the City; provided, however, that the Trustee, before making any such payment, shall notify the City of such unclaimed moneys on deposit and then, at the expense of the City, cause notice to be mailed to the Owner of such Certificate, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be paid to the City. Thereafter, the Owner of such Certificate shall, subject to any applicable escheat laws, look only to the City for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee and the Certificate Insurer shall have no responsibility with respect to such money.

INSTALLMENT PURCHASE AGREEMENT

Purchase and Sale of Property

Pursuant to the Installment Purchase Agreement, the City will purchase from the Authority, and the Authority will sell to the City, for the Purchase Price, the Project and the Project Site in accordance with the provisions of the Installment Purchase Agreement. All right, title, and interest in the Project and the Project Site sold to the City by the Authority shall immediately vest in the City on the Closing Date without further action on the part of the City or the Authority.

Purchase Price

The Purchase Price to be paid by the City under the Installment Purchase Agreement to the Authority, solely from Gas Tax Revenues and from no other sources, is the aggregate amount of debt service scheduled to be paid on the Certificates, subject to prepayment as provided in the Installment Purchase Agreement.

Installment Payments

(a) The City shall, subject to any rights of prepayment provided in the Installment Purchase Agreement, pay to the Authority, solely from Gas Tax Revenues and from no other sources, the Purchase Price in Installment Payments in the amounts and on the Installment Payment Dates as set forth in the Installment Purchase Agreement. Pursuant to the Trust Agreement, the Installment Payments are to be applied to the payment of the principal and interest with respect to the Certificates and Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal and interest with respect to the Outstanding Certificates. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Debt Service Fund established under the Trust Agreement, which amounts are not being held for the payment of specific Certificates, said amounts shall be credited against the Installment Payment due on such date. If all or a portion of the Certificates are no longer Outstanding as a result of prepayment, early retirement through purchase by the City or the Authority, or defeasance of such Certificates, the schedule of Installment Payments set forth in the Installment Purchase Agreement shall be deemed to have been modified so that the Installment Payments are sufficient, but no more than sufficient, to pay the scheduled payments of principal and interest with respect to the Outstanding Certificates. Upon any such prepayment, purchase, or defeasance, the City shall recalculate Installment Payments and shall provide the Trustee with a modified schedule of Installment Payments.

(b) Each Installment Payment shall be paid to the Trustee, as assignee of the Authority, no later than one Business Day prior to the applicable Installment Payment Date, in lawful money of the United States of America, in funds that will be immediately available following payment. In the event the City fails to make any of the payments required to be made by it under the Installment Purchase Agreement, such payment shall continue as an obligation of the City until such amount shall have been fully paid.

(c) The City shall, on or before June 30 of each Fiscal Year, deposit or cause to be deposited, solely from Gas Tax Revenues, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement for the Certificate Year in which such June 30 occurs. Furthermore, in the event that the Trustee at any time notifies the City that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the City shall deposit or cause to be deposited, solely from Gas Tax Revenues, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement.

(d) The obligation of the City to make the Installment Payments solely from Gas Tax Revenues is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement), the City shall not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project Site or the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed, or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Pledge of the Gas Tax Revenues

All Gas Tax Revenues are pledged under the Installment Purchase Agreement to the payment of the Obligations, and the Gas Tax Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided, however, that out of the Gas Tax Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Agreement. This pledge shall constitute a first lien on and security interest in the Gas Tax Revenues for the payment of the Obligations.

Allocation of Gas Tax Revenues

(a) In order to carry out and effectuate the pledge of Gas Tax Revenues contained in the Installment Purchase Agreement, the City agrees and covenants that all Gas Tax Revenues shall be received by the City in trust and shall be deposited when and as received in the Gas Tax Fund, which fund the City agrees and covenants to maintain so long as any Installment Payments remain unpaid, and all moneys in the Gas Tax Fund shall be so held in trust and applied and used solely as provided in the Installment Purchase Agreement. No moneys other than Gas Tax Revenues shall be deposited into the Gas Tax Fund. The City shall disburse Gas Tax Revenues from the Gas Tax Fund to pay, in the following order of priority, (i) to (x) the Trustee, as assignee of the Authority, the Installment Payments as and when due hereunder and (y) the appropriate entity, the Contract Payments (other than Installment Payments) and principal and interest payments on City Bonds as and when they become due and payable pursuant to the instrument under which they are issued or arise, and (ii) to (1) the Reserve Fund created under the Trust Agreement, any amounts necessary to make up any deficiency in the Reserve Requirement and (2) the reserve fund created with respect to or for the benefit of any other Obligation, any amounts necessary to make up any deficiency in such fund. In the event there are insufficient Gas Tax Revenues to make all of the payments contemplated by clause (i) of the preceding sentence, then said payments provided shall be made, as nearly as practicable, pro rata, based upon the respective amounts of the Installment Payments, City Bonds, and other Contract Payments then due and payable. In the event there are insufficient Gas Tax Revenues to make all of the payments contemplated by clause (ii) of such preceding sentence, then said payments provided shall be made, as nearly as practicable, pro rata, based upon the respective deficient amounts in the applicable reserve funds.

(b) After all of the payments contemplated by the immediately preceding paragraph have been made, any Gas Tax Revenues remaining in the Gas Tax Fund may from time to time be used to pay for any other lawful purpose, including payments on account of subordinated debt and for street-related projects for which Gas Tax Revenues are authorized to be expended under the laws of the State.

Additional Obligations

The City may at any time incur Additional Obligations payable on a parity with the payment by the City of the Installment Payments provided:

(a) there shall not have occurred and be continuing an Event of Default under the terms of the Installment Purchase Agreement or the Trust Agreement; and

(b) the City obtains or provides a certificate or certificates prepared by a Consultant showing that the estimated Gas Tax Revenues for the 12 calendar months following the date of incurring such Additional Obligations will be at least equal to 150% of Maximum Annual Debt Service on all Obligations to be outstanding immediately after the incurring of such Additional Obligations.

The certificate or certificates described above shall not be required if the Additional Obligations being incurred are for the purpose of refunding then outstanding Obligations and at the time of the incurring of such Additional Obligations a certificate of a City Representative shall be delivered showing that Maximum Annual Debt Service on all outstanding Obligations after the incurring of such Additional Obligations will not exceed Maximum Annual Debt Service on all Obligations outstanding prior to the incurring of such Additional Obligations.

Covenants of the City

Compliance with Installment Purchase Agreement. The City shall punctually pay the Installment Payments in strict conformity with the terms of the Installment Purchase Agreement, and shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained therein required to be observed and performed by it, and shall not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project Site or the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the Authority to observe or perform any agreement, condition, covenant, or term contained in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability, or obligation arising out of or connected therewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and between the parties to the Installment Purchase Agreement that, subject to the terms thereof, each of the agreements, conditions, covenants, and terms contained in each such contract and agreement is an essential and material term of the purchase of and payment for the Project Site and the Project by the City pursuant to, and in accordance with, and as authorized under the laws of the State.

Against Encumbrances. The City shall not mortgage or otherwise encumber, pledge, or place any charge upon any of the Gas Tax Revenues, prior to or on a parity with the Obligations, other than the Obligations. So long as any Obligations are outstanding, the City will not issue any bonds or incur obligations payable from Gas Tax Revenues or secured by a pledge, lien, or charge upon the Gas Tax Revenues prior to or on a parity with the Obligations, except as permitted under the Installment Purchase Agreement.

Nothing in the Installment Purchase Agreement, and particularly nothing in the preceding paragraph, shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates, or other obligations or evidences of indebtedness that as to principal or interest, or both, (i) are payable from Gas Tax Revenues after and subordinate to the payment from Gas Tax Revenues of the principal of and interest on the Obligations, or (ii) are payable from moneys that are not Gas Tax Revenues.

Reserve Fund. The City shall maintain or cause to be maintained the Reserve Fund at the Reserve Requirement. In the event the amount therein falls below the Reserve Requirement, the City shall replenish or cause to be replenished the Reserve Fund up to the Reserve Requirement from the first available Gas Tax Revenues as provided in the Installment Purchase Agreement or as otherwise permitted under the Trust Agreement.

Against Impairment of Authority's or City's Rights to Gas Tax Revenues. The City shall not enter into any contract or agreement that would impair the rights of the Authority with respect to the Gas Tax Revenues. The City shall in a prompt and timely manner file claims, commence litigation, or otherwise challenge any change in the tax or other laws of the United States of America or the State or any political subdivision of either that may impair the right or ability of the City to receive or apply Gas Tax Revenues in amounts necessary to pay the Installment Payments in strict conformity with the terms of the Installment Purchase Agreement.

Budgets. On or before August 1 of each Fiscal Year, commencing August 1, 2008, the City shall adopt, and, on or before 300 days after the beginning of the Fiscal Year, file with the Authority, the Certificate Insurer, and the Trustee a budget approved by the City Council of the City that appropriates amounts for the payment of Obligations payable during such Fiscal Year.

Payment of Claims. The City shall pay and discharge any and all lawful claims that, if unpaid, might become a lien on the Gas Tax Revenues or any part thereof or on any funds in the hands of the City or the Trustee that might impair the security of the Installment Payments, but the City shall not be required to pay such claims if the validity thereof shall be contested in good faith.

Insurance.

(a) If and solely to the extent the City customarily procures and maintains the same for other projects similar to the Project, the City shall procure and maintain or cause to be procured and maintained insurance on the Project with responsible insurers, or provide self-insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of the Project) as are usually covered in connection with projects similar to the Project. In the event of any damage to or destruction of the Project caused by the perils covered by such insurance or self-insurance, if any the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Project. The City shall begin such reconstruction, repair, or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair, or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same shall be completed and the Project shall be free and clear of all claims and liens unless the City determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Project and therefore determines not to reconstruct, repair, or replace such damaged or destroyed portion of the Project. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the City as is permitted by law.

(b) The City shall procure and maintain such other insurance that it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with projects similar to the Project; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with projects similar to the Project and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance, if any, required to be maintained under the Installment Purchase Agreement shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given 30 days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports.

(a) The City shall keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Gas Tax Fund, which records shall be available for inspection by the Authority, the Certificate Insurer, and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duty to inspect such records.

(b) The City shall prepare and file with the Authority and the Certificate Insurer annually within 270 days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Protection of Security and Rights of the Authority. The City shall preserve and protect the security of, and the rights of the Authority to the Installment Payments under, the Installment Purchase Agreement and shall warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City shall pay and discharge all taxes, assessments, and other governmental charges, if any, that may hereafter be lawfully imposed upon the Project Site or the Project or any part thereof or upon the Gas Tax Revenues when the same shall become due. The City shall duly observe and comply with all valid regulations and requirements of any governmental authority relative to the administration or maintenance of the Gas Tax Fund, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Further Assurances. The City shall adopt, deliver, execute, and make any and all further assurances, instruments, and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the

performance of the Installment Purchase Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it therein.

Events of Default Under Installment Purchase Agreement

If one or more of the following Events of Default shall happen, that is to say —

- (i) if default shall be made in the due and punctual payment of or on account of any Installment Payment as the same shall become due and payable;
- (ii) if default shall be made by the City in the performance of any of the agreements or covenants required in the Installment Purchase Agreement to be performed by it (other than as specified in (i) above), and such default shall have continued for a period of 60 days after the City shall have been given notice in writing of such default by the Authority;
- (iii) if any Event of Default shall have occurred under the Trust Agreement and shall be continuing; or
- (iv) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Authority shall upon the written request of the Owners of 25% or more of the Certificates Outstanding, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Purchase Agreement to the contrary notwithstanding. This subsection, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Installment Payments referred to in clause (i) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; 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 Gas Tax Revenues Upon Acceleration

All Gas Tax Revenues received after the date of the declaration of acceleration by the Authority as provided in the Installment Purchase Agreement shall be applied as provided in the Trust Agreement.

Other Remedies of the Authority

The Authority shall have the right, subject to receipt of consent from the Certificate Insurer —

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer, or employee thereof, and to compel the City or any such councilmember, officer, or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Installment Purchase Agreement;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Authority;
or

(c) by suit in equity upon the happening of an Event of Default under the Installment Purchase Agreement to require the City and its councilmembers, officers, and employees to account as the trustee of an express trust.

Discharge of Obligations

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates the interest, principal, and prepayment premiums, if any, payable with respect thereto or if all Outstanding Certificates shall be deemed to have been paid at the times and in the manner stipulated in the Trust Agreement, then all agreements, covenants, and other obligations of the City under the Installment Purchase Agreement shall thereupon cease, terminate, and become void and be discharged and satisfied.

Amendments

Each of the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement may be amended in writing as may be mutually agreed by the City and the Authority, with the written consent of the Certificate Insurer, so long as the Certificate Insurer is not in default in its payment obligations under the Certificate Insurance Policy, and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding pursuant to the Trust Agreement, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Independent Counsel selected by the City to the effect that such amendment or supplement is permitted by the provisions of the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, as applicable, and is not inconsistent with the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, and does not adversely affect the exclusion from gross income of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates for federal income tax purposes; provided that no such amendment shall (a) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Certificate so affected, or (b) reduce the percentage of principal amount of Certificates the consent of the Owners of which is required for the execution of any amendment of the Installment Purchase Agreement.

Each of the Installment Purchase Agreement, the Sale Agreement, and the Agency Agreement and the rights and obligations of the City and the Authority thereunder may also be amended or supplemented at any time by an amendment or supplement thereto, which shall become binding upon execution by the City and the Authority, without the written consent of any Owners of the Certificates or the Certificate Insurer but with notice to the Certificate Insurer, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Independent Counsel selected by the City to the effect that such amendment or supplement is permitted by the provisions of the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, as applicable, and is not inconsistent with the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, and does not adversely affect the exclusion from gross income of the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates for federal income tax purposes, and only for any one or more of the following purposes —

(i) to add to the covenants and agreements of the Authority or the City contained in the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Authority or the City, and that shall not materially adversely affect the interests of the Owners of the Certificates;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, or in regard to questions arising under the Installment Purchase Agreement, the Sale Agreement, or the Agency Agreement, as applicable, as the Authority or the City may deem necessary or desirable and that shall not materially adversely affect the interests of the Owners of the Certificates; or

(iii) to make such other amendments or modifications that shall not materially adversely affect the interests of the Owners of the Certificates.

THE SALE AGREEMENT

The Sale Agreement will be entered into by and between the City and the Authority and, pursuant to its terms, the City will sell the Project Site to the Authority, and the Authority will purchase the Project Site from the City. Title to the Project Site shall be deemed conveyed to and vested in the Authority, as provided in the Sale Agreement, without the necessity of any other instrument or document of conveyance. The term of the Sale Agreement shall be concurrent with the term of the Installment Purchase Agreement. The obligations of the Authority to perform and observe the agreements on its part contained in the Sale Agreement shall be absolute and unconditional, and, until such time as the Installment Purchase Agreement shall expire or be terminated in accordance with its provisions therefor, the Authority (i) shall perform and observe all of its agreements contained in the Sale Agreement and (ii) shall not terminate the Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of, or damage to the Project Site or the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Sale Agreement.

THE AGENCY AGREEMENT

The Agency Agreement will be entered into by and between the City and the Authority and, pursuant to its terms, the Authority will irrevocably appoint the City as its agent to carry out all phases of the supervision and completion of the Project and the City, as agent of the Authority, will assume all rights, duties, responsibilities, and liabilities of the Authority regarding such supervision and completion of the Project. Under the Agency Agreement and in accordance with its terms, the City, as agent of the Authority, shall enter into any purchase order, construction management agreement, architectural or engineering contract, or construction contract required for the construction, acquisition, and improvement of the Project.

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APPENDIX B

GENERAL INFORMATION CONCERNING THE CITY OF OXNARD

The Certificates do not constitute a general obligation debt of the City of Oxnard (the “City”), and the City has not pledged its full faith and credit to the repayment of the Certificates. The following information is presented for informational purposes only.

General

The City is located in western Ventura County (the “County”) on the shore of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and 6 miles south of the county seat of the County. The City is the financial hub of the County and the largest city in the County, with a population estimated at 189,990 in 2006, accounting for over 23% of the County’s population. The City has become a premier center of County industrial activity with the start of nine new industrial buildings during the past 10 years representing a total of approximately 750,000 square feet of industrial and commercial space, and with significant growth and building in the northeast area of the City.

The City was incorporated as a general law city on June 30, 1903, and operates under a council-manager form of government. The City is governed by a five-member City Council elected at large for four-year alternating terms, with the exception of the Mayor, who is directly elected for a two-year term.

The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service, and government sectors. The City has maintained a steady population growth rate of, on average, approximately 2.4% for the past decade.

Population

The City’s population has grown from approximately 160,300 people in 2000 to approximately 189,990 in 2006. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 2000 through 2006.

**Population of
City, County, State, and U.S.
2000 through 2006 ⁽¹⁾**

<u>Year</u>	<u>City</u>	<u>Population Percent Change</u>	<u>County</u>	<u>Percent Change</u>	<u>State (000)</u>	<u>Percent Change</u>	<u>United States (000)</u>	<u>Percent Change</u>
2000	160,300	--	758,657	--	34,099	--	282,193	--
2001	177,700	10.85%	774,264	2.06%	34,784	2.01%	285,108	1.03
2002	182,027	2.44	787,886	1.76	35,393	1.75	287,985	1.01
2003	181,800	(0.12)	799,781	1.51	35,990	1.69	290,850	0.99
2004	186,122	2.38	808,657	1.11	36,522	1.48	293,657	0.97
2005	188,941	1.51	814,262	0.69	36,982	1.26	296,410	0.94
2006	189,990	0.56	821,698	0.91	37,444	1.25	299,398	1.01

Sources: For City: City’s Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006; for State and County: California Department of Finance; for U.S.: United States Bureau of the Census.

(1) Unless otherwise noted, estimates for City as of January 1, and for the County, the State, and the U.S. as of July 1.

Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIII A to the California Constitution. Article XIII A limits *ad valorem* taxes on real property to 1% of the full cash value, plus taxes necessary to repay indebtedness approved by the voters prior to July 1, 1978. Voter-approved obligations of the City are comprised of an obligation of the City referred to as the "Public Safety Retirement Debt." The following table details the City's property tax rates for the last 10 fiscal years.

City of Oxnard Property Tax Rates Fiscal Years 1997 through 2006

<u>Fiscal Year Ended June 30</u>	<u>Article XIII A Basic Tax Rate</u>	<u>City District (Public Safety Retirement Debt)</u>	<u>School Districts</u>	<u>Water Districts</u>	<u>Total Tax Rates</u>
1997	1.00%	0.11737%	--	0.06380%	1.18117%
1998	1.00	0.14647	0.02620%	0.06694	1.23961
1999	1.00	0.14497	0.10040	0.08362	1.32899
2000	1.00	0.18067	0.14920	0.06067	1.39054
2001	1.00	0.17277	0.11070	0.06399	1.34746
2002	1.00	0.20417	0.10420	0.05690	1.36527
2003	1.00	0.21447	0.10790	0.05120	1.37357
2004	1.00	0.20384	0.09770	0.04476	1.34630
2005	1.00	0.19624	0.08410	0.04224	1.32258
2006	1.00	0.17614	0.09850	0.03691	1.31155

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006.

Property Tax Levies, Collections and Delinquencies

The Ventura County Tax Collector collects *ad valorem* property tax levies representing taxes levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding March 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31 in the next fiscal year. Accordingly, unsecured taxes are levied at the rate applicable to the fiscal year preceding the one in which they are paid.

One half of the secured tax levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment.

Property owners may redeem property upon payment of delinquent taxes and penalties. Tax-delinquent properties are subject to a redemption penalty of 1½%) of the delinquent amount every month commencing on July 1 following the date on which the property became tax-delinquent. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes each year for five years, with interest accruing at 1½% per month on the unpaid balance.

The following table details the City's property tax levies, collections, and delinquencies for the last 10 fiscal years.

City of Oxnard
Property Tax Levies, Collections and Delinquencies
Fiscal Years 1997 through 2006

<u>Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percentage of Tax Levy</u>
1997	\$18,233,366	\$17,033,821	93.42%	\$487,301	\$17,521,122	96.09%
1998	18,113,687	17,712,334	97.78	250,440	17,962,774	99.17
1999	15,014,300	14,868,769	99.03	189,551	15,058,320	100.29
2000	17,038,470	17,317,763	101.64	99,032	17,416,795	102.22
2001	23,380,000	23,484,567	100.45	90,164	23,574,731	100.83
2002	25,900,000	25,718,029	99.30	284,711	26,002,740	100.40
2003	30,040,000	29,892,747	99.51	190,546	30,083,293	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,626,306	99.99
2005	44,743,658	49,223,170	110.01	126,250	49,349,420	110.29
2006	54,511,910	58,537,770	107.39	132,403	58,670,173	107.63

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006.

Assessed Property Values

The following table details the assessed value of the real and personal property within the City for the last 10 fiscal years.

City of Oxnard
Assessed Property Values
Fiscal Years 1997 through 2006

<u>Year Ended June 30</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Exemptions</u>	<u>Total Assessed Value</u>
1997	\$ 6,307,831,466	\$101,123,835	\$ 720,506,163	\$ 5,688,449,138
1998	6,473,207,602	94,844,935	722,494,121	5,845,558,416
1999	6,605,309,284	95,463,165	737,477,086	5,963,295,363
2000	6,844,276,538	91,597,348	874,969,634	6,060,904,252
2001	7,645,814,717	97,930,553	846,810,724	6,896,934,546
2002	8,351,831,139	111,351,225	905,863,935	7,557,318,429
2003	9,093,618,247	124,301,084	1,110,078,014	8,107,847,317
2004	10,228,878,641	117,948,102	1,346,099,223	9,000,727,520
2005	11,509,455,540	114,301,049	1,537,114,090	10,086,642,499
2006	13,220,739,863	120,544,440	1,835,609,239	11,505,675,064

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006.

Principal Taxpayers

The following table lists the principal taxpayers in the City as of June 30, 2006.

City of Oxnard Principal Taxpayers		
<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Procter & Gamble Paper Products Company	\$ 271,274,723	2.036%
St. John's Regional Medical Center	201,681,487	1.514
RiverPark A LLC	123,180,205	0.925
K & G of Seabridge I LLC	95,535,353	0.717
SI VIII LLC (1)	76,666,310	0.575
Essex Tierra Vista	76,496,888	0.574
Centro Watt Operating Partners LLC	67,023,874	0.503
Centex Homes	62,253,314	0.467
Fred Kavli	61,937,650	0.465
Duesenberg Investment Company	61,459,198	0.461
Channel Islands Harbor Investment Company	61,280,393	0.460
Seminis Vegetable Seeds Inc.	56,498,976	0.424
Weyerhaeuser Company	52,834,200	0.397
Terminal Freezers Inc.	41,784,904	0.314
BMW of North America Inc.	35,843,329	0.269
Other Taxpayers	<u>11,976,429,348</u>	<u>89.898</u>
Totals	\$13,322,180,152	100.000%

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006.

Outstanding Debt

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness during the last 10 fiscal years are set forth in the following table:

City of Oxnard Outstanding Debt 1997 through 2006							
<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total Outstanding Debt</u>
	<u>Revenue Bonds</u>	<u>Certificates of Participation</u>	<u>Tax Allocation Bonds</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Capital Leases</u>	
1997	\$17,718,000	---	\$17,100,000	\$ 921,390	\$100,098,256	---	\$135,837,646
1998	16,193,000	---	16,630,000	1,693,752	96,662,129	---	131,178,881
1999	14,541,000	\$8,980,000	16,140,000	1,425,696	93,118,592	---	134,205,288
2000	12,285,000	8,805,000	15,620,000	1,163,893	89,448,949	---	127,322,842
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	\$1,401,008	122,334,197
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2006.

Employment

The following tables present the available labor force data and unemployment rates for five years for the City and the County.

City and County Labor Force and Unemployment Figures (2002 through 2006)				
Year	City		County	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
2006	87,400	6.0%	425,400	4.3%
2005	87,100	6.8	421,200	4.7
2004	86,200	7.8	415,600	5.4
2003	85,800	8.3	412,900	5.8
2002	84,800	8.3	408,000	5.8

Source: State of California, Employment Development Department.

Taxable Retail Sales

Consumer spending in calendar year 2005 resulted in \$2,299,725,000 in taxable sales in the City, which is approximately 5.9% above calendar year 2004. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2001 through 2005.

City of Oxnard Taxable Retail Sales by Type of Business 2001 - 2005 (000s)					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Apparel stores	\$ 46,037	\$ 53,650	\$ 50,399	\$ 52,822	\$ 52,493
General merchandise stores	257,339	273,297	290,338	305,784	318,237
Food stores	64,173	67,002	73,061	75,013	88,779
Eating and drinking places	133,815	145,771	153,932	163,844	170,252
Home furnishings and appliances	54,840	76,151	102,279	100,961	103,361
Building materials and farm implements	205,872	200,206	206,417	225,380	242,899
Auto dealers and auto supplies	412,761	472,647	513,072	538,817	535,695
Service stations	93,812	94,533	113,140	134,002	150,908
Other retail stores	197,837	204,148	213,714	225,512	231,290
Total Retail Outlets	1,466,486	1,587,405	1,716,352	1,822,135	1,893,914
All Other Outlets	308,660	313,131	322,866	350,471	405,811
Total All Outlets	\$1,775,146	\$1,900,536	\$2,039,218	\$2,172,606	\$2,299,725

Source: California State Board of Equalization.

Transportation

Oxnard is served by all major modes of transportation. Both U.S. Highway 101 and State Highway 1 pass through the City, linking it with the Los Angeles metropolitan area and Santa Barbara County. Rail passenger service is provided by AMTRAK, which has a station in the City. Two trains daily pass through each direction and stop at the Oxnard station. Metrolink provides commuters from the Oxnard Transportation Center with several daily routes to the Los Angeles basin, including downtown Los Angeles. Southern Pacific Railroad provides freight rail service to the City. The Ventura County Railroad Company connects Port Hueneme, the Ormond Beach Industrial Area, the CB Base and surrounding industrial areas to the Southern Pacific line. The Port of Hueneme, owned and operated by the Oxnard Harbor District, is the only commercial deep-draft harbor between Los Angeles and San Francisco. The port has five 600 to 700 foot berths and a 35-foot entrance channel depth. Completed in 1989 was an \$18 million expansion of the harbor that included the addition of an automobile terminal and the construction of a new wharf. The Port's acquisition of approximately 33 acres from the Navy in 1997 has enabled it to increase facilities for importing foreign automobiles. Automobile imports increased by 12.7% in 1997, making the Port one of the top 10 entry points in the U.S. for foreign automobiles. The Channel Islands Harbor is a modern 3,000 slip

boat marina, which also serves the Oxnard area in the capacity of a recreational marina. The Oxnard Airport is operated by Ventura County as a general and commercial aviation air field. The Oxnard Airport handles passenger as well as cargo services. Feeder service to Los Angeles International Airport is provided by United Express and American Eagle. Local bus service is provided by South Coast Area Transit System (SCAT), a regional public transit agency funded by the County and member cities. Service is available in Ojai, Ventura, Oxnard, and Port Hueneme. The Greyhound bus line provides passenger and parcel service from its Oxnard station. Great American Stagelines provides passenger services between Oxnard and Los Angeles every hour. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

Education

There are twenty-nine elementary, three junior high and five senior high schools located in and around the City, plus eight parochial and private schools. The City is served by Oxnard College, which has an enrollment of over 5,700 students. The 119-acre campus is located on Rose Avenue between Channel Island Boulevard and Pleasant Valley Road. Oxnard College currently offers degree and certificate programs. The newly-completed California State University campus at Channel Islands (CSUCI) opened in fall 2002 with approximately 1,320 full time transfer students and welcomed freshmen in fall 2003. In addition, two campuses of the University of California, Santa Barbara (UCSB) and Los Angeles (UCLA), one campus of the California State University, Northridge (CSUN), and two private universities, Pepperdine and California Lutheran University, are within a fifty minute drive.

Recreation

The City offers its residents a wide range of recreational facilities. The beach parks, marina and neighborhood and regional parks add up to nearly 1,500 acres of park land. McGrath State Beach Park, located south of the Santa Clara River mouth, covers approximately 295 acres and includes over a mile of ocean frontage. Overnight camping and day picnics are the main use of that park. Oxnard Beach Park includes approximately 62 acres with concession stands and facilities for day picnics and sports. Silver Strand Beach, south of the Harbor entrance, and Hollywood Beach, north of the entrance, are day beach facilities. Channel Islands Marina is a recreational boating marina administered by Ventura County. The City has over thirty neighborhood parks located throughout the City. A tennis and softball center is located at Community Center Park. Additionally, Wilson Park contains the largest senior citizen center in the Tri-County area.

The City owns the River Ridge Golf Course, an 18-hole, 7,010-yard championship golf course located on the south side of the Santa Clara River. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the heart of the City.

City's Investment Policy

The following is a summary of the City's investment policy (the "Investment Policy") applicable to certain of the City's funds and accounts, as described below, in effect as of the date of this Official Statement. Reference is made to the entire Investment Policy, including the appendices and attachments thereto, which is available upon request from the City.

Introduction. The following statement of the City's Investment Policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. It is the policy of the City to invest public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

Scope. This investment policy applies to the City's pooled investment fund, which encompasses all moneys under the direct oversight of the City Treasurer. These include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Trust and Agency Funds, and Internal Service Funds. This policy is generally applicable to bond proceeds with consideration given to specific provisions of each issuance. Reports of the investment of bond proceeds are issued monthly by the Trustee and are not included in the City Treasurer's

monthly report of the pooled investment fund. The employee's retirement and deferred compensation funds are not included.

Prudence. Investments shall be made with judgment and care – under circumstances then prevailing – 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 investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers 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 deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objectives. The City's cash management system is designed to accurately monitor and forecast revenues and expenditures thus enabling the City Treasurer to invest funds to the fullest extent possible. The City Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity, and yield (in that order of priority).

Safety. The safety/risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City seeks to mitigate credit risk by prequalifying and continual monitoring of financial institutions with which it will do business, and by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as the Sheshunoff Performance Report, Moody's, and Standard & Poor's may be utilized for this review. The City seeks to mitigate rate risk through diversification of instruments as well as maturities.

Liquidity. The portfolio will be structured with sufficient liquidity to allow the City to meet anticipated cash requirements. This will be accomplished through diversity of instruments to include those with active secondary markets, those which match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provision.

Yield. A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

Delegation of Authority. California Government Code Section 53607 provides the authority for the legislative body of the local agency to invest the funds of the local agency or to delegate that authority to the treasurer of the local agency. Effective January 1, 1997, such delegation is to be reviewed each year and may be renewed by the City Council.

City Council. Under City of Oxnard Resolution No. 10455, the City Council has authorized the City Treasurer to invest City funds in accordance with California Government Code Section 53600, *et. seq.* The City Treasurer will include review of the delegation of authority in the annual presentation of the Investment Policy to the City Council.

City Treasurer. The execution of investment transactions on a daily basis will be conducted by the City Treasurer. The Assistant City Treasurer will execute transactions, only as directed by the City Treasurer, in the absence of the City Treasurer. The City Treasurer has established a system of controls and a segregation of responsibilities of investment functions to assure maintenance of internal control over the investment function.

Amendment of Investment Policy. The City Treasurer retains the authority to amend the Investment Policy and related guidelines and procedures at any time in order to carry out the duties as chief investment officer for the City of Oxnard. Notice of any such required amendment will be given to the Investment Review Committee and the City Council.

Ethics and Conflicts of Interest. The City Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial

investment decisions. The City Treasurer is governed by The Political Reform Act of 1974 regarding disclosure of material financial interests.

Authorized Financial Dealers and Institutions. The City Treasurer shall transact business only with banks, savings and loans, and securities dealers.

Authorization. The City may conduct business with major registered broker/dealers and with dealers designated Primary by the Federal Reserve provided all the following criteria are met. Broker/Dealers must: (1) have offices located in the State, (2) be adequately capitalized, (3) make markets in securities appropriate to the City's needs, (4) agree to abide by the conditions set forth in the City's Investment Policy. The City Treasurer shall investigate all institutions which wish to do business with the City and shall require that each financial institution complete and return the appropriate questionnaire and required documentation. An annual review of the financial condition and registrations of qualified bidders will be conducted by the City Treasurer.

Rating. With the exception of the LAIF and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the City Treasurer with the assistance of bank rating services and nationally recognized rating services (*i.e.*, Moody's or Standard & Poor's).

Authorized and Suitable Investments. California Government Code Section 53601 defines eligible securities for the investment of surplus funds by local agencies. Surplus funds of the City of Oxnard are invested in compliance with this statute and as further limited in the Investment Policy.

U.S. Government. United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio invested in this category. Maturities are limited to a maximum of five years.

U.S. Agencies. The purchase of instruments of, or issued by, a federal agency or a United States government-sponsored enterprise will be limited to a maximum maturity of five years. Such agencies include, but are not limited to, the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the Federal National Mortgage Corporation.

Other Bonds, Notes, or Evidences of Indebtedness. 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.

- Registered state warrants or treasury notes or bonds of the 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.
- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the 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.

A maximum of 15% of the portfolio may be so invested with the approval of the Investment Review Committee.

Bankers' Acceptances. Bills of exchange or time drafts drawn on and accepted by commercial banks which are eligible for purchase by the Federal Reserve System are known as bankers' acceptances. Purchases of these instruments may not exceed 180 days to maturity or 40% of an agency's surplus funds. A maximum of 30% may be invested in the bankers' acceptances of any one commercial bank.

Commercial Paper. This short-term unsecured promissory note is issued to finance short-term credit needs. Eligible paper is that which is ranked "P1" by Moody's or "A1" by Standard & Poor's, issued by a domestic corporation having assets in excess of \$500,000,000, and having an "A" or better rating on issuer's debt. Purchases of commercial paper may not exceed 270 days or represent more than 10% of the outstanding paper of an issuing corporation. Commercial paper purchases will be limited to 15% of the City's portfolio.

Negotiable Certificates of Deposit ("NCDs"). Allowable NCDs are issued by a nationally or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank. The City Treasurer may invest up to 30% of surplus funds in NCDs limited to institutions rated "Aa" or better by Moody's or "AA-" or better by Standard & Poor's. A rating equivalent to Sheshunoff performance rating of "A" or better is required for those institutions not rated by Moody's or Standard & Poor's. NCDs are considered liquid, trading actively in the secondary market.

Certificates of Deposit ("CDs"). CDs or "time deposits" of up to \$100,000 are federally insured. Beyond that amount, these CDs must be collateralized with the collateral held separately from the issuing institution. The value of the investment must have collateral of at least 110% if government securities, or collateral of at least 150% if mortgage-backed securities. Statute does not limit CDs, however, the Investment Policy shall limit such investments to a maximum of 40% of the portfolio and to a maximum of 15% deposited in any one institution. In addition, time deposits shall be placed in institutions meeting all capital requirements and which maintain a rating equivalent to Sheshunoff performance rating of "A" or better.

Repurchase Agreements. The City may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored by the City Treasurer's office and will not be allowed to fall below 102% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code, which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, bankers' acceptances, commercial paper, or securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States. These eligible securities are further defined by California Government Code Section 53651.

Medium Term Notes. A maximum of 30% of the City's portfolio may be invested in medium-term notes issued by corporations organized and operating within the United States. Note maturities may not exceed five years. Securities eligible for investment must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service (*i.e.*, Moody's or Standard & Poor's).

Mutual Funds. Shares of beneficial interest (mutual funds) issued by diversified management companies investing in securities/obligations authorized by California Government Code Section 53600, *et seq.*, and complying with California Government Code Section 53630, are permitted investments. California Government Code Section 53601(k) further defines requirements. A maximum of 15% of the portfolio may be so invested.

LAIF. LAIF (the Local Agency Investment Fund) has been established by the State Treasurer for the benefit of local agencies. The City may invest up to the maximum permitted by the LAIF.

Ineligible Investments. Investments not described in the Investment Policy, including but not limited to common stocks and financial futures contracts and options, are prohibited in this fund.

Short Term Loans. With the approval of the City Council and concurrence of the City Treasurer, funds may be invested in short term loans to provide specific funding to City programs.

Collateral. The issue of collateral requirements is addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to California Government Code Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

- government securities, at least 10% in excess.
- mortgage backed securities, at least 50% in excess.
- letters of credit, at least 5% in excess.

Safekeeping and Custody. Security transactions entered into by the City shall be conducted on a delivery-versus-payment basis. Securities of duration exceeding 30 days to maturity shall be held by a third party custodian designated by the City Treasurer. Evidence of account for each time deposit will be held in the Treasury vault.

Diversification. The City's portfolio will be suitably diversified by type and institution in an effort to reduce portfolio risk while attaining market average rates.

Security Type and Institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total portfolio will be invested in a single security type and no more than 15% with a single financial institution. Investments are further limited by specific language relating to each investment type as stated in the Investment Policy.

Maximum Maturities. To the extent possible, the City Treasurer will attempt to match investments with anticipated cash flow requirements. The City's portfolio will not be directly invested in securities which mature more than five years from the date of purchase. Reserve funds may be invested in securities exceeding the five years (maturity of such investments should coincide as nearly as practicable with expected use of funds).

Internal Controls. A system of internal controls will be maintained to assure compliance with federal and State regulations, City Council direction, and prudent cash management procedures.

Investment Review Committee. The City Manager, Finance Director, and City Treasurer are the members of the Investment Review Committee tasked with quarterly review of procedures and adherence to the Investment Policy.

Investment Portfolio Guidelines. Guidelines have been established for procedures within the City Treasurer's Office to assure internal investment controls and a segregation of responsibilities of investment functions.

Annual Audit. The City's portfolio is included in the annual review of the City's financial management performed by an independent (as defined by the Financial Accounting Standards Board) outside audit firm.

Performance Standards. The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The market-average rate of return is defined as the average return on three-month Treasury bills. In addition, the City portfolio will be compared with LAIF and expected to maintain an annual yield within 0.50 (1/2 of 1%) basis points of LAIF's annual yield.

Reporting. The City Treasurer shall provide investment information to City Council.

Periodic Reports. The City Treasurer will provide detailed reports of the investments in the pooled investment fund portfolio on a monthly basis to the City Council, City Manager, and Finance Director. Within thirty days of the end of each quarter, these reports will be provided with additional

information such as market pricing. Summarized reports from Trustees regarding investments of bond proceeds, deferred compensation, and retirement funds are available for review.

Annual Report. The Investment Policy will be presented annually, following the close of the fiscal year, to the City Council for approval. A detailed report of the current status of the portfolio will be included in this presentation.

Financial Statements per GASB 31. City Treasurer will provide the portfolio's market value gains/losses to Finance to be incorporated in the fiscal year end balance sheet in accordance with Rule 31 of the Government Accounting Standards Board ("GASB").

California Debt and Investment Advisory Commission. Effective January 1, 2001, investment reports issued to City Council will also be distributed semi-annually to the California Debt and Investment Advisory Commission.

Financial Statements per GASB 40. Effective June 30, 2005, additional disclosure is required. City Treasurer will provide detailed maturity and rating information to Finance to be incorporated in the Comprehensive Annual Financial Report in accordance with GASB Rule 40.

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APPENDIX C

CITY OF OXNARD COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

Prepared by
Finance Department
Marcie Medina
Finance Director

City of Oxnard, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
Table of Contents*

PAGE

INTRODUCTION:

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	xxiii
CSMFO Certificate of Award for Outstanding Financial Reporting	xxiv
List of Principal Officials	xxv
Organizational Charts	xxvi
Vicinity Map	xxviii

FINANCIAL SECTION:

Independent Auditors' Report	1
Management's Discussion and Analysis	3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	18
Statement of Activities	19

Fund Financial Statements:

Governmental Funds:

Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balance	22
Reconciliation of the Changes in Fund Balances of the Governmental Funds to the Statement of Activities	23

City of Oxnard, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
Table of Contents (Continued)*

Proprietary Funds:	
Statement of Net Assets	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	25
Statement of Cash Flows	26
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	28

Notes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies	29
2. Cash and Investments	44
3. Interfund Receivables and Payables	48
4. Receivables and Payables	49
5. Interfund Transfers	50
6. Capital Assets	51
7. Long-Term Obligations	58
8. Defined Benefit Pension Plan	71
9. Postemployment Health Care Benefits	74
10. Commitment and Contingencies	75
11. Fund Balance - Governmental Funds	75
12. Net Assets - Proprietary Funds and Governmental Activities	79
13. Risk Management	79
14. Accumulated Fund Deficits	81

City of Oxnard, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
Table of Contents (Continued)*

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress Pension Plan (PERS)	83
Schedules of Revenues and Expenditures, Budget and Actual:	
<i>General Fund:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	84
<i>Major Special Revenue Funds:</i>	
Major Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Development Fees Fund	89
HUD and CDBG Grants Funds	90
State and Federal Grants Fund	91

SUPPLEMENTARY DATA (COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES):

<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
<i>Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual</i>	
Gas Tax	95
Traffic Safety	96
Transportation Development	97
Maintenance Assessment District	98
Debt Service Fund	99
<i>Internal Service Funds:</i>	
Combining Statement of Net Assets	100
Combining Statement of Revenues, Expenditures and Changes in Net Assets	101
Combining Statement of Cash Flows	102

City of Oxnard, California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
Table of Contents (Continued)*

Fiduciary Funds:

Combining Statement of Changes in Assets and Liabilities	103
--	-----

STATISTICAL SECTION (Unaudited):

Schedule I	- Net Assets by Component	105
Schedule II	- Changes in Net Assets	106
Schedule III	- Fund Balances of Governmental Funds	109
Schedule IV	- Changes in Fund Balances of Governmental Funds	110
Schedule V	- Governmental Activities Tax Revenue by Source	111
Schedule VI	- Assessed Value and Estimated Actual Value of Taxable Property	112
Schedule VII	- Direct and Overlapping Property Tax Rates	113
Schedule VIII	- Principal Property Taxpayers	114
Schedule IX	- Property Tax Levies and Collections	115
Schedule X	- Ratio of Net General Bonded Debt Outstanding	116
Schedule XI	- Ratio of Outstanding Debt by Type	117
Schedule XII	- Direct and Overlapping Governments Activities Debt	118
Schedule XIII	- Legal Debt Margin Information in Thousands	119
Schedule XIV	- Pledged Revenue Coverage	120
Schedule XV	- Demographic Statistics	121
Schedule XVI	- Principal Employers	122
Schedule XVII	- Full-Time Equivalent City Governmental Employees by Function	123
Schedule XVIII	- Operating Indicators by Function	124
Schedule XIX	- Capital Assets by Function	125

<i>APPROPRIATIONS LIMIT</i>	127
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MARCIE MEDINA
Finance Director

Finance Department
300 West Third Street • Oxnard, CA 93030 • (805) 385-7475 • Fax (805) 385-7466

November 30, 2006

Honorable Mayor, Members of the City Council
City Manager, and Citizens of the City of Oxnard, California

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF OXNARD

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oxnard (City) for the fiscal year ended June 30, 2006. The basic financial statements are audited by an independent certified public accounting firm. The purpose of the audit is to ensure that the financial statements present fairly, in all material respects, the financial position and the results of operations of the City. Responsibility for both the accuracy of the data presented in this report, and the completeness and fairness of the presentation including all disclosures, rests with the City. We believe the data, as presented, to be accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations, of the City as measured by the financial activity of the various funds. All disclosures necessary are included to enable the reader to gain the maximum understanding of the City's financial activities and operations.

The CAFR is organized into three sections:

- The **Introductory Section** is intended to familiarize the reader with the organizational structure of the City, the nature and scope of the services it provides, and the specifics of its legal operating environment. The introductory section includes the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting, the Certificate of Award for Outstanding Financial Reporting, the City's organizational chart and a list of City officials. The letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it.

- The **Financial Section** is prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34) requirements. It includes the independent auditor's report, MD&A, the audited basic financial statements, notes to the basic financial statements, required supplementary information, supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States. The audited basic financial statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, fiduciary and other funds.
- The **Statistical Section** contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics.

REPORTING ENTITY

The City was incorporated as a general law city on June 30, 1903, and operates under the council-manager form of government. The City is governed by a four-member council elected at large for four-year staggered terms and by a Mayor who is directly elected for a two-year term. The City Treasurer and City Clerk are also elected for four-year terms. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization. The City Manager is responsible for administration of City affairs, day-to-day operations, and implementation of Council policies. In addition to the City Manager, the City Attorney is appointed by and reports directly to the City Council. Additionally, the City Council members, in separate session, serve as the governing board of the Oxnard Community Development Commission (Redevelopment Agency), and with two tenant members as the Oxnard Housing Authority. City Council also appoints the Executive Director of the Agencies to administer redevelopment projects, housing projects and programs.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure and the administration of parks facilities, libraries, recreational activities and cultural events. The City operates a municipal water system, a wastewater treatment facility, a solid waste facility, and a municipal golf course. In addition, the City oversees the Performing Arts and Convention Center.

This report includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial accountability. These organizations include the Oxnard Community Development Commission, the Oxnard Housing Authority, and the City of Oxnard Financing Authority.

THE CITY OF OXNARD: *“The City That Cares”*

The City of Oxnard: “*The City That Cares*” is located in western Ventura County (County) on the shore of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and 6 miles south of the government center of the County. Oxnard is the financial hub and the largest city in the County, with a population estimated to be 189,990 in 2006, accounting for over 23 percent of the County’s population.

ECONOMIC CONDITION AND OUTLOOK

The City’s average unemployment rate for calendar year 2005 was 4.00 percent, which was lower than last year’s average of 4.90 percent. The economic condition and outlook for the City remains positive and upbeat. The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service and governmental sectors. Oxnard has maintained a steady population growth rate of approximately 2.48 percent for the past decade and the adopted 2020 General Plan anticipates continued steady growth for the next ten years, with a projected population of 218,194 by the year 2020.

The City Council approved a balanced General Fund budget for Fiscal Year 2005-2006. The budget includes adjustments for ongoing service level options, one-time service level options, and 100 percent revenue offset service level options. The operating reserve policy states “The City Council will endeavor to maintain an operating reserve equal to 18 percent of the General Fund Operating Budget.” The City has met the requirement of the 18 percent reserve policy.

LONG-TERM FINANCIAL PLANNING

The City and the Community Development Commission (Redevelopment Agency) are currently working on development projects, which will result in directly and indirectly generating revenues to balance the City's operating budget in the future.

For many years, auto dealers have been the strength of the local economy. Oxnard Auto Center is a home to Buick/GMC Truck, Cadillac, Ford, Honda, Hyundai, Infiniti, Lexus, Lincoln, Mazda, Mercury, Nissan, Pontiac, Saturn, and Toyota.

Major industries such as Procter & Gamble Company, St. John's Regional Medical Center are the top two principal property taxpayers and the largest employers in the City. Other industries include Seminis Vegetable Seeds Inc., Weyerhaeuser Company, Terminal Freezers Inc., Deussenberg Investment Company and Channel Islands Harbor Investment Company. Other retail businesses include Costco, Home Depot, Kmart, Sam's Club, Target and Wal-Mart.

The Community Development Commission assisted in locating Centennial Plaza in downtown Oxnard which consists of Plaza Cinemas 14, Coldstone Creamery, Subway, Starbucks Coffee Company, Capriccio's Italian restaurant and Thai Peruvian restaurant. The City built a four-story parking garage to accommodate this new development. Other existing retailers in the Esplanade Shopping Center include BJ's Restaurant Brewery, Bed Bath & Beyond, Borders Books & Music, Cost Plus World Market, 24-Hour Fitness, Big 5 Sporting Goods, Nordstrom Rack, Old Navy, T.J. Maxx and In-N-Out Burger. Other retailers located in the City are Mervyn's California, Babies "R" Us, Bath & Body Works, Party America, The Guitar Center, Walgreens, Bally Total Fitness, Gold's Gym, Golfsmith, Sport Chalet, Sportsmart, LA-Z-Boy Furniture Gallery, Sit "N" Sleep, Wickes Furniture, Best Buy, Circuit City, Comp USA, Fry's Electronics, Office Depot, Staples and many others which contribute to the City's local economy. Sales tax is the number two revenue generator to the City's operating budget.

Current projects include the RiverPark Development located on Vineyard and 101 Freeway, which consists of 2,600 residential units, approximately 900,000 square feet of commercial/retail, 320-room hotel, lakes and jogging trails, parks, and schools. The Seabridge, located on Victoria Avenue and Wooley Road, is a waterfront community consisting of 395 townhomes/flats, 276 single-family homes, 21 "Live to Work" units and 169,000 square feet commercial/retail development. The Northwest Community Golf Course Specific Plan on Gonzales Road and Victoria Avenue, includes 551 residential units and a 36-hole championship golf course. The Northeast Community Specific Plan on Gonzales Road and Rose Avenue includes 3,000 residential units, commercial/retail development, parks and a full-service hospital. The Wagon Wheel on Oxnard Boulevard and 101 Freeway includes a 56.4-acre project area of approximately 1,500 residential units, transit center, commercial/retail center, and an elementary school. The Teal Club includes up to 1,500 residential units, 37,000 square feet of commercial, elementary school, and a 1.5-acre fire station.

In the year 2005-06 alone, more than 2.1 million square feet of industrial space was occupied in Oxnard, creating approximately 2,160 jobs in the community.

It is the hope of the City of that these projects will contribute to the quality of life, in addition to fiscal health of the City of Oxnard.

FINANCIAL INFORMATION

The City's accounting and budgeting records for general governmental operations are maintained on the modified accrual basis of accounting, with revenues recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities incurred. Accounting and budgeting for the City's utilities and other proprietary funds are maintained on a full accrual basis. The City's accounting policies are more fully explained in Note 1 to the basic financial statements.

In developing and enhancing the City’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and to ensure the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the anticipated benefits. The evaluation of costs and benefits requires continuing estimates and judgments to be made by management staff.

Staff believes that the City’s internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

The City Council approves operating appropriations at the department and fund level prior to July 1 each year and may amend the budget during the fiscal year at a public meeting. Budgetary control is maintained at the department level; however, the City Manager may approve the transfer of funds in the department and between departments within a fund.

Fiduciary Operations

The Fiduciary Funds of the City are established to account for assets held by the City in a trustee capacity for private individuals, organizations, and other governmental agencies. Included in these funds are, artworks funds and funds held for the payment of assessment district bonds. In past years, the City issued several 1915 Act Limited Obligation Improvement Bonds to fund the required improvements and levied assessments necessary to pay the debt service on the bonds. These bonds are not a general obligation of the City and the faith and credit nor the taxing power of the City are pledged to the payment of the bonds. Since the City is acting merely as an agent for the bond proceeds and the collection of assessments, the transactions are recorded in an agency fund. These bonds are not reflected in the accompanying basic financial statements. On June 30, 2006, the City’s special assessment debt outstanding totaled approximately \$81,150,000.

Debt Administration

The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. The outstanding balances for this indebtedness as of June 30, 2006, are as follows:

Tax Allocation Bonds	\$ 17,951,413
Revenue Bonds, Net of Unamortized Discount and Gain or Loss on Refunding	317,484,231
Capital Leases	3,096,689
Certificates of Participation	7,620,000

The tax allocation bonds are paid from the increment revenues of property taxes levied within the City’s redevelopment and renewal project areas. The Central City Revitalization Project (CCRP) and other redevelopment areas currently are accounted for by the Oxnard Community Development Commission.

Revenue bonds include issues used to finance projects for public parking, civic auditorium, wastewater and treatment plant expansion, and public housing. Debt service on these issues are paid from the revenues of the appropriate enterprise funds and the General Fund.

The City has, on several occasions, used single investor loans to lease-purchase equipment. The City's capital lease obligations at June 30, 2006, amounted to \$3,096,689.

The General Fund of the City (General Fund) pays debt service on approximately 5 percent of the City's outstanding debt. The remainder is paid from a variety of other funding sources including property tax collections, residential growth fee collection, property owner special taxes, water and wastewater utility rates, golf course net income and property tax increments. Some of the debt which is paid by the General Fund is supported by external sources specifically intended to support the retirement of the debt.

The State of California (State) mandates a limit on general obligation debt of 15 percent of true cash value of all taxable property within the City boundaries. On June 30, 2006, this limit was \$1,916,250,183.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-2006

CITY TREASURER'S OFFICE

Collection, cash management and safekeeping of all monies due to the City are the primary functions of the City Treasurer's Office. Accomplishments for Fiscal Year 2005-2006 are outlined below:

- The primary functions of the City Treasurer's Office include collection, safekeeping, cash management and investment of all monies revenues due to the City of Oxnard. The highest volume of transactions is generated by utility payments on more than 39,000 accounts each month. Approximately 25 percent of those transactions (over 10,000 per month) are received directly from customers at the cashiers' windows. Additional traffic is generated by payments for business and animal licenses, permits and revenues received by various departments.
- The coordinated efforts of the City Treasurer's Office, Utility Billing (Finance), and Information Services resulted in the introduction of payment of utility bills electronically via the City's website and an automated voice response system. These two methods provide bill payment capability to customers from 5:00 a.m. to 11:00 p.m., seven days per week. An element of the ongoing efforts of City Treasurer to streamline operations, this program benefits the customer and also frees staff from time-consuming credit card telephone transactions.

- Great pride is taken in providing excellent service to each customer, internal as well as external. This presents an ongoing challenge as the City grows, the customer base increases, yet staffing levels remain the same. The success of the City Treasurer's Office is attributable to its dedicated staff and a team approach.

COMMUNITY DEVELOPMENT DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

City-Wide Enhancement Program (CWEP) - Participated in the deployment of the City's Mobile Satellite City Hall program at Emily Ritchen Elementary School, Tierra Vista Elementary School, Rio del Norte Elementary School and the Oxnard Performing Arts Center and will continue to participate in all neighborhood visits scheduled for 2006-2007.

Community Development Department Web Page - Maintained and updated department web page to provide answers to typical redevelopment questions and updates on current projects, and outline future activities. Added links to the CDC's Retail Website which promotes retail leasing and development opportunities throughout the City. Added links for internet users to access Community Development Maps.

Disposition of Ormond Beach for Wetlands Restoration - Closed escrow on the sale of 276 acres of jointly owned property between the Community Development Commission and the Metropolitan Water District to the Nature Conservancy and retained 14 acres for future CDC use. Provided ongoing support for the protection and restoration of the wetlands and other coastal resources in Ormond Beach.

Downtown Code Enforcement/Design and Public Education Program - Continued the monthly meetings with Planning and Environmental Services Division and Code Compliance personnel to monitor compliance with zoning and permit requirements. The Development Guidelines for signage, façade, and window treatments produced in 2002 continue to be effective in assisting merchants with understanding the various permit and zone clearance requirements. The Design Guidelines for "signs" were previously translated into Spanish, and the CBD Design Criteria for Over-the-Counter Downtown Design Review Permits Guide was recently translated into Spanish to better assist some of our merchants in understanding the process.

Downtown Façade and Paint Improvement Program - Developed a Façade and Paint Improvement Program to assist Downtown businesses in enhancing the exteriors of their buildings, including improved signage, lighting, landscaping, awnings, and other building treatments. The program includes financial assistance for both architectural services and physical improvements. Program applications will be distributed beginning July 2006.

Downtown Lighting Improvement Program Phase II - This is the second phase of the CDC's program to improve downtown lighting, which consists of replacing streetlights with nostalgic lamp poles, adding streetlights, and enhancing existing parking lot lighting. This program and the parking lot and alley improvement program are part of the downtown infrastructure improvements designed to rebuild the economic strength of the Downtown. Phase II of the Lighting Improvement Program will encompass the Meta Street area between Fourth and Wooley Streets, on the east side of Oxnard Boulevard.

Downtown Maintenance Drive-Through - Continued the monthly drive-through with Solid Waste personnel to record maintenance issues and problems and then assign each problem to the appropriate department/division for follow-up (i.e., Streets, Solid Waste, Parks, Code Compliance, etc.). This has resulted in a visible improvement to the Downtown.

Downtown Maintenance Improvement - Coordinated the selection and purchase of additional trashcans for placement in the Downtown area. This was in anticipation of increased visitors as a result of the Summer 2005 opening of Centennial Plaza, Plaza Cinemas and new retail and restaurant tenants throughout the downtown. Trashcans include both general litter and recycled material containers.

Downtown Oxnard Market Place - Entered into a second Exclusive Negotiation Agreement with Oxnard Plaza Associates, LLC for the planning and possible development of the Marketplace in Downtown Oxnard. An environmental impact report is being prepared for the project.

Downtown Parking Lot Improvement Program Phase II - The second phase of the Parking Lot Improvement Program will encompass the Meta Street area between Fourth and Wooley Streets, on the east side of Oxnard Boulevard. Ten to fifteen Downtown public parking lots/alleys have been identified for these infrastructure improvements. Construction is anticipated to begin in 2006.

Downtown Parking Structure - Served as the Downtown community liaison during the construction of the four-level, 450-space parking structure, completed in July 2005.

Downtown Property Based Business Improvement District (PBID) - Continued to support the PBID in its management efforts by serving as a resource to staff and as a participating member of PBID committees. CDC staff has also worked jointly with the PBID to improve communication between the business community and the City and address operational and maintenance issues. The Oxnard City Council has upon receiving petitions from a majority of the property owners, authorized a ballot process for the renewal of the PBID for another five years.

Downtown Residential Development - Entered into a Disposition and Development Agreement for the sale and development of a half-acre site owned by the Commission at the northwest corner of Seventh and "A" Streets, as a 12-unit for-sale townhome project. Construction began June 2006, with project completion anticipated by June 2007.

Downtown Tax Allocation Refunding Bond (TARB) - Refinanced the TARB and made available \$5 million for use in Downtown improvements including streetscape, park improvements, and seed money for an additional parking structure. Funds for infrastructure improvements include lighting, parking lot and alley improvements and support of the Façade Improvement Program.

Fry's Electronics - Fry's Electronics completed the redevelopment of a vacant building at "The Market Place Shopping Center" in fall 2005. The building had been occupied by "Home Base" which went bankrupt leaving this key anchor space unused for several years.

Gateway Sign Program Implementation - New gateway street name signs are being installed in new subdivisions, as well as existing neighborhoods where signs are damaged or otherwise in need of replacement. A Pleasant Valley Road entry street monument sign is being fabricated. The sign is to be installed by August 2006. A preliminary application has been submitted to Caltrans for a southbound freeway pylon sign.

Housing Rehabilitation and Ownership - Provided awareness of housing programs and financial assistance to residents in the Southwinds and HERO Project Areas. Provided mobile home assistance to very low-income families in the CCRP Project Area.

Meta Street Apartments - Assisted with a 27 for-sale unit townhome project in the Meta Street area. Construction is anticipated to begin by the end of 2006.

Ormond Beach Economic Development - Continued promoting business retention and attraction activities and assisted companies in upgrading and expanding their facilities where feasible. Supported the Economic Development Corporation of Oxnard ("EDCO") in promoting economic development opportunities in the project area to corporations statewide.

Oxnard Factory Outlet - Completed termination of the development agreement allowing new property owners to pursue traditional commercial shopping center tenants. Extensive private rehabilitation of the project which has been renamed "The Palms" has begun. Phase II was completed in summer 2005 and Phase III began construction in spring 2006. Leasing efforts continue.

Retail Attraction - Updated retail attraction brochure marketing the City and highlighting potential development opportunities. Attended local, regional and national retail trade shows and placed a newly designed advertisement in trade show publications. Established and maintained a computer database of contacts within the commercial development, brokerage and retail communities for follow-up meetings and City tours. Updated the CDC's Retail Website providing information on available commercial properties in Oxnard, and revised demographics and traffic counts to reflect 2005-2006 statistics.

RiverPark - Negotiations are nearly complete for the delivery of 140 extremely and very-low income rental units to be developed by Cabrillo Economic Development Corporation. Construction is expected to start in the first quarter of 2007. The design of 252 low- and moderate-income affordable for-sale homes has started.

Ruby's Café - Rehabilitation and redevelopment of 348-350 South Oxnard Boulevard (former "Brown Building") for a new restaurant, "Ruby's Café." The project began March 2005 and was completed May 2006, pursuant to a Disposition and Development Agreement.

Security Lighting and Fencing Program - Approved three Security Fencing Grants, and revised the Security Fencing Program to include a newly designed fence consisting of state-of-the-art reinforced materials.

South Oxnard Revitalization - Having completed the renovation of 43 of the 57 medians in Saviers, Hueneme and Pleasant Valley Roads, the program is now 75% complete. The four medians on Pleasant Valley Road were the most recent improvements to be completed. Five more medians are out to bid and the design on the remaining nine medians is 90% complete.

Southwinds Neighborhood Revitalization - The Southwinds Team, comprised of neighborhood representatives, City/CDC staff and the Oxnard Police Department work together to reduce crime, eliminate blight and enhance quality of life. Examples of programs include housing rehabilitation, homebuyer assistance, Weed and Seed and infrastructure improvements. Eleven owner-occupied and one multifamily investor rehabilitation loans were approved.

Vineyard/Esplanade Retail - Contacted property owners and retailers in the vicinity of the redeveloped Esplanade Shopping Center for encouragement to revitalize their properties along the Vineyard/Esplanade corridor. Current activities include ongoing contact with property owners in the area to encourage further revitalization.

Window Graffiti Abatement - Assisted nearly 30 businesses whose storefront windows were etched (graffitied), by providing window "polishing" services to remove the etching. This greatly improved the appearance of the Downtown.

FIRE DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- Continued to provide a high level of service in calendar year 2006, Oxnard Fire answers a call for service every 28 minutes.
- The new grant-funded Urban Search and Rescue Vehicle was placed into service
- In conjunction with the Oxnard Police Dept. will conclude preparation for the new alternate EOC facility at the OPD Annex in Nov 06
- Provided training in the National Incident Managements System for city employees
- Graduated 100 citizens from the Departments Community Emergency Response Team Academy

HOUSING DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- The Oxnard City Council was awarded the Southern California Association of Non-Profit Housing's (SCANPH) Affordable Housing Award as "Financial Supporter of the Year." The City Council was selected due to its policy support and financial commitment toward affordable housing programs and projects. The Council has authorized the contribution of more than \$12 million of CDBG, HOME, tax increments, and in-lieu fees for the development of 619 sales and rental units.
- Villa Cesar Chavez was occupied during the first quarter of 2006. This 52-unit apartment complex was the second project built exclusively for farmworkers by Cabrillo Economic Development Corporation in Oxnard. The City and the Community Development Commission contributed \$1.2 million toward the project.
- The City was the recipient of \$1.28 million of mortgage assistance for Oxnard homebuyers from the Department of Housing and Community Development. A \$780,000 BEGIN loan package was made available for the 26 low income purchasers of Cabrillo Economic Development

Corporation's Hacienda Guadalupe townhome project. A \$500,000 CalHome loan program was made available for Citywide low-income home purchasers.

- Implementation of Homeless Management Information System. Completed initial system implementation of four nonprofits and data on homelessness is currently being collected. Beginning second phase of implementation to include four additional nonprofits.
- Conducted grant monitoring of five Continuum of Care Supportive Housing and Emergency Shelter Program grants including the Commission on Human Concerns (2); Khepera House, Rainbow Recovery Centers, and Catholic Charities. Drafted Memorandum of Agreement authorizing city oversight and monitoring of "pass-through" grants; these four grants are scheduled to be monitored in FY 06-07.
- The Housing Authority achieved "high performer" status from HUD again this year.
- Received an unqualified audit report for FY 2005. The auditors had no findings.

HUMAN RESOURCES DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- Established internship partnership with local ROP high school students to provide job skill training and work experience.
- Partnered with the Department of Rehabilitation to place disabled residents into internship positions within the City.
- Exceeded our goals to coordinate recruitment and testing processes that attract highly qualified candidates to fill over 150 City positions.
- Provided centralized Human Resources support to all departments and divisions to maximize departmental efficiencies.
- Created and implemented new processes to support departments in meeting their personnel recruitment and retention goals.
- Continued to lower testing costs and improved testing tools through developing strong networks with neighboring competitive service organizations and creating tests with-in the department through a partnership with the non-profit test question developer, the Western Region Item Bank.
- Reclassified and re-aligned positions to better meet the performance needs of City staff.
- Provided customer care and support to over 5,000 internal and external customers.
- Participated in career fairs providing approximately 900 students from the Oxnard School District with information on career path opportunities within the City of Oxnard.

- Continued to conduct and improve trainings with all Police and Fire Personnel on Workers' Compensation program, prevention and changes in California Workers' Compensation laws.

POLICE DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- The Police Department was awarded a three-year Gang Violence Suppression Project grant for its efforts in reducing gang violence. The award was based largely on the Department's comprehensive model that includes prevention, intervention and suppression. Oxnard was the only "small to mid-size" city in Southern California to receive this award.
- A partnership was formed with the Oxnard Elementary School District, City Impact, Interface and many other organizations and volunteers to create Oxnard PRYDE (Partnerships and Resources for Youth Development and Education). Oxnard PRYDE is a prevention program for at-risk youth that partners with families to create support teams for students in the program with the objective of improving student performance.
- Oxnard Police personnel started teaching GREAT (Gang Resistance Education and Training) in two elementary school after-school programs. The department intends to host a countywide GREAT training opportunity to train additional officers in the program.
- An increase in focused problem solving strategies led to the creation and implementation of the first phase of the Neighborhood Policing Strategy. This strategy allows officers to be assigned to areas of the community and focus solely on problem solving efforts in a proactive fashion to improve the livability of the community.
- The department entered into a partnership with the California Highway Patrol to address the issue of auto thefts. As a result there has been a significant decrease in the number of auto thefts within the City and an increase in the number of arrests of persons involved in stealing vehicles.
- Response times for emergency calls for service have decreased as part of the department's continued effort to provide the best service possible to the community.
- As in past years the crime rate continues to decline in the City. Oxnard still continues to have a lower crime rate than Ventura and Santa Barbara and still enjoys the fifth lowest crime rate in the nation among the 43 cities with populations between 150,000 and 200,000.

OXNARD PUBLIC LIBRARY

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- Construction is 70% complete on the new South Oxnard Branch Library at the corner of Bard and Saviers Roads. With a \$6 million State grant and \$4 million from the City of Oxnard, the new 23,000 square-foot library is scheduled to open in the winter of 2006. The new branch will be able to house 80,000 books and media and will provide a new wireless hotspot for public access of the Internet. The library raised \$321,232 in a Capital Program for this new branch.
- With the financial assistance of Risk Management and Human Resources/Safety, the Main Library purchased a closed-circuit television security system and a burglar alarm security panel. The closed-circuit TV has the potential to allow Police to view images through the Internet and the new burglar alarm security panel improved services.
- Library and some City staff received training on dealing with customers with special needs-mental illness, mental retardation, cerebral palsy, and autism. Response from staff was positive with suggestions for continued/annual training for all City employees.
- The Library's new website was unveiled in October 2005. It includes a general information section (<http://www.oxnard.org>) that outlines library news, events, information, services, and databases for use by the public. This section also includes links to local school and government websites. A special small business section includes links to library materials and supporting Internet information resources for the public in the areas of seven small business challenges.
- Library network equipment and 25 PCs were replaced with new equipment to provide support for technology-based services. A new software program was acquired that reduces the time required to set up a new PC from 4 hours to 30 minutes.
- Eighty percent of the current South Oxnard Center Library collection was prepared for the new RFID (radio frequency identification system) that will be installed in the new South Oxnard Branch Library. The RFID system will enable the public to check out and return library materials with minimal staff assistance at self-service stations.
- The library received a \$1,000 grant from the National Endowment for the Humanities to fund a traveling exhibit which reexamines President Lincoln's efforts toward the abolition of slavery during the Civil War. The six sections of the exhibit focus on young Lincoln's America, the House divided, war for the Union, the Emancipation Proclamation, the role of black soldiers in the Civil War, and the final months of the Civil War and Lincoln's life. Planned programs in conjunction with the exhibit include a Lincoln impersonator, a lecture from a local college professor, and a book discussion on the life of Abraham Lincoln.
- An Information/Reference survey conducted at the Main Library concluded that customers felt that they and/or their children read more because of programming in the library and 92% of customers responding rated the reference staff as "good/excellent."

- The Main Library's Computer Lab saw an increase of 9% in lab class attendance. Free Computer Lab classes provide introductions to: the mouse; computers; Microsoft Word, Excel, and PowerPoint; the Internet; and genealogy. Other free classes involve finding health information on Medline Plus, how to use a Flashstick and DiscCopier, understanding files and folders, improving small businesses using the library's database, and creating tables and charts in Microsoft Word.

CARNEGIE ART MUSEUM

Accomplishments for Fiscal Year 2005-2006 are outlined below:

- Served 33,000 visitors and students with major art exhibits and education programs
- Presented 28 community outreach art programs including major guest artist gallery talks for college students of California State University Channel Islands and Oxnard College
- Inaugurated an arts mentoring presentation for "Camp Serendipity" Summer Day Camp as part of a new collaboration with Recreation Services and the Oxnard Public Library
- The Museum's non-profit fund raising partners, the Carnegie Art Museum Cornerstones, underwrote a successful economic feasibility study for the Museum's expansion by Economic Research Associates
- Received a donation of 12 significant art works to the permanent collection
- Presented five national level exhibitions including the Museum's first hosting of an exhibition from the Smithsonian Traveling Exhibits Service: Documenting China: Contemporary Photography and Social Change (via SITES), El Nopal Press, Jane Gottlieb: Beyond Belief, Reaching Critical Mass: the Glass Art of Einar & Jamex de la Torre and Art and Illusion: Selections from the Frederick R. Weisman Art Foundation
- Raised public awareness of exhibits and arts in the downtown area by promotion and articles in four national art publications and four newspapers: Artscene, California Art Club Newsletter, Lifescapes, Ventura County Star, Ventura County Reporter, Santa Barbara Independent and Los Angeles Times Weekender Section

PUBLIC WORKS DEPARTMENT

Accomplishments for Fiscal Year 2005-2006 are outlined below:

Environmental Resources Division

- The California Integrated Waste Management Board (CIWMB) approved Oxnard's solid waste diversion rate of 67%. This diversion rate is the highest approved number in Ventura County and one of the highest in the State of California. Oxnard is exceeding the State mandates of the Waste Management Act (Assembly Bill 939) that requires every city and county in California to reduce waste by 50 percent.
- Started "Clean Sweep Partnership" with Police Department that assigns Environmental Resources Compliance Specialists and field crew in policing districts daily for combating illegal waste dumping.
- Recruited for an Environmental Resources Compliance Specialist to inspect refuse containment and handling relating to code enforcement, responds and resolves to customer concerns in downtown area.
- Sponsored over 30 neighborhood clean-up events that enabled residents to dispose of large bulky items such as old furniture, inoperable appliances, yard debris and scrap.
- Established Strategic Action Plan to identify goals in personnel, policy, planning and projects for organizational direction of the Environmental Resources Division.
- Implemented new phone and software systems that integrate and automate customer service orders and data reporting capabilities such as equipment, part, and supply inventories, route schedules, customer service accounts, collected waste and recyclable material tonnage.

Equipment Maintenance Division

- A vendor funds recovery program has brought significant savings to the Division in the operation of its \$2.6 million procurement program for the fleet of 900+ vehicles. An aggressive follow-up process with our 93 vendors has rooted out duplicate billings and other mistakes and returned more than \$13,000 to the City in the first five months.
- A City-wide vehicle fuel card reissue was held to improve program oversight and accuracy. Over 700 cards were replaced and strict controls on fuel type, quantity, and hours were initiated to prevent misuse. FYI, the City's fuel bill is over \$1.3 million annually, for 900+ vehicles.
- The Division opened a new maintenance shop at the Del Norte Transfer Station. City employees took over maintenance of 19 truck tractors and 19 "walking floor" trailers, used to transfer waste to landfills. Accomplishments include improvement in fleet safety and serviceability, and better, safer shop working conditions. A significant benefit allows the Division to provide onsite service for other Environmental Resources equipment.

- The Division completely overhauled its preventive maintenance system for City vehicles, eliminated duplicate inspections and taking full advantage of current vehicle technology. Inspections are now on-time and match manufacturers' guidance while saving an estimated two staffing positions.
- This was another big year for increases to the City's vehicle and equipment fleet. The fleet size increased from 901 to 969 during the year, with fleet value increasing to \$30,717,000. These increases generally reflect the growth of the City and the departments that serve our citizens.

Facilities Maintenance

- Chiller Repairs at Oxnard Public - Library major repairs to the two chillers at the Oxnard Public Library were completed. Our staff was able to locate replacement parts which allowed us to avoid a much more costly and time-consuming replacement project.
- Downtown Recycling and Trash Container Installation - The Streets Division lent its assistance to the Community Development Department and the Facilities Maintenance Program to get 41 new recycling and trash containers installed throughout Oxnard's downtown area. Having the recycling and trash containers located throughout the area will help the City meet its goals of keeping the downtown clean and inviting while reducing the waste going to the landfill.
- Dehumidification of the Campus Park Gymnasium Floor - We were able to use an innovative process of dehumidification to correct a significant issue with the Campus Park Gymnasium floor. Due water intrusion into the floor cavity, we experienced significant cupping of the floorboards at the southeast corner. We eliminated the source of the leak and used dehumidification equipment to remove the moisture from the underside of the flooring. Using this process resulted in a much more economical and timely solution when compared to more traditional methods of repair.
- Ocotlan Sister City Fountain Relocation - The Ocotlan Sister City Fountain was removed from its original location behind the old library building to prepare for the current phase of the Civic Center Master Plan Project. The fountain was relocated to the central patio at the South Oxnard Center located at 200 East Bard Road. The new patio location will better showcase this beautiful fountain and it makes an excellent backdrop for photographs taken at the many events held at the center.

Graffiti Action Program

- Live person answering the graffiti hotline.
- Additional crews to take care of the streets signs and curbs.

Graffiti Task Force

- Continued growth and expansion of the Citywide "You Spray...You Pay!" anti-graffiti campaign.
- Created a cost recovery Graffiti Restitution Schedule for the City to begin to recover the cost of graffiti removal from graffiti vandals and their parents.
- Gave 20 anti-graffiti community outreach and education program presentations.
- Documented and recruited 183 citywide Graffiti Action Kit (GAK) community volunteers program.
- Continue to foster the partnerships formed with the District Attorney's Office, the Probation Department and the Court System to increase the ability to prosecute graffiti vandals and recover restitution costs for their crimes.
- Formed a partnership for graffiti removal with the Ventura County Sheriff's Department for graffiti removal in the El Rio and County areas surrounding the City of Oxnard.

Landscape Maintenance District

- Formation of 6 new landscape maintenance districts.
- Acceptance of improvements of Westport (CFD#1)

Parks and Public Grounds

- New asphalt berms at Parks' debris holding station in Equipment Yard, which helps us comply with Stormwater Quality requirements.
- Removal of the two towers at College Park Amphitheatre.
- College Park improvements: New lighting, restroom stalls and doors, new refrigerator and freezer, roof repair/replacement in stage electric room.
- College Park cattail abatement completed.
- Removed vandalized dragons and replaced with new play equipment at the following parks: Carty, Johnson Creek, Marina West, Fremont, South Winds and Eastwood.
- Completed update to Injury & Illness Prevention Plan Safety Manual.
- Replaced damaged concrete at Colonia Park in front of restrooms; new concrete in Sea View Park covered patio area.

- Completion of Oxnard Beach Storm Debris Cleanup, Phases I & II.
- Sent out an RFP for the Design and Engineering of the 75-acre College Park Master Plan and will include a Big League Dreams Softball/Baseball Park.
- Completion and Adoption of the Environmental Impact Report (EIR) for the College Park development.

Water Resources

- Relocation of Blending Station Number 3: The Blending Station Number 3 Relocation Project is completed and operational. The blending station was relocated because original site's groundwater was contaminated by leaky underground fuel tanks. The project included relocation of conveyance piping and design and construction of the facility to the new location 1700 Wankle Way. The four well pumps have the capability of extracting 9000 GPM and injecting back into the aquifer. The facility has a back up power generator that will provide power to the entire site when utility power is not available. A wireless radio receives and transmits data to the SCADA control system. Blending Station Number 3 will improve the reliability of the water.
- Blending Station Number 4: A wireless radio control system and a new magnetic flow meter have been installed and tested at Blending Station Number 4. These two new systems will improve efficiency and accuracy. The wireless radio will communicate alarm status and control information to the SCADA system located in the operator control room. A security camera and software were also installed at the site this system which will allow the Treatment staff to view and monitor the security camera from a remote location.
- Confined Space Entry Program: The Water Resources Division's confined space entry program has been updated and defined in the Water Division Health & Safety Manual. The purpose for the program is to protect our employees and establishes guidelines for those who work within confined spaces.
- Distribution System Cast Iron Mains Replacement: The Water Resources Division, with assistance of the Design and Construction Services Branch, continues to replace aging cast iron distribution system mains. Replacement of these pipes will improve water quality; fire hydrant flows, and reduces leaks and associated water outages. During FY 2005-2006, completed 225 feet on Perkins Road between Magellan Street and McWane Boulevard.
- Automated Meter Reading Conversion: Water Resources Division staff continues to replace conventional meters with radio-read meters, which will improve reading efficiency and accuracy. Five reading routes are 10% converted to the AMR. Over 20,000 replacement radio-read meters have been installed and over 5,000 new radio-read meters have been installed to date.
- Conservation Outreach Programs: The Water Resources Division received a \$20,000 grant from Metropolitan Water District's City Makeover Program, for the South Oxnard Library's Xeriscape Demonstration Garden. Construction of the library is underway and the landscape is to be completed by late Fall 2006.

BUDGETS AND BUDGETARY ACCOUNTING

The budget process includes the development of a balanced two-year budget, however, the two-year budget includes an approach that appropriations are approved for a one-year operations budget and five-year capital improvement plan. Budgets are adopted annually by City Council resolution and are prepared for the General Fund, special revenue funds and debt service funds. Budgets are prepared on the modified accrual basis of accounting consistent with Generally Accepted Accounting Principles (GAAP) except that encumbrances are included in budgeted expenditures.

The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval. During Fiscal Year 2005-2006, supplemental budget appropriations approximating \$26,296,436 were made.

CASH MANAGEMENT

The City Treasurer is responsible for investing available cash in investments allowable by law and as further defined by the City Council investment policy. Allowable investments include, but are not limited to: certificates of deposit which are either government insured or collateralized, government securities, the State Treasurer's Local Agency Investment Fund (LAIF), and certain commercial paper and medium term notes. In priority order, safety, liquidity, and yield are considered to be the essential criteria for selecting investments.

The City's highly automated cash management system is designed to expedite the receipt and deposit of revenues through centralized cashiering. Anticipated expenditures and accounts payable issues are carefully monitored to maximize availability of funds for investment.

The average balance of non-restricted cash and investments of the City for Fiscal Year 2005-2006 was \$191,103,933 which earned \$10,164,817, an average rate of 3.37 percent. At June 30, 2006, \$165,164,379 or 45.0 percent of the City's investment pool had maturities of 1-5 years. All other City investments are scheduled to mature in less than 360 days.

The City Council investment policy has been updated to meet requirements of the California Government Code revisions. The investment policy is adopted annually to the City Council.

The primary objective of the investment policy is to establish a conservative set of investment criteria that will prudently protect the City's principal sums and enable the City to generate a fair rate of return from its investment activities. The investment policy applies to all funds on deposit at the City's Treasury.

Interest earnings on investments for the last three fiscal years are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental funds	\$ 4,860,461	\$ 3,911,106	\$ 4,547,276
Proprietary funds and internal service funds	5,304,356	4,403,755	2,370,706
Total	<u>\$ 10,164,817</u>	<u>\$ 8,314,861</u>	<u>\$ 6,917,982</u>
Average annual yield	3.37%	2.76%	3.29%

Interest income in Fiscal Year 2005-2006 increased 22.25 percent versus last fiscal year.

RISK MANAGEMENT

The risk management functions identify, evaluate, mitigate, and monitor the City's exposure to operational risks. The most significant risk exposures are employee injury (workers' compensation), and auto and general liability (including police liability). When available and economically feasible, risk is transferred through the purchase of commercial insurance. The City is a participant, along with four other cities, in a joint powers authority (JPA) known as the Big Independent Cities Excess Pool (BICEP) to obtain pooled general liability coverage on a risk sharing basis. The JPA covers \$24,000,000 above the City's self-insured retention of \$1,000,000 and, whenever it is cost effective, transfers risk through the purchase of commercial reinsurance. In addition to general liability insurance, the JPA supports group purchase of workers' compensation and property insurance which frequently results in reduced premiums.

The City's contribution to the JPA for general liability coverage in Fiscal Year 2005-2006 was \$862,886. The City paid \$278,326 for its excess workers' compensation insurance in Fiscal Year 2005-2006.

OTHER INFORMATION

Independent Audit

The firm of Mayer Hoffman McCann PC has conducted an audit of the financial statements of the City. Their opinion is included in the Financial Section of the CAFR. In accordance with the Single Audit Act of 1997, the City's grant programs which utilize federal funds, either directly or passed through from State agencies, have been subjected to the audit requirements of the Federal Office of Management and Budget (OMB) Circular A-133. This included

tests of compliance with federal laws and regulations. The results of the single audit performed in accordance with OMB A-133 is presented under separate cover.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement

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 for its comprehensive annual financial report for the fiscal year ended June 30, 2005.


This was the seventeenth consecutive year the City has received this prestigious award from the Government Finance Officers Association (GFOA) of the United States and Canada and from the California Society of Municipal Finance Officers Association (CSMFO), which reflect the conforming accounting and comprehensive reporting practices of the City. In order to be awarded a certificate of achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both GAAP and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. Staff believes the current report continues to conform to certificate of achievement program requirements, and staff is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. But a special word of thanks should go to the City's independent auditors, Mayer Hoffman McCann P.C., for their technical assistance. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council, City Manager, and department directors for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Marcie Medina
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oxnard
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2005

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.



Carla E. Perry
President

Jeffrey L. Esser
Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Oxnard



This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2006

William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

City of Oxnard, California

CITY COUNCIL



ANDRES HERRERA
Mayor Pro Tem



DR. THOMAS E. HOLDEN
Mayor



DEAN MAULHARDT
Councilmember



JOHN C. ZARAGOZA
Councilmember



TIMOTHY B. FLYNN
Councilman



EDMUND F. SOTELO
City Manager

City of Oxnard Organizational Chart

Residents		
<u>City Treasurer</u> Dale Belcher	City Council	<u>City Clerk</u> Daniel Martinez Elections Information Resources
<u>City Attorney</u> Gary Gillig Debt Collection Legal Assistance Special Litigation	<u>City Manager</u> Edmund Sotelo	<u>CDC</u> Curtis Cannon Central Business Dist. Harbor District H.E.R.O Ormond Beach Southwinds Special Projects
Assistant City Manager Karen Burnham		



KAREN BURNHAM
Assistant City Manager

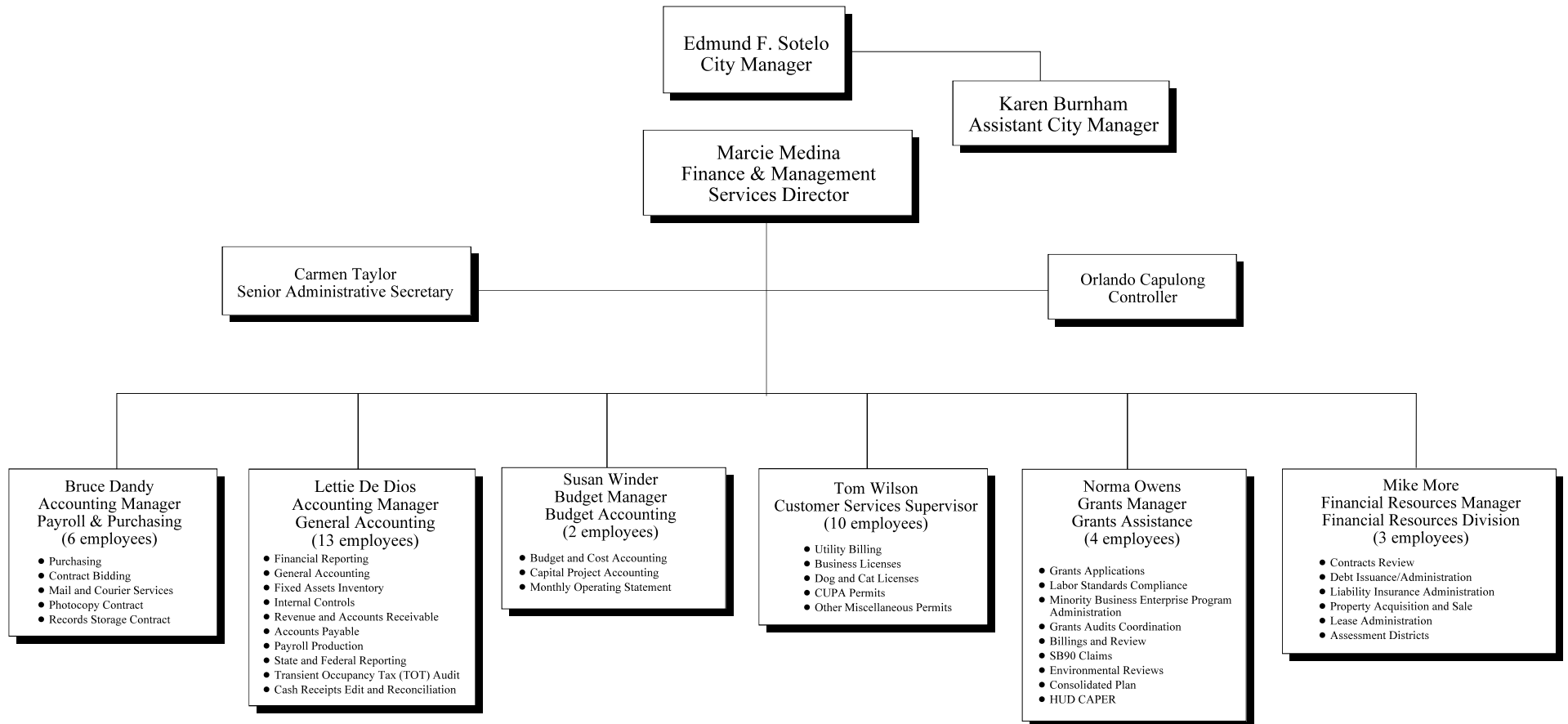
<u>Police</u>	<u>Fire</u>	<u>Housing</u>	<u>Finance</u>	<u>Recreation and Community Services</u>	<u>Development Services</u>	<u>Public Works</u>	<u>City Manager</u>	<u>Human Resources</u>	<u>Library</u>
John Crombach	Joe Milligan	Sal Gonzalez	Marcie Medina	VACANT	Matt Winegar	Ken Ortega	Edmund Sotelo	Rachel Shaw	Barbara Murray
Administrative Services (Brian MacDonald) Emergency Communications Professional Standards Support Services Field Operations (Mike Matlock) Code Compliance Community Patrol Investigative Services (Charles Hookstra) Investigative Services Special Services	Disaster Preparedness (Deborah Shane) Emergency Services (Darwin Base) (Michael O'Malia) (Chris Donabedian) Fire Prevention (Gary Sugich) CUPA (Steve Mattern)	Administrative Services (Carrie Sabatini) Affordable Housing (Ernie Whitaker) Housing Assistance (Arturo Casillas) Modernization (Ruben Andrade) Property Services (Rick Shear)	Budget and Capital Improvement (Susan Winder) Budget Capital Improvement Projects Customer Service (Tom Wilson) Business Licensing Utility Billing Financial Resources (Mike More) Debt & Property Management Liability Management General Accounting (Lettie De Dios) Accounting Grants Management (Norma Owens) Grants Assistance Payroll & Purchasing (Bruce Dandy) Mail Service Payroll & Benefits Purchasing	Community Facilities (Bob Holden) Performing Arts and Convention Center Recreation & Community Services (Gil Ramirez) Recreation Services Senior/Special Population Services South Oxnard Center Special Events Youth Development	Development Support Building and Engineering Services (Rob Roshanian) Development Services Planning (Sue Martin) Planning & Environmental Services	Streets & Waterways (Daniel Rydberg) Inland Waterways Parking Lots Street Maintenance & Repair Traffic Signs & Markings Building and Engineering Services (Rob Roshanian) Construction Services Design Equipment Maintenance (Dan Berlenbach) Parks & Facilities (Michael Henderson) Facilities Maintenance Landscape Assessment & Graffiti Removal Park/Facility Development Parks Maintenance River Ridge Golf Course Street Lighting	Environmental Resources (Don Smith) Collection Planning Processing & Disposal Waste Reduction Transportation (Martin Erickson) Traffic Engineering & Services Transportation Planning & Services Wastewater (Mark Norris) Flood Control Storm Water Quality Technical Services Treatment Services Water (Anthony Emmert) Distribution Procurement Production Water Services	Operations Budget Cable Television Community Relations Legislative Neighborhood Services Public Information Special Projects Information Systems (Grace Hoffman) Citywide Network Support Document Publishing Services Geographic Information Systems Help Desk Municipal Software Support Telecommunications Support	Employee Benefits Employee Training Human Resources Labor Negotiations Safety & Wellness Workers' Compensation Carnegie Art Museum Circulation and Branch Services Community Outreach Public Services Support Services

Structure: **Department** - Department Director - **Division** - (Division Manager) - Program

REV: 6/27/06

CITY OF OXNARD, CALIFORNIA

FINANCE DEPARTMENT



VICINITY MAP



INDEPENDENT AUDITORS' REPORT

Honorable City Council,
City of Oxnard, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oxnard, California management. 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 of Oxnard, California as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the City of Oxnard's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information on pages 3 through 16 and 83 through 91 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 of Oxnard, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements 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.

Mayer Hoffman McCann P.C.

Oxnard, California
October 18, 2006

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) provides an overview of financial activities of the City of Oxnard (City) for the fiscal year ended June 30, 2006. Please read this discussion and analysis in conjunction with the accompanying transmittal letter (page i), the basic financial statements (page 18), and the accompanying notes to the basic financial statements (page 29).

The financial statements presented herein include all financial activities of the City and its component units in accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government" (GASB 34).

The Government-Wide Financial Statements present the financial position of the City using the economic resources measurement focus and the accrual basis of accounting. These statements present governmental activities and business-type activities separately. Also, these statements include all assets of the City, as well as all liabilities, including long-term debt. Additionally, in accordance with GASB 34, certain eliminations have been made related to interfund activity, payables and receivables.

The Fund Financial Statements include governmental, proprietary and fiduciary funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds consist of agency funds, which only report a balance sheet and do not have a measurement focus. A reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is

provided to explain the differences created by the integrated approach under GASB 34.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector entities. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

These statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and economic trends, such as expansion and development.

In the Statement of Net Assets and the Statement of Activities, the City's activities are categorized as follows:

Management's Discussion and Analysis (continued)

Governmental Activities

Most of the City's basic services are reported in this category, including the general government activities, such as fire, police, public works, community development, parks, recreation and library services. Property and sales taxes, user fees, interest income, franchise fees, and State and federal grants finance these activities.

Business-Type Activities

The City charges a fee to customers to pay for the cost of certain services provided. The City's water and wastewater system, solid waste services, housing services, and the operations of the Performing Arts and Convention Center and River Ridge Golf Course are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage money for a particular purpose or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other funds.

Governmental Funds

Most of the City's basic services are reported in governmental funds. These funds focus on reporting the flow of money into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the Governmental Fund Financial Statements and the Government-Wide Financial Statements are explained in a reconciliation following the Government-Wide Financial Statements.

Proprietary Funds

When the City charges customers for services – whether to outside customers or to programs of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The City's enterprise funds are the same as the business-type activities reported in the Government-Wide Financial Statements, but provide more detail and additional information, such as cash flows for each enterprise

Management's Discussion and Analysis (continued)

fund. The City also uses internal service funds to report activities that provide supplies and services for the City's internal programs and activities, such as the City's self-insurance, utility customer services, information services, facilities maintenance and equipment maintenance services.

Fiduciary Funds

The City is the trustee, or fiduciary, for certain funds established to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their specified purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The total net assets of the City as of June 30, 2006, were:

	2006	2005	Increase (Decrease)
Net Assets			
Invested in capital assets, net of related debt	\$ 1,467,938,634	\$ 229,616,392	\$ 1,238,322,242
Restricted	29,307,344	23,879,998	5,427,346
Unrestricted	179,244,817	219,535,696	(40,290,879)
Total net assets	<u><u>\$ 1,676,490,795</u></u>	<u><u>\$ 473,032,086</u></u>	<u><u>\$ 1,203,458,709</u></u>

The total net assets of the City increased 254.4 percent from \$473.0 million at June 30, 2005, to \$1.7 billion at June 30, 2006. The increase of \$1.2 billion derives from the addition of infrastructure assets such as streets/roadways network, waterways/seawalls network, storm drain system and right-of-way land due to implementation of GASB 34 and the change in net assets as recorded in the Statement of Activities and which flows through to the Statement of Net Assets.

Governmental Activities

The following schedule summarizes the financial position of the City's governmental activities at June 30, 2006:

	2006	2005	Increase (Decrease)
Current assets	\$ 172,581,179	\$ 171,535,190	\$ 1,045,989
Capital assets (net of accumulated depreciation)	1,359,794,668	186,481,249	1,173,313,419
Properties held for resale	4,646,071	4,811,047	(164,976)
Other assets	122,222	261,146	(138,924)
Total assets	<u>1,537,144,140</u>	<u>363,088,632</u>	<u>1,174,055,508</u>
Current liabilities	36,117,415	51,198,751	(15,081,336)
Non-current liabilities	76,274,305	83,089,563	(6,815,258)
Total liabilities	<u>112,391,720</u>	<u>134,288,314</u>	<u>(21,896,594)</u>
Net assets:			
Invested in capital assets, net of related debt	1,313,161,486	131,874,401	1,181,287,085
Restricted	15,902,180	16,183,475	(281,295)
Unrestricted	95,688,754	80,742,442	14,946,312
Total net assets	<u><u>\$ 1,424,752,420</u></u>	<u><u>\$ 228,800,318</u></u>	<u><u>\$ 1,195,952,102</u></u>

At the end of Fiscal Year 2005-2006, the current assets are 11.23 percent of the total assets with the remaining 88.77 percent representing capital

Management's Discussion and Analysis (continued)

assets, net of accumulated depreciation, properties held for resale and other assets. The current liabilities are 32.14 percent of the total liabilities. The current ratio for governmental activities at the end of the year is \$4.78 of current assets for every \$1.00 of current liabilities. Of the total net assets, 92.17 percent was invested in capital assets, 1.12 percent was restricted, and the remaining 6.71 percent represented unrestricted which is available for future operations.

Net assets of the City's governmental activities as of June 30, 2006, and 2005 are comprised of the following:

	2006	2005	Increase (Decrease)
Invested in capital assets, net of related debt	\$ 1,313,161,486	\$ 131,874,401	\$ 1,181,287,085
Restricted	15,902,180	16,183,475	(281,295)
Unrestricted	95,688,754	80,742,442	14,946,312
Total net assets	\$ 1,424,752,420	\$ 228,800,318	\$ 1,195,952,102

The net assets of the City from governmental activities increased 522.7 percent from \$228.8 million at June 30, 2005, to 1.4 billion at June 30, 2006. The increase of \$1,195,952,102 is due to implementation of GASB 34 infrastructure assets such as streets and roadways, waterways, rights-of-way, and storm drain system.

The cost of all governmental activities during Fiscal Year 2005-2006 was \$149,011,958. The amount that the City's taxpayers ultimately financed, however, was only \$57,522,068. Some of the cost of governmental activities was paid by those who directly benefitted from the programs (\$44,294,478) or by other government agencies and organizations that subsidized certain programs with operating grants and contributions (\$30,436,511) and capital grants and contributions (\$16,758,901).

Overall, the City generated program revenues from governmental activities amounting to \$91,489,890. The remaining cost of governmental

activities (\$57,522,068) was paid by the City's sources of general revenue (taxes and other general revenues).

The City's governmental activities include general government, public safety (police and fire services), transportation, community development, culture and leisure and libraries.

The following table presents the changes in net assets for governmental activities for the year ended June 30, 2006:

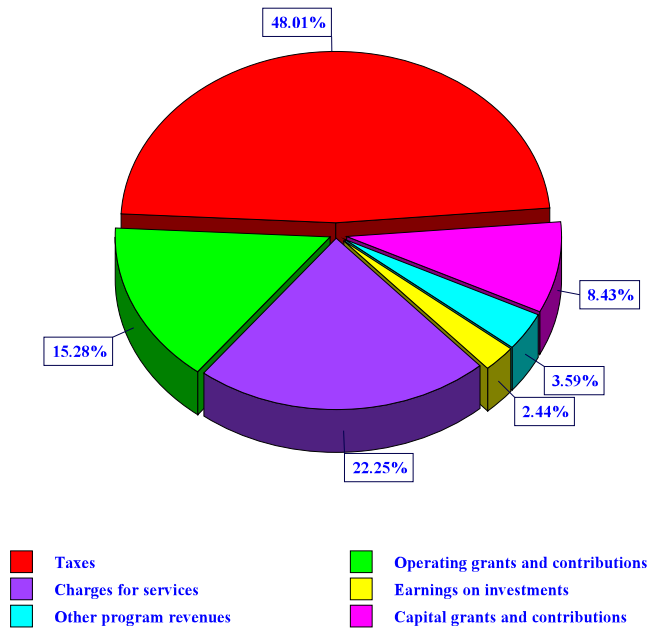
	2006	2005	Increase (Decrease)
Program revenues:			
Charges for services	\$ 44,294,478	\$ 43,048,480	\$ 1,245,998
Operating grants and contributions	30,436,511	20,254,587	10,181,924
Capital grants and contributions	16,758,901		16,758,901
General revenues:			
Taxes	95,580,997	84,617,850	10,963,147
Interest on investments	4,860,461	3,911,106	949,355
Sale of capital assets	7,146,270	—	7,146,270
Total revenues	199,077,618	151,832,023	47,245,595
Expenses:			
General government	18,360,819	13,646,432	4,714,387
Public safety	75,789,982	68,542,046	7,247,936
Transportation	10,341,829	9,912,068	429,761
Community development	22,614,813	18,937,934	3,676,879
Culture and leisure	15,345,765	12,018,761	3,327,004
Libraries	4,654,234	3,919,671	734,563
Interest on long-term debt	1,904,516	2,299,356	(394,840)
Total expenses	149,011,958	129,276,268	19,735,690
Change in net assets	50,065,660	22,555,755	27,509,905
Transfers	(2,280,393)	(1,882,942)	(397,451)
Changes in net assets - governmental activities	\$ 47,785,267	\$ 20,672,813	\$ 27,112,454
Net assets - July 1	228,800,318	208,127,505	20,672,813
GASB 34 infrastructure implementation adjustment	1,148,166,835	—	1,148,166,835
Net assets - June 30	\$ 1,424,752,420	\$ 228,800,318	\$ 1,195,952,102

Management's Discussion and Analysis (continued)

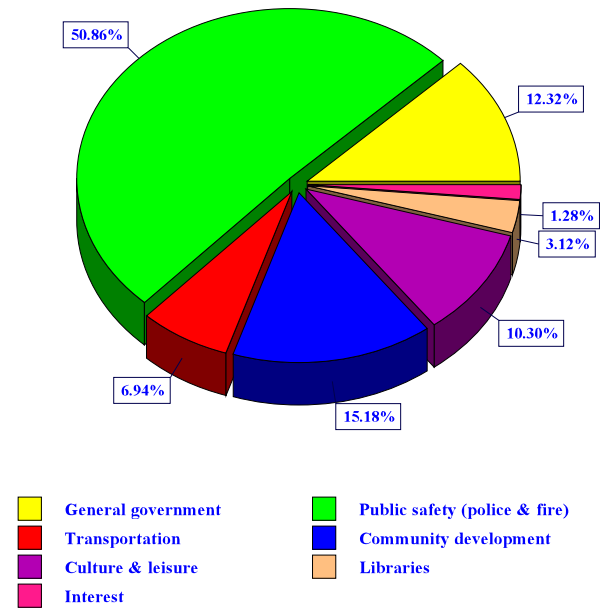
Governmental activities			
Sources of revenues:	2006	2005	Increase (Decrease)
Taxes	\$ 95,580,997	\$ 84,617,850	\$ 10,963,147
Operating grants and contributions	30,436,511	20,254,587	10,181,924
Capital grants and contributions	16,758,901	—	16,758,901
Charges for services	44,294,478	40,807,988	3,486,490
Earnings on investments	4,860,461	3,911,106	949,355
Other program revenues	7,146,270	2,240,492	4,905,778
Total	\$ 199,077,618	\$ 151,832,023	\$ 47,245,595

Governmental activities			
Functional expenses:	2006	2005	Increase (Decrease)
General government	\$ 18,360,819	\$ 13,646,432	\$ 4,714,387
Public safety (police and fire)	75,789,982	68,542,046	7,247,936
Transportation	10,341,829	9,912,068	429,761
Community development	22,614,813	18,937,934	3,676,879
Culture and leisure	15,345,765	12,018,761	3,327,004
Libraries	4,654,234	3,919,671	734,563
Interest	1,904,516	2,299,356	(394,840)
Total	\$ 149,011,958	\$ 129,276,268	\$ 19,735,690

Sources of Revenues

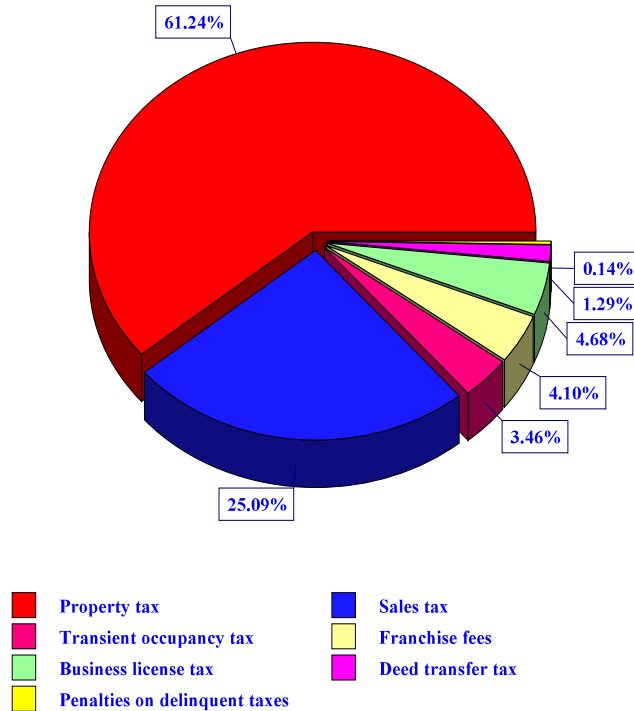


Functional Expenses



Management's Discussion and Analysis (continued)

Sources of Tax Revenues



The City's total sources of revenue showed a major increase of \$47,245,595 as compared to last fiscal year. The major increase in sources of revenue in Fiscal Year 2005-2006 came from taxes (\$10,963,147), followed by grants and contributions (\$10,181,924) and charges for services (\$3,486,490), other program revenues (\$4,905,778) and earnings on investments (\$949,355). Operating capital grants and

contributions (\$16,758,901) were part of grants and other contributions in prior years. However, fines and forfeitures and infrastructures were included in charges for services. Revenues increased by 31.12 percent during the fiscal year.

Taxes, which are the largest source of revenue for the City, increased by \$10,963,147 or 12.96 percent, which is due to an increase in property tax (\$9,440,850), sales tax (\$772,541) and transient occupancy tax (\$864,248) business license tax (\$502,869), transfer tax (\$34,375) and penalties on delinquent taxes (\$6,153), however, a decrease in franchise tax (\$657,889). The continued construction and sale of new residential houses contributed to the increase in property taxes. Franchise occupancy tax increased by 35.34 percent or \$864,248 due to the addition of the new Hilton and Garden Hotel. The increases in investment earnings of \$949,335 attributed to higher investment yields.

Sources of tax revenues for the fiscal years ended June 30, 2006, and 2005 are as follows:

Sources of tax:	2006	2005	Increase (Decrease)
Property tax	\$ 58,537,770	\$ 49,096,920	\$ 9,440,850
Sales tax	23,985,182	23,212,641	772,541
Transient occupancy tax	3,309,716	2,445,468	864,248
Franchise fees	3,914,317	4,572,206	(657,889)
Business license tax	4,470,841	3,967,972	502,869
Deed transfer tax	1,230,768	1,196,393	34,375
Penalties on delinquent taxes	132,403	126,250	6,153
Total	\$ 95,580,997	\$ 84,617,850	\$ 10,963,147

Management's Discussion and Analysis (continued)

Business-Type Activities

The following schedule summarizes the financial condition of the City's business-type activities at June 30, 2006:

	2006	2005	Increase (Decrease)
Current assets	\$ 177,080,674	\$ 176,790,447	\$ 290,227
Capital assets (net of accumulated depreciation)	392,728,005	324,614,707	68,113,298
Other assets	613,607	1,630,237	(1,016,630)
Total assets	<u>570,422,286</u>	<u>503,035,391</u>	<u>67,386,895</u>
Current liabilities	16,739,895	18,987,637	(2,247,742)
Non-current liabilities	301,944,016	239,815,986	62,128,030
Total liabilities	<u>318,683,911</u>	<u>258,803,623</u>	<u>59,880,288</u>
Net assets:			
Invested in capital assets (net of related debt)	154,777,148	97,741,991	57,035,157
Restricted	13,405,164	7,696,523	5,708,641
Unrestricted	83,556,063	138,793,254	(55,237,191)
Total net assets	<u>\$ 251,738,375</u>	<u>\$ 244,231,768</u>	<u>\$ 7,506,607</u>

The business-type activities showed a positive current ratio at June 30, 2006 - \$10.58 of current assets for every \$1.00 of current liabilities. Of the total net assets, 61.48 percent was invested in capital assets, 5.33 percent represented restricted net assets, and 33.19 percent was unrestricted which is available for future operations.

Net assets of the City's business-type activities as of June 30, 2006, and 2005 are as follows:

	2006	2005	Increase (Decrease)
Invested in capital assets, net of related debt	\$ 154,777,148	\$ 97,741,991	\$ 57,035,157
Restricted for:			
Debt service	13,405,164	7,696,523	5,708,641
Unrestricted	83,556,063	138,793,254	(55,237,191)
Total net assets	<u>\$ 251,738,375</u>	<u>\$ 244,231,768</u>	<u>\$ 7,506,607</u>

The net assets of the City's business-type activities increased 3.07 percent from \$244.23 million at June 30, 2005, to \$251.74 million at June 30, 2006. The increase of \$7,506,607 is primarily due to an increase in invested in capital assets net of related debt and an increase in restricted for debt service.

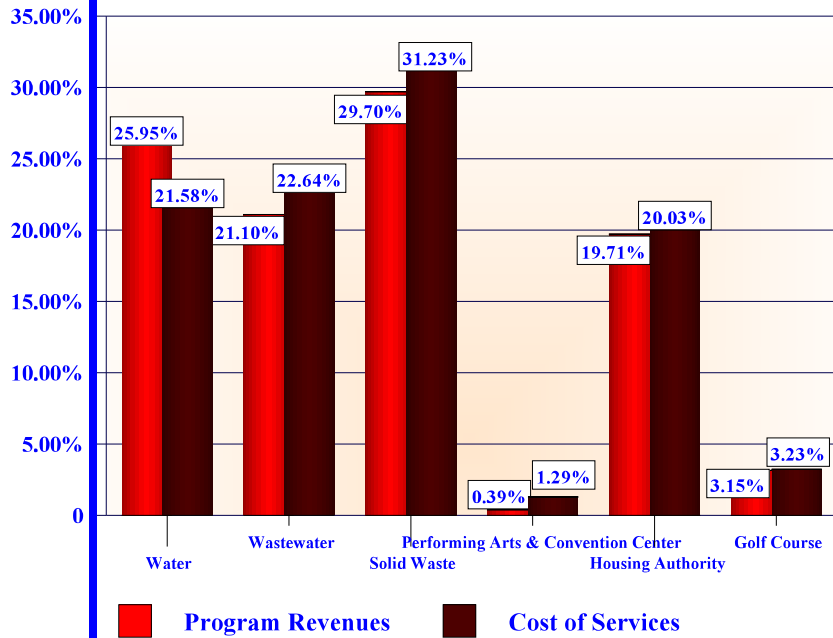
Total expenses for business-type activities for the year ended June 30, 2006, was \$123,409,883. Program revenues are primarily comprised of charges for services in the amount of \$122,575,274.

General revenues consist of earnings on investments \$4,753,913 and capital grants and contributions (\$1,306,910). Transfers from governmental activities amounted to \$2,280,393.

The City's business-type activities include: Water, Wastewater, Solid Waste, Performing Arts and Convention Center, Oxnard Housing Authority, and River Ridge Golf Course.

Management's Discussion and Analysis (continued)

Business-Type Activities



The following table presents the changes in net assets for business-type activities for the year ended June 30, 2006:

	2006	2005	Increase (Decrease)
Program revenues:			
Charges for services	\$ 122,575,274	\$ 129,115,686	\$ (6,540,412)
Capital grants and contributions	1,306,910	—	1,306,910
General revenues:			
Earnings on investments	4,753,913	4,486,577	267,336
Total revenues	128,636,097	133,602,263	(4,966,166)
Expenses:			
Water	26,636,150	23,152,648	3,483,502
Wastewater	27,939,236	25,482,133	2,457,103
Solid waste	38,535,592	37,117,879	1,417,713
Performing arts and convention center	1,590,321	1,565,920	24,401
Oxnard housing authority	24,724,889	25,507,125	(782,236)
Municipal golf course	3,983,695	4,028,435	(44,740)
Total expenses	123,409,883	116,854,140	6,555,743
Changes in net assets before transfers	5,226,214	16,748,123	(11,521,909)
Transfers in	2,280,393	1,481,242	799,151
Changes in net assets - business-type activities	\$ 7,506,607	\$ 18,229,365	\$ (10,722,758)

The chart on the left illustrates the comparison of the program revenues (charges for services) against the total cost of services.

Management's Discussion and Analysis (continued)

FINANCIAL ANALYSIS OF CITY'S MAJOR FUNDS

General Fund

The General Fund accounts for all financial resources traditionally associated with government activities that are not required legally to be accounted for in another fund.

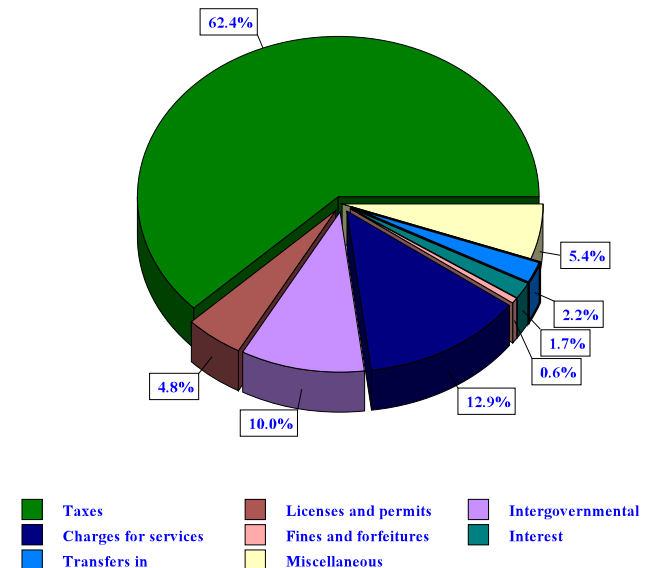
The General Fund ended the year with a fund balance of \$27,182,305, which is an increase of \$3,783,910 as compared to the prior fiscal year. The fund balance is designated into categories for legally reserved or restricted (\$3,658,849) and unreserved, undesignated fund balance available for future operations (\$23,523,456). The General Fund showed a strong fund balance, which is over the 15 percent contingency reserve required by the City Council.

General Fund revenues for the year ended June 30, 2006, were \$109,880,153. The revenues increased by \$14,404,453 (14.71 percent). This increase is due primarily to an increase in taxes (\$6,919,420), licenses and permits (\$3,273,820), and miscellaneous (\$3,323,426) offset by a decrease in intergovernmental (\$1,226,375) and charges for services (\$558,913).

General Fund expenditures, including transfers out, for the year ended June 30, 2006, reported an increase of \$7,439,952 from \$101,086,314 in Fiscal Year 2004-2005 to \$108,526,266 in Fiscal Year 2005-2006. Major increases were in public safety (\$5,791,319), culture and leisure (\$2,224,489), community development (\$1,498,827), general government (\$204,713) and library revenues (\$482,601). The increase in public

safety expenditures reflected the City Council's continued commitments to fighting crimes and gang violence to maintain a peaceful and crime free community.

Revenues

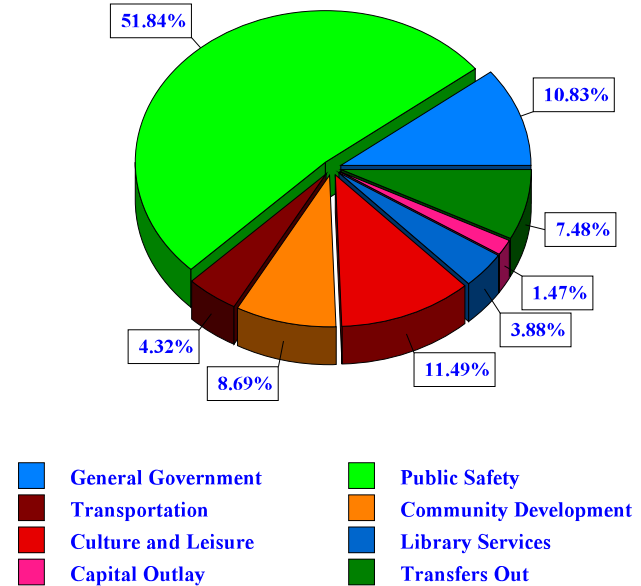


Management's Discussion and Analysis (continued)

General fund revenues:	2006	2005	Increase (Decrease)
Taxes	\$ 70,063,390	\$ 63,143,970	\$ 6,919,420
Licenses and permits	5,390,754	2,116,934	3,273,820
Intergovernmental	11,241,867	12,468,242	(1,226,375)
Charges for services	14,435,872	14,994,785	(558,913)
Fines and forfeitures	736,692	658,454	78,238
Interest	1,924,443	1,759,629	164,814
Miscellaneous	6,087,135	2,763,709	3,323,426
Transfers in	2,430,023	—	2,430,023
Total	<u>\$ 112,310,176</u>	<u>\$ 97,905,723</u>	<u>\$ 14,404,453</u>

General fund expenditures:	2006	2005	Increase (Decrease)
General government	\$ 11,746,494	\$ 11,541,781	\$ 204,713
Public safety	56,261,786	50,470,467	5,791,319
Transportation	4,686,554	4,187,456	499,098
Community development	9,431,327	7,932,500	1,498,827
Culture and leisure	12,472,575	10,248,086	2,224,489
Library services	4,214,038	3,731,437	482,601
Capital outlay	1,598,348	1,090,198	508,150
Transfers out	8,115,144	11,884,389	(3,769,245)
Total	<u>\$ 108,526,266</u>	<u>\$ 101,086,314</u>	<u>\$ 7,439,952</u>

Expenditures



Major Special Revenue Funds

Development Fees Fund:

Growth and development fees revenue for the year was \$11,559,298, which is 3.27 percent of the City's total revenues, as compared to 7.37 percent for prior year. Expenditures and transfers out totaled \$8,351,742 as compared to \$8,953,191 for prior year. The decrease of 6.72 percent is due to capital outlay.

HUD and CDBG Grants Fund:

Grant revenue for this fund totaled \$4,316,996, as compared to \$3,446,786 for prior fiscal year. The increase of \$870,210 is due to an increase in grant funding in the HUD and CDBG grants program. Expenditures for the Fiscal Year 2005-2006 totaled \$4,316,996 and \$3,446,786 for prior fiscal year. The increase of \$870,210 is due to community development and capital outlay expenditures.

Management's Discussion and Analysis (continued)

State and Federal Grants Fund:

During Fiscal Year 2005-2006, this fund generated a total revenue of \$20,396,507, consisting of 54.41 percent of voter-approved property tax for public safety supplemental retirement; 40.57 percent of grant revenues (related primarily to transportation and public safety grants) and the remaining 5.02 percent representing miscellaneous revenues. For the fiscal year, the fund showed an excess (deficit) of revenues over expenditures (\$419,435), decreasing the fund balance to \$10,192,971.

Capital Outlay Fund and Community Development Commission Fund:

The Capital Outlay Fund showed a decrease in fund balance of \$2,826,315, the Community Development Commission Fund showed an increase of \$7,130,555, and the Debt Service Fund an increase in balance of \$173,805. All funds ended the year with positive fund balances.

Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. The City's enterprise operations consist of Water, Wastewater, and Solid Waste. The cultural and recreation activities are the River Ridge Golf Course and the Performing Arts and Convention Center. The Oxnard Housing Authority is also included in the City's enterprise activities.

The enterprise operations showed a decrease in revenues amounting to \$7,268,616 as compared to the prior fiscal year. Expenses indicated an

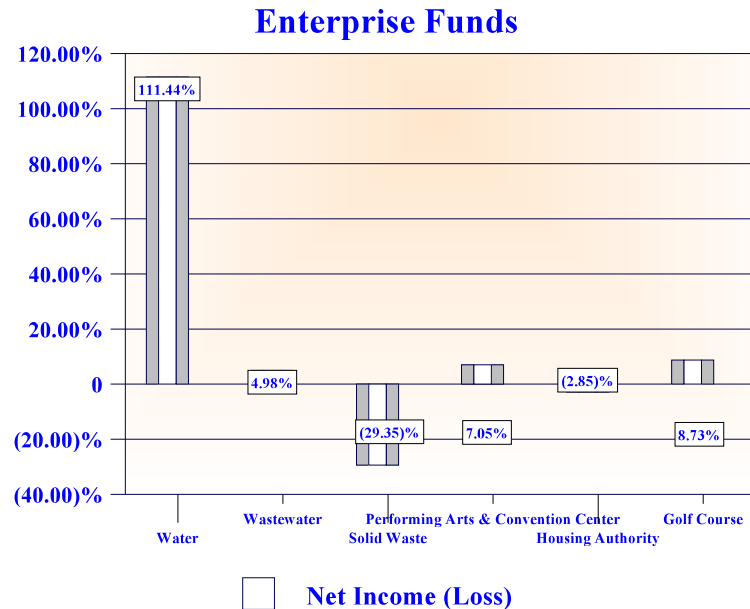
increase totaling \$8,290,282 in Fiscal Year 2006. Total net income for the year ended June 30, 2006, was \$6,650,435, which increased net assets to \$251,738,375 (after allocating Internal Services Funds income) from \$244,231,768 as of the prior year end.

The following presents the net income (loss) for the City's enterprise funds for the years ended June 30, 2006, and 2005:

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Water	\$ 7,411,409	\$ 11,519,332	\$ (4,107,923)
Wastewater	330,983	11,501,918	(11,170,935)
Solid waste	(1,951,922)	(445,374)	(1,506,548)
Performing arts and convention center	469,021	(140,612)	609,633
Oxnard housing authority	(189,829)	(3,570,611)	3,380,782
Municipal golf course	580,773	(312,854)	893,627
Total	<u>\$ 6,650,435</u>	<u>\$ 18,551,799</u>	<u>\$ (11,901,364)</u>

Management's Discussion and Analysis (continued)

Overall, the enterprise funds continue to exhibit a positive financial position at June 30, 2006, maintaining a high percentage of contingency reserve in comparison to the City's established reserve requirement for each fund.



construction in progress and infrastructure. The City's investments in capital assets increased by 242.90 percent from the prior year. The majority of this increase related to governmental activities (\$1,173,313,419) and business-type activities (\$68,113,298).

Major capital assets additions during Fiscal Year 2005-2006 included the following:

- Acquisitions of equipment, solid waste trucks, police vehicles and computer equipment
- Construction in progress for water, wastewater, solid waste and golf course projects
- A variety of street and storm drain projects in new residential development, paving, street widening and slurry sealing for existing streets continues throughout the City
- Various improvements and additions to utilities systems still under construction
- GASB 34 infrastructure assets of \$1,148,166,835.

The following table provides a breakdown of the City's capital assets at June 30, 2006:

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$1,752,522,673 (net of accumulated depreciation). The City's capital assets include land, buildings, other improvements, machinery and equipment, and

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 977,520,331	\$ 24,873,706	\$ 24,101,995	\$ 22,164,745	\$ 1,001,622,326	\$ 47,038,451
Construction in progress	54,474,235	22,605,158	164,686,693	98,339,137	219,160,928	120,944,295
Buildings	18,046,021	23,835,515	33,672,995	28,877,659	51,719,016	52,713,174
Other improvements	51,085,329	105,551,621	163,214,307	169,892,411	214,299,636	275,444,032
Machinery and equipment	10,028,928	9,615,249	7,052,015	5,340,755	17,080,943	14,956,004
Infrastructure	248,639,824	—	—	—	248,639,824	—
Total	<u>\$ 1,359,794,668</u>	<u>\$ 186,481,249</u>	<u>\$ 392,728,005</u>	<u>\$ 324,614,707</u>	<u>\$ 1,752,522,673</u>	<u>\$ 511,095,956</u>

Management's Discussion and Analysis (continued)

Additional information on the City's capital assets can be found in Note 6 to the Basic Financial Statements.

DEBT ADMINISTRATION

The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. At June 30, 2006, the City's long-term debt outstanding, including compensated absences was \$361,618,315. Of this total, \$59,674,299 was in governmental activities and \$301,944,016 was in business-type activities. More detailed information about the City's total long-term liabilities are presented in Note 7 to the financial statement.

The following table provides a breakdown of the City's outstanding indebtedness as of June 30, 2006:

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Tax allocation bonds	\$ 17,951,413	\$ 18,546,589	\$ —	\$ —	\$ 17,951,413	\$ 18,546,589
Revenue bonds	19,975,756	21,607,009	297,508,475	234,909,067	317,484,231	256,516,076
Capital leases	1,086,013	1,412,398	2,010,676	2,469,070	3,096,689	3,881,468
Notes and loans payable	—	5,205,852	—	—	—	5,205,852
Certificate of participation	<u>7,620,000</u>	<u>7,835,000</u>	<u>—</u>	<u>—</u>	<u>7,620,000</u>	<u>7,835,000</u>
Total	<u>\$ 46,633,182</u>	<u>\$ 54,606,848</u>	<u>\$ 299,519,151</u>	<u>\$ 237,378,137</u>	<u>\$ 346,152,333</u>	<u>\$ 291,984,985</u>

The tax allocation bonds are paid from the increment revenues of property taxes levied within the City's redevelopment and renewal areas. The Central City Revitalization Project and other redevelopment areas

currently are accounted for by the Oxnard Community Development Commission.

Revenue bonds include issues used to finance projects for public parking, civic auditorium, wastewater and treatment plant expansion, water, golf course, solid waste improvements and public housing. Debt service on these issues is paid from the revenues of the appropriate enterprise funds and the General Fund.

The City has, on several occasions, used single investor loans to lease-purchase equipment. The City's capital lease obligations at June 30, 2006, amounted to \$3,096,689.

The General Fund pays debt service on approximately 5 percent of the City's outstanding debt. The remainder is paid from a variety of other funding sources including property tax collections, residential growth fee collection, property owner special taxes, water and sewer utility rates, golf course net income and property tax increments. Some of the debt which is paid by the General Fund is supported by external sources specifically intended to support the retirement of the debt.

The State mandates a limit on general obligation debt of 15 percent of true cash value of all taxable property within the City boundaries. At June 30, 2006, this limit was \$1,916,250,183.

Management's Discussion and Analysis (continued)

BUDGETING

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 84 through 91. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP except that encumbrances are included in budgeted expenditures.

Appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the department level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval.

General Fund Budgetary Highlights

The General Fund final budget differs from the original budget by 5.0 percent. The components of this increase are briefly summarized as follows: \$267,462 increase is for planning, design and construction consulting services for parks; \$975,000 for Fire Department increase in operations; \$24,300 for the Carnegie Art Museum increase in utilities;

\$897,518 for Police Community Patrol increase in operations; \$18,100 for Parks and Facilities services-program contract; \$93,500 for Youth Development police activity league; \$152,550 for Recreation Services City Corps operations; \$261,227 for Citywide equipment maintenance costs; \$117,728 for Library Circulation Services; \$17,980 for Satellite City Hall Program; \$100,000 for Graffiti Removal program; and \$25,000 for Human Resources personnel advertising programs.

During the year, General Fund revenues met budgetary estimates while expenditures were less than budgetary estimates. Actual revenues exceeded actual expenditures (net of transfers in and out) by \$3,783,910 for Fiscal Year 2005-2006.

The General Fund budget to actual statements can be found on page 84 through 88 of this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Management's Discussion and Analysis is designed to provide the City's residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this document, separate reports of the City's component units, or wish any additional financial information, contact the Office of the Director of Finance at 300 West Third Street, Oxnard, California, 93030.

BASIC FINANCIAL STATEMENTS

City of Oxnard, California

Statement of Net Assets June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 140,604,348	\$ 42,272,481	\$ 182,876,829
Investments with fiscal agents	11,928,277	121,472,363	133,400,640
Accounts and other receivables	14,769,546	11,186,134	25,955,680
Notes receivable	—	61,674	61,674
Internal balances	(56,191)	56,191	—
Due from other governments	5,335,199	—	5,335,199
Property held for resale	4,646,071	—	4,646,071
Other assets	122,222	2,031,831	2,154,053
Restricted assets:			
Investments with fiscal agents	—	613,607	613,607
Capital assets not being depreciated:			
Land	977,520,331	24,101,995	1,001,622,326
Construction in progress	54,474,235	164,686,693	219,160,928
Capital assets, net of accumulated depreciation:			
Buildings	18,046,021	33,672,995	51,719,016
Other improvements	51,085,329	163,214,307	214,299,636
Machinery and equipment	10,028,928	7,052,015	17,080,943
Infrastructure	248,639,824	—	248,639,824
Total assets	1,537,144,140	570,422,286	2,107,566,426
LIABILITIES			
Accounts payable	10,026,284	15,079,275	25,105,559
Other liabilities	14,837,874	1,660,620	16,498,494
Due to other agencies	1,095,356	—	1,095,356
Deferred revenues	10,157,901	—	10,157,901
Non-current liabilities:			
Due within one year			
Self-insurance claims liabilities	4,814,002	—	4,814,002
Compensated absences payable	6,180,000	1,120,000	7,300,000
Bonds and capital leases	2,036,795	6,436,031	8,472,826
Due in more than one year			
Self-insurance claims liabilities	11,786,004	—	11,786,004
Compensated absences payable	6,861,117	1,304,865	8,165,982
Bonds and capital leases	44,596,387	293,083,120	337,679,507
Total liabilities	112,391,720	318,683,911	431,075,631
NET ASSETS			
Invested in capital assets, net of related debt	1,313,161,486	154,777,148	1,467,938,634
Restricted for:			
Debt service	1,197,830	13,405,164	14,602,994
Community services	5,415,998	—	5,415,998
Capital projects	4,646,071	—	4,646,071
Other purposes	4,642,281	—	4,642,281
Unrestricted	95,688,754	83,556,063	179,244,817
Total net assets	\$ 1,424,752,420	\$ 251,738,375	\$ 1,676,490,795

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

City of Oxnard, California

Statement of Activities For the Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
	Expenses				Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Primary government:							
Governmental activities:							
General government	\$ 18,360,819	\$ 7,864,784	\$ 7,080,138	\$ 32,810	\$ (3,383,087)	—	\$ (3,383,087)
Public safety	75,789,982	6,513,674	7,512,669	1,085,000	(60,678,639)	—	(60,678,639)
Transportation	10,341,829	4,369,882	8,822,710	15,566,930	18,417,693	—	18,417,693
Community development	22,614,813	24,448,745	2,715,969	—	4,549,901	—	4,549,901
Culture and leisure	15,345,765	928,054	761,895	—	(13,655,816)	—	(13,655,816)
Libraries	4,654,234	169,339	3,543,130	74,161	(867,604)	—	(867,604)
Interest on long-term debt	1,904,516	—	—	—	(1,904,516)	—	(1,904,516)
Total governmental activities	149,011,958	44,294,478	30,436,511	16,758,901	(57,522,068)	—	(57,522,068)
Business-type activities:							
Water	26,636,150	32,150,667	—	—	—	5,514,517	5,514,517
Wastewater	27,939,236	26,139,278	—	—	—	(1,799,958)	(1,799,958)
Solid waste	38,535,592	36,704,264	—	93,767	—	(1,737,561)	(1,737,561)
Performing arts and convention center	1,590,321	483,475	—	—	—	(1,106,846)	(1,106,846)
Oxnard housing authority	24,724,889	23,197,945	—	1,213,143	—	(313,801)	(313,801)
Municipal golf course	3,983,695	3,899,645	—	—	—	(84,050)	(84,050)
Total business-type activities	123,409,883	122,575,274	—	1,306,910	—	472,301	472,301
Total primary government	\$ 272,421,841	\$ 166,869,752	\$ 30,436,511	\$ 18,065,811	\$ (57,522,068)	\$ 472,301	\$ (57,049,767)
General revenues:							
Taxes:							
Property tax					58,537,770	—	58,537,770
Sales tax					23,985,182	—	23,985,182
Transient occupancy tax					3,309,716	—	3,309,716
Franchise tax					3,914,317	—	3,914,317
Deed transfer tax					1,230,768	—	1,230,768
Business license tax					4,470,841	—	4,470,841
Penalties and interest					132,403	—	132,403
Interest on investments					4,860,461	4,753,913	9,614,374
Sale of capital assets					7,146,270	—	7,146,270
Transfers					(2,280,393)	2,280,393	0
Total general revenues and transfers					105,307,335	7,034,306	112,341,641
Change in net assets					47,785,267	7,506,607	55,291,874
Net assets - July 1					228,800,318	244,231,768	473,032,086
GASB34 Infrastructure implementation adjustment					1,148,166,835	—	1,148,166,835
Net assets - June 30					\$ 1,424,752,420	\$ 251,738,375	\$ 1,676,490,795

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

City of Oxnard, California

Balance Sheet Governmental Funds June 30, 2006

	General Fund	Development Fees Fund	HUD and CDBG Grants Fund	State and Federal Grants Fund	Debt Service Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 32,844,188	\$ 42,448,237	\$ 547,132	\$ 13,338,423	\$ 400,779	\$ 3,725,564	\$ 21,511,907	\$ 6,941,711	\$ 121,757,941
Investments with fiscal agents	—	—	—	—	797,051	5,875,553	5,255,673	—	11,928,277
Accounts and other receivables	2,631,528	45,362	5,441,157	5,430,237	—	4,379	1,118,177	11,077	14,681,917
Due from other funds	2,000,000	—	—	—	—	—	—	—	2,000,000
Due from other governments	5,101,560	—	233,639	—	—	—	—	—	5,335,199
Properties held for resale	—	—	—	—	—	—	4,646,071	—	4,646,071
Advances to other funds	73,035	—	—	—	—	—	—	—	73,035
Other assets	—	—	122,222	—	—	—	—	—	122,222
Total assets	<u>\$ 42,650,311</u>	<u>\$ 42,493,599</u>	<u>\$ 6,344,150</u>	<u>\$ 18,768,660</u>	<u>\$ 1,197,830</u>	<u>\$ 9,605,496</u>	<u>\$ 32,531,828</u>	<u>\$ 6,952,788</u>	<u>\$ 160,544,662</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ 1,174,237	\$ 582,712	\$ 192,132	\$ 5,363,965	\$ —	\$ 474,775	\$ 1,305,469	\$ 369,779	\$ 9,463,069
Other liabilities	13,733,106	45,763	—	—	—	1,149	411	—	13,780,429
Due to other funds	—	—	—	—	—	129,226	2,000,000	—	2,129,226
Due to other agencies	—	—	—	—	—	—	1,095,356	—	1,095,356
Deferred revenues	560,663	149,192	6,152,018	3,211,724	—	—	—	84,304	10,157,901
Total liabilities	<u>15,468,006</u>	<u>777,667</u>	<u>6,344,150</u>	<u>8,575,689</u>	<u>—</u>	<u>605,150</u>	<u>4,401,236</u>	<u>454,083</u>	<u>36,625,981</u>
Fund balances									
Reserved for:									
Encumbrances	3,230,323	—	—	—	—	—	—	—	3,230,323
Receivables	—	—	—	—	—	—	1,095,814	—	1,095,814
Repayment of debt	—	—	—	—	1,197,830	—	—	—	1,197,830
Advances	73,035	—	—	—	—	—	—	—	73,035
Restricted revenue	112,382	235,362	—	—	—	—	5,068,254	—	5,415,998
Carryover savings	243,109	—	—	—	—	—	—	—	243,109
Capital project funds	—	—	—	—	—	—	4,646,071	—	4,646,071
Unreserved									
General fund	23,523,456	—	—	—	—	—	—	—	23,523,456
Special revenue funds	—	41,480,570	—	10,192,971	—	—	—	6,498,705	58,172,246
Capital project funds	—	—	—	—	—	9,000,346	17,320,453	—	26,320,799
Total fund balances	<u>27,182,305</u>	<u>41,715,932</u>	<u>—</u>	<u>10,192,971</u>	<u>1,197,830</u>	<u>9,000,346</u>	<u>28,130,592</u>	<u>6,498,705</u>	<u>123,918,681</u>
Total liabilities and fund balances	<u>\$ 42,650,311</u>	<u>\$ 42,493,599</u>	<u>\$ 6,344,150</u>	<u>\$ 18,768,660</u>	<u>\$ 1,197,830</u>	<u>\$ 9,605,496</u>	<u>\$ 32,531,828</u>	<u>\$ 6,952,788</u>	<u>\$ 160,544,662</u>

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

City of Oxnard, California

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006**

Fund balances of governmental funds	\$ 123,918,681
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in the governmental fund activity	1,358,476,625
Long-term liabilities, claims and compensated absences have not been included in the governmental fund activity	
Long-term liabilities and claims	(45,880,639)
Compensated absences	(13,041,117)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(201,273)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, facilities and equipment maintenance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	2,336,315
Internal service fund income allocated to business-type activities	(856,172)
Net assets of governmental activities	<u><u>\$ 1,424,752,420</u></u>

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

City of Oxnard, California

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2006

	General Fund	Development Fees Fund	HUD and CDBG Grants Fund	State and Federal Grants Fund	Debt Service Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Totals
REVENUES									
Taxes	\$ 70,063,390	\$ —	\$ —	\$ 11,097,143	\$ 1,370,948	\$ —	\$ 13,049,516	\$ —	\$ 95,580,997
Licenses and permits	5,390,754	546,418	—	—	—	—	—	—	5,937,172
Intergovernmental	11,241,867	32,810	4,316,996	8,275,048	—	74,161	—	7,602,510	31,543,392
Growth and development fees	—	9,601,485	—	—	—	—	14,749	—	9,616,234
Charges for current services	14,435,872	—	—	—	—	20,754	—	265,152	14,721,778
Fines and forfeitures	736,692	—	—	70,101	—	—	—	513,989	1,320,782
Interest	1,924,443	1,346,203	—	261,617	210,386	76,761	846,384	194,667	4,860,461
Special assessments	—	—	—	—	—	—	—	2,346,088	2,346,088
Miscellaneous	6,087,135	32,382	—	692,598	—	2,056,363	783,176	700,770	10,352,424
Total revenues	109,880,153	11,559,298	4,316,996	20,396,507	1,581,334	2,228,039	14,693,825	11,623,176	176,279,328
EXPENDITURES									
Current:									
General government	11,746,494	—	247,554	—	—	—	—	—	11,994,048
Public safety	56,261,786	625,176	186,330	11,911,888	—	—	—	420,533	69,405,713
Transportation	4,686,554	—	—	141,456	—	—	—	5,426,314	10,254,324
Community development	9,431,327	620,021	1,611,878	336,616	—	—	8,417,533	1,683,251	22,100,626
Culture and leisure	12,472,575	—	217,896	1,267,269	—	307,824	—	100,753	14,366,317
Library services	4,214,038	—	—	—	—	—	—	—	4,214,038
Capital outlay	1,598,348	6,435,575	2,053,338	6,350,440	—	20,866,744	1,031,386	2,892,060	41,227,891
Debt service:									
Principal	—	—	—	—	7,983,492	—	—	—	7,983,492
Interest and fiscal charges	—	—	—	—	1,920,662	—	—	—	1,920,662
Total expenditures	100,411,122	7,680,772	4,316,996	20,007,669	9,904,154	21,174,568	9,448,919	10,522,911	183,467,111
Excess (deficiency) of revenues over expenditures	9,469,031	3,878,526	—	388,838	(8,322,820)	(18,946,529)	5,244,906	1,100,265	(7,187,783)
OTHER FINANCING SOURCES (USES)									
Sale of property	—	—	—	—	5,260,621	—	1,885,649	—	7,146,270
Contributions from property owners	—	—	—	—	—	—	—	1,085,000	1,085,000
Capital contributions	—	—	—	—	—	14,567,020	—	—	14,567,020
Transfers in	2,430,023	—	—	—	3,236,004	1,553,194	—	1,179,773	8,398,994
Transfers out	(8,115,144)	(670,970)	—	(808,273)	—	—	—	(1,085,000)	(10,679,387)
Total other financing sources (uses)	(5,685,121)	(670,970)	—	(808,273)	8,496,625	16,120,214	1,885,649	1,179,773	20,517,897
Net change in fund balances	3,783,910	3,207,556	—	(419,435)	173,805	(2,826,315)	7,130,555	2,280,038	13,330,114
Fund balances, July 1	23,398,395	38,508,376	—	10,612,406	1,024,025	11,826,661	21,000,037	4,218,667	110,588,567
Fund balances, June 30	\$ 27,182,305	\$ 41,715,932	\$ —	\$ 10,192,971	\$ 1,197,830	\$ 9,000,346	\$ 28,130,592	\$ 6,498,705	\$ 123,918,681

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

City of Oxnard, California

**Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006**

Net change in fund balances - total governmental funds \$ 13,330,114

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 outlays exceeded depreciation expense. 24,409,690

Change in compensated absences accrual. This does not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. (859,130)

Interest expense accrual does not require the use of current financial resources therefore, are not reported as expenditures in governmental funds. 16,146

Repayment of long-term obligations is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. 7,983,492

A portion of internal service funds net revenue is reported with governmental activities. 2,904,955

Change in net assets of governmental activities (page 19) \$ 47,785,267

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

PROPRIETARY FUNDS

City of Oxnard, California

Statement of Net Assets Proprietary Funds June 30, 2006

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals Current Year	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 12,008,793	\$ 27,261,118	\$ —	\$ —	\$ 50,587	\$ 2,951,983	\$ 42,272,481	\$ 18,846,407
Cash with fiscal agents	73,870,248	40,694,810	2,808,008	35,000	3,003,096	1,061,201	121,472,363	—
Accounts and other receivables (net of allowance for uncollectible)	3,576,218	2,887,271	3,545,481	2,777	844,148	330,239	11,186,134	87,629
Due from other funds	74,057	9,500,000	55,169	—	1,023,858	—	10,653,084	—
Notes receivable	—	—	—	—	61,674	—	61,674	—
Other assets	61,719	1,241,027	448,479	—	280,606	—	2,031,831	—
Total current assets	89,591,035	81,584,226	6,857,137	37,777	5,263,969	4,343,423	187,677,567	18,934,036
Noncurrent assets:								
Investments with fiscal agent	—	—	—	—	613,607	—	613,607	—
Capital assets:								
Land	2,814,394	4,273,655	3,811,166	—	8,920,208	4,282,572	24,101,995	595,500
Construction in progress	60,918,385	86,341,053	4,814,734	—	7,008	12,605,513	164,686,693	—
Buildings	4,707,026	6,380,938	22,859,740	42,615	36,732,983	3,247,033	73,970,335	—
Infrastructure	82,881,226	87,182,017	866,026	—	—	—	170,929,269	—
Machinery and equipment	2,722,929	17,384,185	20,452,527	8,728	1,724,849	—	42,293,218	2,246,570
Improvements	—	81,439,563	—	—	—	5,803,242	87,242,805	—
Less accumulated depreciation	(39,878,080)	(79,013,117)	(20,073,042)	(4,272)	(28,928,853)	(2,598,946)	(170,496,310)	(1,524,027)
Total capital assets (net of accumulated depreciation)	114,165,880	203,988,294	32,731,151	47,071	18,456,195	23,339,414	392,728,005	1,318,043
Total noncurrent assets	114,165,880	203,988,294	32,731,151	47,071	19,069,802	23,339,414	393,341,612	1,318,043
Total assets	203,756,915	285,572,520	39,588,288	84,848	24,333,771	27,682,837	581,019,179	20,252,079
LIABILITIES								
Current liabilities:								
Accounts payable	4,443,315	4,432,181	4,353,784	174,483	669,784	1,005,728	15,079,275	563,215
Other liabilities	670,022	593,527	169,692	—	723,244	37,873	2,194,358	—
Due to other funds	—	—	—	—	1,023,858	9,500,000	10,523,858	—
Revenue bonds payable - current	1,205,000	2,135,000	2,146,724	—	215,000	734,307	6,436,031	—
Total current liabilities	6,318,337	7,160,708	6,670,200	174,483	2,631,886	11,277,908	34,233,522	563,215
Noncurrent liabilities:								
Compensated absences payable	438,202	655,635	607,087	65,820	658,121	—	2,424,865	752,543
Self-insurance claims	—	—	—	—	—	—	—	16,600,006
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	109,305,638	150,394,738	18,548,531	—	5,195,000	8,130,260	291,574,167	—
Capital leases payable	—	—	1,508,952	—	—	—	1,508,952	—
Advances from other funds	—	—	—	—	—	73,035	73,035	—
Total noncurrent liabilities	109,743,840	151,050,373	20,664,570	65,820	5,853,121	8,203,295	295,581,019	17,352,549
Total liabilities	116,062,177	158,211,081	27,334,770	240,303	8,485,007	19,481,203	329,814,541	17,915,764
NET ASSETS								
Invested in capital assets, net of related debt	53,103,627	61,712,102	10,786,586	47,071	16,509,315	12,618,447	154,777,148	1,318,043
Restricted for debt service	9,349,251	—	2,199,513	—	—	1,856,400	13,405,164	—
Unrestricted	25,241,860	65,649,337	(732,581)	(202,526)	(660,551)	(6,273,213)	83,022,326	1,018,272
Total net assets	\$ 87,694,738	\$ 127,361,439	\$ 12,253,518	\$ (155,455)	\$ 15,848,764	\$ 8,201,634	\$ 251,204,638	\$ 2,336,315
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							533,737	
Net assets of business-type activities							<u>\$ 251,738,375</u>	

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

City of Oxnard, California

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals	
Operating revenues:								
Charges for services	\$ 31,959,989	\$ 25,774,751	\$ 36,586,033	\$ 431,529	\$ 23,197,945	\$ 3,896,823	\$ 121,847,070	\$ 25,848,460
Operating expenses:								
Salaries and wages	3,764,383	6,184,232	6,680,913	1,091,370	3,856,781	41,170	21,618,849	6,860,346
Contractual services	1,549,337	1,235,426	13,716,254	108,632	47,970	3,255,821	19,913,440	895,897
Operating supplies	12,988,700	2,138,737	1,102,852	1,039	15,998,365	—	32,229,693	3,631,139
Utilities	557,932	4,380,804	7,428,783	170,733	636,173	2,198	13,176,623	1,326,180
Depreciation	2,189,190	5,045,679	1,563,454	2,445	1,797,827	82,122	10,680,717	181,227
General and administrative	2,726,621	2,027,621	3,553,444	199,261	2,145,839	203,584	10,856,370	1,829,087
Repairs and maintenance	278,032	218,888	3,860,102	16,841	14,176	27,002	4,415,041	1,465,233
Claims expenses	—	—	—	—	—	—	—	6,455,167
Total operating expenses	24,054,195	21,231,387	37,905,802	1,590,321	24,497,131	3,611,897	112,890,733	22,644,276
Operating income (loss)	7,905,794	4,543,364	(1,319,769)	(1,158,792)	(1,299,186)	284,926	8,956,337	3,204,184
Nonoperating revenues (expenses):								
Intergovernmental	190,678	364,527	211,998	51,946	—	2,822	821,971	—
Interest income	2,061,345	2,372,739	80,659	—	123,972	115,198	4,753,913	550,443
Interest expense	(2,746,408)	(6,949,647)	(1,072,836)	—	(227,758)	(372,173)	(11,368,822)	—
Total nonoperating revenues (expenses)	(494,385)	(4,212,381)	(780,179)	51,946	(103,786)	(254,153)	(5,792,938)	550,443
Income (loss) before contributions and transfers	7,411,409	330,983	(2,099,948)	(1,106,846)	(1,402,972)	30,773	3,163,399	3,754,627
Capital contributions	—	—	—	—	1,213,143	—	1,213,143	—
Transfers in	—	—	210,104	1,575,867	—	550,000	2,335,971	506,500
Transfers out	—	—	(62,078)	—	—	—	(62,078)	(500,000)
Change in net assets	7,411,409	330,983	(1,951,922)	469,021	(189,829)	580,773	6,650,435	3,761,127
Total net assets - July 1	80,283,329	127,030,456	14,205,440	(624,476)	16,038,593	7,620,861		(1,424,812)
Total net assets - June 30	\$ 87,694,738	\$ 127,361,439	\$ 12,253,518	\$ (155,455)	\$ 15,848,764	\$ 8,201,634		\$ 2,336,315
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							856,172	
Change in net assets of business-type activities							<u>\$ 7,506,607</u>	

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

City of Oxnard, California

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 36,366,912	\$ 25,273,018	\$ 36,145,632	\$ 435,601	\$ 22,984,073	\$ 3,763,110	\$ 124,968,346	\$ 25,796,631
Payments to suppliers	(15,723,845)	(6,422,435)	(27,504,485)	(972,997)	(18,860,995)	(4,512,246)	(73,997,003)	(9,409,768)
Payments to employees	(3,761,122)	(6,207,898)	(6,612,149)	(1,090,417)	(3,821,045)	(41,170)	(21,533,801)	(6,734,735)
Cash paid to claimants	—	—	—	—	—	—	—	(6,281,500)
Net cash provided by (used in) operating activities	16,881,945	12,642,685	2,028,998	(1,627,813)	302,033	(790,306)	29,437,542	3,370,628
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer from other funds	190,678	364,527	360,024	1,627,813	—	1,049,312	3,592,354	1,506,500
Transfer to other funds	—	—	—	—	—	(496,490)	(496,490)	(1,500,000)
Net cash provided (used) by capital and related financing activities	190,678	364,527	360,024	1,627,813	—	552,822	3,095,864	6,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(21,734,937)	(52,711,237)	(4,375,577)	—	(2,666,093)	(5,337,616)	(86,825,460)	(918,121)
Loans to golf course	—	(9,500,000)	—	—	—	9,500,000	—	—
Received from grants	—	—	—	—	1,213,143	—	1,213,143	—
Principal paid on long-term debt	(1,202,083)	(1,885,000)	(2,033,392)	—	(205,000)	(713,747)	(6,039,222)	—
Interest and issuance cost paid on long-term debt	(2,699,580)	(6,682,905)	(1,117,677)	—	(227,758)	(373,856)	(11,101,776)	—
Proceeds from issuance of long-term debt	55,511,999	12,404,407	—	—	—	—	67,916,406	—
Net cash used in capital and related financing activities	29,875,399	(58,374,735)	(7,526,646)	—	(1,885,708)	3,074,781	(34,836,909)	(918,121)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest on investments	2,066,859	2,372,739	80,658	—	123,972	115,198	4,759,426	550,443
Net cash provided by investing activities	2,066,859	2,372,739	80,658	—	123,972	115,198	4,759,426	550,443
Net increase (decrease) in cash and cash equivalents	49,014,881	(42,994,784)	(5,056,966)	—	(1,459,703)	2,952,495	2,455,923	3,009,450
Cash and cash equivalents, July 1	36,864,160	110,950,712	7,864,974	35,000	5,126,993	1,060,689	161,902,528	15,836,957
Cash and cash equivalents, June 30	\$ 85,879,041	\$ 67,955,928	\$ 2,808,008	\$ 35,000	\$ 3,667,290	\$ 4,013,184	\$ 164,358,451	\$ 18,846,407

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

Continued -

City of Oxnard, California

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds							Governmental Activities- Internal Service Funds
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 7,905,794	\$ 4,543,364	\$ (1,319,769)	\$ (1,158,792)	\$ (1,299,186)	\$ 284,926	\$ 8,956,337	\$ 3,204,184
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation and amortization	2,281,957	5,045,680	1,563,454	2,446	1,797,827	82,122	10,773,486	181,227
Gain (Loss) on disposal of capital assets	—	—	—	—	—	—	—	—
Changes in assets and liabilities:								
Decrease (increase) in accounts receivable and due from other funds	4,406,923	(501,733)	(440,401)	4,072	(185,263)	(133,713)	3,149,885	(51,829)
Decrease (increase) in other assets	(92,767)	—	—	—	(28,709)	—	(121,476)	—
Increase (decrease) in accounts payable	2,375,670	3,618,804	2,178,148	(476,492)	14,324	(998,641)	6,711,813	(262,232)
Increase (decrease) in other liabilities	1,107	(39,764)	(21,198)	—	(32,696)	(25,000)	(117,551)	—
Increase (decrease) in compensated absences	3,261	(23,666)	68,764	953	35,736	—	85,048	125,611
Increase in self-insurance liabilities	—	—	—	—	—	—	—	173,667
Net cash provided by (used in) operating activities	<u>\$ 16,881,945</u>	<u>\$ 12,642,685</u>	<u>\$ 2,028,998</u>	<u>\$ (1,627,813)</u>	<u>\$ 302,033</u>	<u>\$ (790,306)</u>	<u>\$ 29,437,542</u>	<u>\$ 3,370,628</u>

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

City of Oxnard, California

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2006

	Total
ASSETS	
Cash and cash equivalents	\$ 10,975,733
Investments with fiscal agents	39,023,649
Total Assets	<u>\$ 49,999,382</u>
LIABILITIES AND FUND BALANCES	
Liabilities - other	
Trust and agency payables	49,999,382
Total liabilities	<u>\$ 49,999,382</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Oxnard, California (City) was incorporated as a general law city on June 30, 1903, and operates under the council-manager form of government. The City is governed by a four-member City Council elected at large for four-year alternating terms and by a Mayor who is directly elected for a two-year term. Other elected positions include the City Clerk and City Treasurer. The accompanying basic financial statements present the financial position and results of operations of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Although these entities are legally separate, the City's elected officials have a continuing financial responsibility and accountability for fiscal matters of these other entities. Financial accountability includes the appointment of governing bodies, budget authority, approval of tax levies and responsibility for funding deficits.

Blended Component Units

City of Oxnard Community Development Commission

The Redevelopment Agency of the City of Oxnard (RDA) was established pursuant to the California Community Redevelopment Law, codified in Part 1 of Division 24 of the California Health and Safety Code. The RDA was activated in 1960 by Ordinance No. 2365 of the City Council. On January 24, 1995, the RDA became the Community Development Commission (CDC). The CDC has continued the RDA's principal activities such as business retention, employment creation, the acquisition of real property for the purpose of removing or preventing blight, for construction or improvements and loaning money for rehabilitation and restoration of properties. The City Council acts as the Board of Directors of the CDC. The City is financially accountable for the operations of the CDC through budgetary authority and fiscal management and the City is able to significantly influence operations of the CDC. The funds of CDC have been included in the City's governmental activities in the accompanying government-wide financial statements. The CDC prepares a separate Comprehensive Annual Financial Report (CAFR) and a copy can be obtained from the Finance Department.

City of Oxnard Financing Authority

The Oxnard Financing Authority (Authority) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sales and may sell such bonds to public or private purchasers at public or negotiated sales. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions of the Authority. The financial service of the Authority is included in the Golf Course Enterprise Fund, Solid Waste Enterprise Fund and Debt Service Fund.

Housing Authority of the City of Oxnard

The Housing Authority of the City of Oxnard (the Authority) was established in April 1945 when City Council adopted an ordinance which was added to the City Code. The Authority is a public entity which was organized under the laws of the State of California's Health and Safety Code for the purpose of providing safe, decent and sanitary housing for qualified economically disadvantaged and elderly individuals in areas where a shortage of such housing exists. To accomplish this purpose, the Authority has entered into Annual Contributions Contracts with the U.S. Department of Housing and Urban Development (HUD) to operate assisted housing programs (such as Local Housing Authority Owned Housing, Section 8 and Modernization). City Council and two tenant representatives serve as the governing board and is therefore responsible for the fiscal and administrative activities of the Authority. The Authority's operations have been included in the City's business-type activities in the accompanying government-wide financial statements. The Authority prepares separate financial statements and a copy can be obtained from the Authority's Financial Services Division.

New Pronouncements

The City included in this report requirements of the new GASB Statement No. 44, however the City is currently analyzing its accounting practices on GASB Statements No. 43 and 45 to determine the potential impact on the financial statements:

In May 2004, GASB issued Statement No. 44, Economic Condition Reporting. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial

statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement is effective for the City's fiscal year ending June 30, 2006. The City does not expect GASB Statement No. 43 to have any significant affect on the City's financial statement.

In July 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2007.

Financial Statements Presentation

In accordance with Governmental Accounting Standards Board Statement No. 34, the City's basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

All of the City's basic services are considered to be governmental activities, including general government, public safety, transportation, community development, culture and leisure, and library services. Property tax, sales tax, transient occupancy tax, franchise tax, business license tax, and development fees financially support most of these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, wastewater collection and treatment, solid waste, housing, the River Ridge Golf Course and the Performing Arts and Convention Center.

The statement of activities demonstrates the degree to which expenses (direct and indirect) 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. Indirect expenses are allocated based on the City's cost allocation plan. 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) operating grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, development growth fees, and other items not properly included among program revenues are reported instead as general revenues.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned,

while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services; (2) grants and other contributions; and, (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. In the Statement of Activities, net internal service fund transactions have been allocated back to the governmental and business-type activities generating the net income or loss. In the Statement of Net Assets, internal service assets and liabilities have been combined with the governmental funds and presented as governmental activities.

In accordance with GASB 34, a reconciliation of the difference between the fund financial statements and the government-wide financial statements is provided.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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

Fund Financial Statements

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental funds and non-major governmental funds aggregated. In accordance with GASB 34 and based on the direction of

management and the sole purpose for which a fund is established, the following funds have been determined by management to be the City's major governmental funds:

- ❖ **General Fund:** This fund is always a major fund and is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund.
- ❖ **Development Fees Fund:** This fund includes fees that the City collects on new development to provide resources for special projects such as parks, storm drainage facilities, traffic improvements, utility undergrounding and community developments. They are reported as general revenue in the Statement of Activities because they are not restricted to meeting the operational or capital requirements of a particular function.
- ❖ **HUD and CDBG Grants Fund:** This fund is used to account for resources to develop viable urban communities, providing decent housing and expanding economic opportunities.
- ❖ **State and Federal Grants Fund:** This fund accounts for the receipts and expenditures of monies received from State and federal grants-in-aid.
- ❖ **Debt Service Fund:** This fund accounts for the accumulation of resources and payments of principal and interest of the City's general long-term debt.
- ❖ **Capital Outlay Fund:** This fund accounts for financing and construction of general government capital projects.
- ❖ **Community Development Commission Fund:** This fund accounts for expenditures incurred on the redevelopment projects, financed primarily from tax increments.

Governmental funds are accounted for using a "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues available if they are collected within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City are property tax, sales tax, intergovernmental revenues and other taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures

are recorded in the accounting period in which the related fund liability is incurred and if paid within 60 days of year end, except for unmatured principal and interest on long-term debt, which is recognized when due.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major fund and in the aggregate for the enterprise funds. A column representing Internal Service Funds in total is also presented in these statements.

The proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. In accordance with GASB 34 and based on the direction of management and the sole purpose for which a fund is established, the following enterprise funds have been determined by management to be the City's major funds:

- ❖ **Water Fund:** This fund is used to account for all activities of the City's water distribution and treatment system. Revenues are derived mainly from metered water services, connection fees, and installation charges.
- ❖ **Wastewater Fund:** This fund is used to account for all sewer activities related to conveyance and treatment services. Revenues are derived mainly from sewer service charges, connection fees, and treatment plant charges.
- ❖ **Solid Waste Fund:** This fund is used to account for the activities related to collection and disposal of refuse throughout the City.
- ❖ **Performing Arts and Convention Center Fund:** This fund is used to account for the operations and maintenance of the City's Performing Arts and Convention Center.
- ❖ **Oxnard Housing Authority:** This fund is used to account for the receipts and disbursements of funds received from the U.S. Department of Housing and Urban Development (HUD) to provide rental assistance programs for low income residents and senior citizens under Section 8 of the Federal Housing Act of 1937, as amended.
- ❖ **Municipal Golf Course Fund:** This fund is used to account for the operation and maintenance of the City's River Ridge Golf Course.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included within the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating 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.

Internal Service Funds

Internal service funds account for the financing of workers’ compensation, public liability and property damage, utility customer services, information systems, facilities maintenance and equipment maintenance services to other departments on a cost-recovery basis.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City’s fiduciary funds consist of agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City’s fiduciary funds are as follows:

- ❖ **Artworks Fund:** This fund is used to report resources held by the City in a custodial capacity (assets equal liabilities). This fund involves the receipt and remittance of fiduciary resources to private organizations or other agencies.
- ❖ **Improvement Districts Fund:** This fund is used to account for various limited obligation improvement bonds issued by the City, wherein bond proceeds are used to finance land acquisition and public improvements of the various assessment districts within the City. Neither the faith and credit nor the taxing power of the City or any of its political subdivisions is pledged to the payment of the bonds. Property owners

within the assessment district are assessed through the County tax bills and the money collected is used to pay off the annual debt service requirements.

B. Budget

The City's annual budget is the legally adopted expenditure control document of the City. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP) in the United States of America, except that encumbrances are included in budgeted expenditures. 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 similar governmental funds. Encumbrances outstanding at 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 year-end are completed. They do not constitute expenditures or estimated liabilities.

Appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. Project length budgets are adopted for the capital project funds. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval. During Fiscal Year 2006, supplementary budget appropriations of approximately \$26,296,436 were made.

Budget Basis for Accounting

Budgets for governmental funds are adopted on a basis which conforms with the generally accepted accounting principles (GAAP). The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual presents comparisons of the legally adopted budget and actual data on a GAAP basis. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Budgetary comparison statements are required to be presented for the General Fund and all major special revenue funds and are presented as required supplementary information found on pages 84 through 91. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

C. Cash and Investments

Investment Policy

The City's investment policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. The policy of the City Council is to invest public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

The investment policy applies to the City's pooled investment fund which encompasses all monies under the direct oversight of the City Treasurer. These include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Investments shall be made with care—under circumstances then prevailing—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.

Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," the City's investments are stated at fair value.

The City Treasurer's investment pool is comprised of pooled deposits and investments and the State of California Local Agency Investment Fund (LAIF) investments. The City Treasurer's pooled investments are carried at fair value. The fair value is determined utilizing SunGard Securities Systems, the vendor providing investment reporting capability for the City Treasurer's Office, which provides pricing data from multiple industry sources. The fair value of LAIF is determined by allocating the City's share of LAIF's fair value as reported by LAIF.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1953 and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The LAIF has oversight by the Local Agency Investment Advisory Board. The board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district, or municipal corporation of this state, are appointed by the State Treasurer. LAIF is required to invest in accordance with state statute.

Interest Income

Interest income earned on pooled cash and investments is allocated monthly to the General Fund and those other funds for which such allocation is a legal contractual requirement based on the month-end cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. Changes in the fair value of investments are recognized in interest income at the end of each year.

Income from nonpooled investments is recorded based on the specific investments held by the trustee of the fund. The interest income is recorded in the fund that earned the interest.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash in bank and investments held by the City Treasurer in a cash management pool as the amounts are readily available for use by the respective funds.

D. Utility Revenue

Utility revenue is recorded when earned. Customers are billed bimonthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying basic financial statements.

E. Properties Held for Resale

In the Capital Outlay Fund, properties acquired for the Heritage Square office complex are included as properties held for resale, which are carried at the lower of cost or estimated fair value. At June 30, 2006, properties held for resale amounted to \$4,646,071.

F. Capital Assets

The City's assets for governmental and business-type activities are capitalized at historical cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. City policy has set the capitalization threshold at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Improvements:	
Paving, curbs, lighting	40 years
Parks Improvements	25 years
Sports Courts	40 years
Landscaping	50 years
Equipment and Machinery	5-20 years
Infrastructure Assets:	
Roadway network	25-100 years
Waterways/seawalls	75 years
Storm drain system	50-100 years

In accordance with GASB 34, requires that states, local governments and other public agencies annually report the net value of all capital assets, including infrastructure assets, in order to achieve generally accepted accounting principles. GASB 34 defines infrastructure assets as "long lived capital assets that are stationary in nature and normally can be preserved for a significant greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems." In addition, land to be valued at original cost without depreciation. Infrastructure Assets (assets) have been included in compliance with GASB 34 using the basic approach methodology.

G. Risk Management

The City provides workers' compensation benefits under a self-insurance program with a self-insured retention of \$500,000 and purchase of excess \$150 million per year. The City is self-insured for general and property damage liabilities to the extent of the first \$1,000,000 per occurrence and has excess insurance in the layer of \$1 million to \$25 million in Fiscal Year 2005-2006. The City contracts with outside service

agencies to supervise and administer the self-insurance programs. Estimated liabilities related to outstanding workers' compensation and public liability claims (including estimates for incurred but not reported claims) are based upon actuarial studies and are recorded in an internal service fund.

In August 1988, the City adopted a resolution to execute a Joint Powers Agreement (JPA) creating the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), a risk management pool. Through the BICEP insurance pool, the five cities share the cost of catastrophic general liability losses incurred by the members for claims between \$1 million and \$25 million, thereby eliminating the need for individual excess commercial insurance protection. The purpose of this agreement is to jointly develop and fund excess insurance for comprehensive liability, the purchase of reinsurance, and the provision of necessary administrative services. Such administrative services may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting and legal defense service. BICEP is governed by a five-member Board of Directors representing each member city, appointed by the member's City Council and serving at the pleasure of such City Council.

The agreement with BICEP may be terminated at any time provided that no bonds or other obligations of BICEP are outstanding. Upon termination of this agreement, all assets of BICEP shall (after payment of all unpaid costs, expenses and charges incurred under the agreement) be distributed among the parties in accordance with the respective contributions of each participating city.

H. Compensated Absences

Vacation leave and annual leave compensation time pay is recorded as a liability when incurred within the government-wide and proprietary funds financial statements. Sick leave, which does not vest, is recorded in all funds when leave is taken. In accordance with GASB Interpretation No. 6, a liability for these amounts is reported in the governmental funds financial statements only if they have matured and are paid by the City subsequent to year-end.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

The accrual for compensated absences comprised the following at June 30, 2006:

	Governmental Activities	Business Type	Total
Beginning Balance	\$ 12,056,376	\$ 2,339,814	\$ 14,396,190
Additions	7,646,892	1,895,476	9,542,368
Payments	(6,662,151)	(1,810,425)	(8,472,576)
Ending Balance	13,041,117	2,424,865	15,465,982
Current Portions	<u>\$ 6,180,000</u>	<u>\$ 1,120,000</u>	<u>\$ 7,300,000</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Property Taxes

Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Valuation Date	March 1
Lien/Levy Date	July 1 to June 30
Due Dates	November 1 (first installment) and February 1 (second installment)
Delinquent Dates	December 10 (first installment) and April 10 (second installment), August 3 (unsecured)

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 Valuation

Valuations are established by the Assessor of the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100 percent of full value. The value of real taxable property is based on fiscal year 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. 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

The County-wide tax levy for general revenue purposes is limited to 1 percent of full value, for a tax rate of \$1.00 per \$100 of assessed valuation. Tax rates for voter-approved indebtedness prior to passage of Proposition 13 are excluded from this limitation. Taxes are levied in September for both real and unsecured personal property based upon the assessed valuation as of the previous January 1 (lien date).

Under GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, property taxes are recognized as revenue in the period for which the taxes are levied. Therefore, the City recognizes revenue and a receivable, less any allowance for doubtful accounts deemed appropriate, for the entire tax levy in the period for which the taxes are levied. Accordingly, at June 30, 2006, the City has recorded property taxes receivable of \$968,017, which is included in due from other governments in the accompanying balance sheet.

Tax Lien Dates

All lien dates attach annually on March 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Liens against real estate, and taxes on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections

The County Treasurer-Tax Collector is responsible for all property tax collections. Taxes and assessments on the secured and utility rolls, which constitute a lien against the property, may be paid in two installments: the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; the second installment is due on February 1 of the fiscal year and is delinquent if not paid by April 10.

Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be paid in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed for late payments.

Tax Apportionments and Special District Augmentation Fund (SDAF)

Due to the nature of the County-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total County-wide levy for the three years prior to fiscal year 1979. The SDAF was established in order to provide greater flexibility in the allocation of the total levy to special districts under this basic apportionment method. Each special district makes a contribution from its base tax levy apportionment to the SDAF. Oversight governments of the special districts (cities or the County) can then reallocate this pool among special districts based on financing needs.

J. Use of Estimates

The preparation of the City's basic financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The City's cash and cash equivalents and investments consist of the following at June 30, 2006:

Deposits	\$ 7,422,587
Investments	<u>186,429,975</u>
Cash and cash equivalents	193,852,562
Investments with Fiscal Agents	<u>173,037,896</u>
Total	<u><u>\$ 366,890,458</u></u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Internal Service Funds	Fiduciary Funds	Grand Total
Cash and cash equivalents	\$ 121,757,941	\$ 42,272,481	\$ 18,846,407	\$ 10,975,733	\$ 193,852,562
Cash with fiscal agents:	11,928,277	122,085,970	—	39,023,649	173,037,896
Total	\$ 133,686,218	\$ 164,358,451	\$ 18,846,407	\$ 49,999,382	\$ 366,890,458

Deposits

Custodial Credit Risks. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by federal depository insurance and collateral having a market value of 110 percent of the uninsured deposit. As of June 30, 2006, the carrying amount of the City's deposits was \$5,146,166 (carrying amount of \$7,422,587), none of the amount was exposed to custodial credit risk. Deposits held by the Oxnard Housing Authority are also not exposed to custodial credit risk.

Investments

As of June 30, 2006, the City had the following investments:

	Book Value	Maturities in Years		
		Less than 1 Year	1 to 5 Years	Over 5 Years
U.S. treasury notes	\$ 7,988,361	\$ 3,986,259	\$ 4,002,102	\$ —
U.S. agencies	162,419,098	85,174,750	77,244,348	—
Local agency investment funds	30,577,961	30,577,961	—	—
Money market funds	31,142,270	31,142,270	—	—
Guaranteed investment contracts	127,450,248	34,134,189	83,917,929	9,398,130
	359,577,938	\$ 185,015,429	\$ 165,164,379	\$ 9,398,130
Less accrued discount	(110,066)			
Total	\$ 359,467,872			

Authorized Investments

The investments listed above are managed by the City Treasurer, fiscal agents (bond trustees acting in accordance with bond covenants), and authorized representatives of the Oxnard Housing Authority. Investments managed by the City Treasurer and the Authority are invested in accordance with the respective investment policies. Investments managed by bond trustees are invested in accordance by provisions of the respective bond agreements, rather than the general provisions of the California Government Code or the City's or Authority's investment policy.

The City's investments by investments manager are as follows:

City treasurer	\$ 186,540,041
Fiscal agents (bond trustees for the City and its component units)	169,421,194
Oxnard housing authority (includes fiscal agents)	3,616,703
	<u>\$ 359,577,938</u>

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents of the City's governmental funds, proprietary funds, and trust and agency funds which are invested in accordance with the City's investment policy. The investment policy generally complies with California Government Code Section 53601 and its primary detail is as follows:

	Authorized by Investment Policy	Maximum Maturity (years)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings
U.S. treasury and agencies	Yes	5	None	None	None
Local agency bonds, notes	Yes	5	15%	None	None
Other bonds, notes or evidences of indebtedness	Yes	N/A	15%	None	None
Bankers acceptances	Yes	180 days	40%	30%	None
Commercial paper	Yes	270 days	15%	10%	P1/A1
Negotiable CDs	Yes	2	30%	None	Aa, AA
Certificates of Deposits (CDs)	Yes	2	40%	15%	A
Repurchase agreements	Yes	90 days	None	None	None
Medium term notes	Yes	5	30%	None	A
Mutual funds	Yes	N/A	15%	None	None
Local agency investment funds	Yes	N/A	None	None	None

The Oxnard Housing Authority investment policy and related disclosures regarding its investments at June 30, 2006 is more fully disclosed in its separate financial statements. Financial statements for the Oxnard Housing Authority may be obtained from the Authority's Financial Services Division.

Investments with fiscal agents are investments held by the bond trustee. The City and its investment advisor selects the investment under the terms of the applicable trust agreement, directs the bond trustee to acquire the investment, and the bond trustee then holds the investment on behalf of the City and/or its component units. Proceeds of bonds administered by bond trustees are also generally covered under the City Treasurer's investment policy; however, specific provisions of each issuance are usually used in managing such investments. In addition, the Investment Policy allows for bond reserve funds to be invested in securities with maturities in excess of 5 years.

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. Information about the sensitivity of the fair values of the City and its component units' investments to market rate fluctuations is provided in the table above that shows the distribution by maturity.

The City's investment policy generally complies with the California Government Code with respect to allowable investment instruments as a means of managing its fair value losses arising from changing interest rates. Guaranteed investment contracts are investments held by fiscal agents (bond trustees) and are restricted for construction projects and debt service.

Credit Risk and Concentration of Credit Risk

The City's investment policy complies with the State Government Code with respect to allowable investment instruments in managing its risk of loss related to credit risk and concentration of credit risk. At June 30, 2006, Standard & Poor's and Moody's rated the City's investments, except for those investments held by its bond trustees, as AAA and Aaa, respectively. In addition, none of the investment categories listed above exceeded the maximum allowable percentage of its portfolio.

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

The following aggregate investments exceeded 5 percent of the total investments of the City:

Federal home loan bank bonds	\$ 95,578,134	27%
Federal farm credit bank bonds	33,983,282	9%
	<u>\$ 129,561,416</u>	

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's investments, certain U.S. agency bonds and Local Agency Investment Funds in the amount of \$192,997,000 held by the City are subject to custodial risks as they are uninsured or unregistered investments, acquired by the broker or dealer or by its trust department or agent. To minimize its custodial credit risk with respect to investments with fiscal agents, the City and its component units require that they meet certain credit ratings from either Standard & Poor's or Moody's Investor Service.

3. INTERFUND RECEIVABLES AND PAYABLES

Total interfund receivables and payables at June 30, 2006, which are included in the Fund Financial Statements as due from/to other funds and advances to/from other funds, before eliminations consist of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Balance</u>
Governmental Funds:			
General fund	\$ 2,073,035	\$ —	\$ 2,073,035
Capital outlay	—	129,226	(129,226)
Community development commission fund	—	2,000,000	(2,000,000)
Total governmental funds	<u>2,073,035</u>	<u>2,129,226</u>	<u>(56,191)</u>
Business type activities:			
Water	74,057	—	74,057
Solid waste	55,169	—	55,169
Golf course	—	73,035	(73,035)
Total business type activities	<u>129,226</u>	<u>73,035</u>	<u>56,191</u>
Total	<u>\$ 2,202,261</u>	<u>\$ 2,202,261</u>	<u>\$ —</u>

The interfund balances at June 30, 2006, are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2006, are expected to be repaid within one year, except for the advance from the General Fund to the Golf Course Fund in the amount of \$73,035, which will be paid in future annual installments of \$25,000.

4. RECEIVABLES AND PAYABLES

Accounts and other receivables as of June 30, 2006, included in the accompanying Statement of Net Assets primarily consist of the following:

Accounts Receivables	Governmental Activities	Business-Type Activities
Accrued interest receivable	\$ 1,441,148	\$ —
Utilities receivables	9,337	7,790,036
Grants receivable	5,708,757	282,853
Accounts receivable billed and accrued	1,664,309	2,123,299
Other receivables	6,463,402	1,183,086
Subtotal	15,286,953	11,379,274
Allowance for uncollectible receivables	(517,407)	(193,140)
Total	<u>\$ 14,769,546</u>	<u>\$ 11,186,134</u>

Accounts payable and other liabilities as of June 30, 2006, primarily consist of the following:

Accounts Payable and Other Liabilities	Governmental Activities	Business-Type Activities
Accounts payable (due to vendors)	\$ 5,353,906	\$ 12,233,100
Other liabilities:		
Accrued payroll	—	—
Other accrued expenses	1,034,873	1,283,294
Other payables	18,475,379	3,223,501
Total other liabilities	19,510,252	4,506,795
Total	<u>\$ 24,864,158</u>	<u>\$ 16,739,895</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

Governmental activities record deferred revenue for revenues that are not yet earned as of year end. At June 30, 2006, deferred revenues are comprised of the following:

Governmental funds:		
Community development charges for services	\$	560,663
Development and traffic impact fees		149,192
Federal grant drawdowns prior to meeting all eligibility requirements		6,152,018
State grants		3,211,724
Transportation development act		84,304
Total	\$	<u>10,157,901</u>

5. INTERFUND TRANSFERS

The net transfers of \$2,280,393 from governmental activities to business-type activities and internal services in the Statement of Activities primarily relates to operational subsidies from the General Fund to the Golf Course and Performing Arts and Convention Center Enterprise Funds. Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations.

The following Transfers In and Out are reflected in the Fund Financial Statements for the year ended June 30, 2006:

Fund	Description	Transfers In	Transfers Out
Governmental Funds:			
General fund	Program support	\$ 2,430,023	\$ 3,450,114
General fund	For capital assets	—	1,365,220
General fund	For debt service	—	3,299,810
Development fees fund	For debt service	—	460,866
Development fees fund	Program support	—	210,104
State and federal grant funds	Program support	—	808,273
Debt service fund	For debt service	3,236,004	—
Capital outlay fund	For capital assets	1,358,720	—
Capital outlay fund	Program support	194,474	—
Non-major governmental funds	Program support	1,179,773	1,085,000
Internal service fund	For capital assets	506,500	—
Internal service fund	Program support	—	500,000
Total governmental funds		<u>8,905,494</u>	<u>11,179,387</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

Fund	Description	Transfers In	Transfers Out
Business-type Activities:			
Solid waste	Program support	210,104	36,750
Solid waste	For debt service		25,328
Performing arts and convention center	Program support	1,575,867	—
Municipal golf course	For debt service	550,000	—
Total business-type activities		2,335,971	62,078
Total		<u>\$ 11,241,465</u>	<u>\$ 11,241,465</u>

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; or 3) transfers to fund internal service equipment replacement funds. There were no transfers during Fiscal Year 2005-2006 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

6. CAPITAL ASSETS

Changes in the City's capital assets for the year ended June 30, 2006, consisted of the following:

	Balance July 1, 2005	GASB 34 Infrastructure Adjustment	Adjusted Beginning Balance	Increases	Decreases	Balance June 30, 2006
GOVERNMENTAL ACTIVITIES						
Capital assets, not being depreciated:						
Land	\$ 24,763,116	\$ 951,652,515	\$ 976,415,631	\$ 1,104,700	\$ —	\$ 977,520,331
Construction in progress	22,605,158	—	22,605,158	38,250,746	(6,381,669)	54,474,235
Total capital assets, not being depreciated	47,368,274	951,652,515	999,020,789	39,355,446	(6,381,669)	1,031,994,566
Capital assets, being depreciated:						
Buildings	40,648,008	—	40,648,008	—	(5,022,918)	35,625,090
Other improvements	113,932,009	(57,411,503)	56,520,506	16,107,069	(12,137,976)	60,489,599
Equipment and machinery	33,512,511	—	33,512,511	2,790,566	(1,318,536)	34,984,541
Infrastructure	—	439,808,968	439,808,968	6,831,576	—	446,640,544
Total capital assets, being depreciated	188,092,528	382,397,465	570,489,993	25,729,211	(18,479,430)	577,739,774
Less accumulated depreciation for:						
Buildings	(16,812,493)	—	(16,812,493)	(766,576)	—	(17,579,069)
Other improvements	(8,269,798)	226,246	(8,043,552)	(1,493,378)	132,660	(9,404,270)
Equipment and machinery	(23,897,262)	—	(23,897,262)	(2,848,145)	1,789,794	(24,955,613)
Infrastructure	—	(186,109,391)	(186,109,391)	(11,891,329)	—	(198,000,720)
Total accumulated depreciation	(48,979,553)	(185,883,145)	(234,862,698)	(16,999,428)	1,922,454	(249,939,672)
Total capital assets, being depreciated, net	139,112,975	196,514,320	335,627,295	8,729,783	(16,556,976)	327,800,102
Governmental activities capital assets, net	<u>\$ 186,481,249</u>	<u>\$ 1,148,166,835</u>	<u>\$ 1,334,648,084</u>	<u>\$ 48,085,229</u>	<u>\$ (22,938,645)</u>	<u>\$ 1,359,794,668</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	GASB 34 Infrastructure Adjustment	Adjusted Beginning Balance	Increases	Decreases	Balance June 30, 2006
BUSINESS-TYPE ACTIVITIES						
Capital assets, not being depreciated:						
Land	\$ 22,164,745	\$ —	\$ 22,164,745	\$ 1,937,250	\$ —	\$ 24,101,995
Construction in progress	98,339,137	—	98,339,137	78,092,822	(11,745,266)	164,686,693
Total capital assets, not being depreciated	120,503,882	—	120,503,882	80,030,072	(11,745,266)	188,788,688
Capital assets, being depreciated:						
Buildings	71,650,129	—	71,650,129	2,696,691	(376,485)	73,970,335
Other improvements	248,334,620	—	248,334,620	4,034,212	—	252,368,832
Municipal golf course improvements	5,803,242	—	5,803,242	—	—	5,803,242
Equipment and machinery	40,345,713	—	40,345,713	4,292,002	(2,344,497)	42,293,218
Total capital assets, being depreciated	366,133,704	—	366,133,704	11,022,905	(2,720,982)	374,435,627
Less accumulated depreciation for:						
Buildings	(42,772,470)	—	(42,772,470)	(2,559,137)	5,034,267	(40,297,340)
Other improvements	(82,831,559)	—	(82,831,559)	(5,684,593)	(5,017,758)	(93,533,910)
Municipal golf course improvements	(1,413,892)	—	(1,413,892)	(9,965)	—	(1,423,857)
Equipment and machinery	(35,004,958)	—	(35,004,958)	(2,417,091)	2,180,846	(35,241,203)
Total accumulated depreciation	(162,022,879)	—	(162,022,879)	(10,670,786)	2,197,355	(170,496,310)
Total capital assets, being depreciated, net	204,110,825	—	204,110,825	352,119	(523,627)	203,939,317
Business-type activities capital assets, net	324,614,707	—	324,614,707	80,382,191	(12,268,893)	392,728,005
Total	\$ 511,095,956	\$ 1,148,166,835	\$ 1,659,262,791	\$ 128,467,420	\$ (35,207,538)	\$ 1,752,522,673

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

For the year ended June 30, 2006, depreciation expense on capital assets was charged to the governmental functions as follows:

Governmental Activities:	
Legislative	\$ 169,994
Administration and support services	4,589,845
Public safety	7,309,753
Transportation	339,989
Community development	509,983
Culture and leisure	1,019,966
Libraries	339,989
Capital improvement projects	1,529,949
Capital assets held by the city's internal service fund	1,189,960
Total governmental activities depreciation expense	\$ 16,999,428

For the year ended June 30, 2006, depreciation expense on capital assets was charged to the business-type functions as follows:

Business-type Activities:	
Water	\$ 2,189,190
Wastewater	5,045,679
Solid waste	1,563,454
Performing arts center	2,445
Oxnard housing authority	1,787,897
Municipal golf course	82,121
Total business-type activities depreciation expense	\$ 10,670,786

Internal Service Funds predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities in the above table.

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Internal service funds:				
Capital assets, not being depreciated				
Land	\$ —	\$ 595,500	\$ —	\$ 595,500
Construction in progress	—	—	—	—
Total capital assets, not being depreciated	<u>\$ —</u>	<u>\$ 595,500</u>	<u>\$ —</u>	<u>\$ 595,500</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, being depreciated:				
Equipment and machinery	1,933,127	322,621	(9,178)	2,246,570
Total capital assets, being depreciated	1,933,127	322,621	(9,178)	2,246,570
Less accumulated depreciation for:				
Equipment and machinery	(1,351,978)	(181,227)	(9,178)	(1,524,027)
Total accumulated depreciation	(1,351,978)	(181,227)	(9,178)	(1,524,027)
Total capital assets, being depreciated, net	\$ 581,149	\$ 141,394	\$ —	\$ 722,543
Total	\$ 581,149	\$ 736,894	\$ —	\$ 1,318,043

The following is a summary of changes in capital assets for each major enterprise fund for the year ended June 30, 2006:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Water fund				
Capital assets, not being depreciated:				
Land	\$ 877,144	\$ 1,937,250	\$ —	\$ 2,814,394
Construction in progress	43,922,646	19,500,108	(2,504,368)	60,918,386
Total capital assets, not being depreciated	44,799,790	21,437,358	(2,504,368)	63,732,780
Capital assets, being depreciated:				
Buildings	4,707,026	—	—	4,707,026
Other improvements	82,094,437	786,789	—	82,881,226
Equipment and machinery	2,519,410	297,579	(94,061)	2,722,928
Total capital assets being depreciated	89,320,873	1,084,368	(94,061)	90,311,180
Less accumulated depreciation for:				
Buildings	(1,570,498)	(104,600)	—	(1,675,098)
Other improvements	(34,445,756)	(1,813,287)	—	(36,259,043)
Equipment and machinery	(1,766,697)	(271,303)	94,061	(1,943,939)
Total accumulated depreciation	(37,782,951)	(2,189,190)	94,061	(39,878,080)
Total capital assets, being depreciated, net	\$ 51,537,922	\$ (1,104,822)	\$ —	\$ 50,433,100
Total	\$ 96,337,712	\$ 20,332,536	\$ (2,504,368)	\$ 114,165,880

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Wastewater fund				
Capital assets, not being depreciated:				
Land	\$ 4,273,655	\$ —	\$ —	\$ 4,273,655
Construction in progress	42,984,502	52,593,902	(9,237,351)	86,341,053
Total capital assets, not being depreciated	47,258,157	52,593,902	(9,237,351)	90,614,708
Capital assets, being depreciated:				
Buildings	6,714,809	—	(333,871)	6,380,938
Other improvements	165,374,157	3,247,424	—	168,621,581
Equipment and machinery	17,297,297	117,335	(30,448)	17,384,184
Total capital assets being depreciated	189,386,263	3,364,759	(364,319)	192,386,703
Less accumulated depreciation for:				
Buildings	(4,017,135)	(141,798)	—	(4,158,933)
Other improvements	(53,403,561)	(3,849,656)	—	(57,253,217)
Equipment and machinery	(16,577,190)	(1,054,225)	30,448	(17,600,967)
Total accumulated depreciation	(73,997,886)	(5,045,679)	30,448	(79,013,117)
Total capital assets, being depreciated, net	\$ 115,388,377	\$ (1,680,920)	\$ (333,871)	\$ 113,373,586
Total	\$ 162,646,534	\$ 50,912,982	\$ (9,571,222)	\$ 203,988,294
Solid waste fund				
Capital assets, not being depreciated:				
Land	\$ 3,811,166	\$ —	\$ —	\$ 3,811,166
Construction in progress	4,162,156	652,578	—	4,814,734
Total capital assets, not being depreciated	7,973,322	652,578	—	8,625,900
Capital assets, being depreciated:				
Buildings	22,859,740	—	—	22,859,740
Other improvements	866,026	—	—	866,026
Equipment and machinery	18,802,374	3,870,142	(2,219,989)	20,452,527
Total capital assets being depreciated	42,528,140	3,870,142	(2,219,989)	44,178,293
Less accumulated depreciation for:				
Buildings	(5,417,534)	(507,994)	—	(5,925,528)
Other improvements	—	(21,650)	—	(21,650)
Equipment and machinery	(15,164,902)	(1,033,810)	2,072,848	(14,125,864)
Total accumulated depreciation	(20,582,436)	(1,563,454)	2,072,848	(20,073,042)
Total capital assets, being depreciated, net	\$ 21,945,704	\$ 2,306,688	\$ (147,141)	\$ 24,105,251
Total	\$ 29,919,026	\$ 2,959,266	\$ (147,141)	\$ 32,731,151

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Performing arts and convention center fund				
Capital assets, not being depreciated:				
Construction in progress	\$ 42,615	\$ —	\$ (42,615)	\$ —
Total capital assets, not being depreciated	42,615	—	(42,615)	—
Capital assets, being depreciated:				
Buildings	—	42,615	—	42,615
Equipment and machinery	8,728	—	—	8,728
Total capital assets being depreciated	8,728	42,615	—	51,343
Less accumulated depreciation for:				
Equipment and machinery	(1,827)	(2,445)	—	(4,272)
Total accumulated depreciation	(1,827)	(2,445)	—	(4,272)
Total capital assets, being depreciated, net	\$ 6,901	\$ 40,170	\$ —	\$ 47,071
Total	\$ 49,516	\$ 40,170	\$ (42,615)	\$ 47,071
Oxnard housing authority fund				
Capital assets, not being depreciated:				
Land	\$ 8,920,208	\$ —	\$ —	\$ 8,920,208
Construction in progress	1,937	8,618	(3,547)	7,008
Total capital assets, not being depreciated	8,922,145	8,618	(3,547)	8,927,216
Capital assets, being depreciated:				
Buildings	34,078,907	2,654,076	—	36,732,983
Equipment and machinery	1,717,903	6,946	—	1,724,849
Total capital assets being depreciated	35,796,810	2,661,022	—	38,457,832
Less accumulated depreciation for:				
Buildings	(25,630,103)	(1,732,589)	—	(27,362,692)
Equipment and machinery	(1,510,853)	(55,308)	—	(1,566,161)
Total accumulated depreciation	(27,140,956)	(1,787,897)	—	(28,928,853)
Total capital assets, being depreciated, net	\$ 8,655,854	\$ 873,125	\$ —	\$ 9,528,979
Total	\$ 17,577,999	\$ 881,743	\$ (3,547)	\$ 18,456,195

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Municipal golf course fund				
Capital assets, not being depreciated:				
Land	\$ 4,282,572	\$ —	\$ —	\$ 4,282,572
Construction in progress	7,267,897	5,337,616	—	12,605,513
Total capital assets, not being depreciated	11,550,469	5,337,616	—	16,888,085
Capital assets, being depreciated:				
Buildings	3,247,033	—	—	3,247,033
Equipment and machinery	5,803,242	—	—	5,803,242
Total capital assets being depreciated	9,050,275	—	—	9,050,275
Less accumulated depreciation for:				
Buildings	(1,102,933)	(72,156)	—	(1,175,089)
Golf course improvements	(1,413,892)	(9,965)	—	(1,423,857)
Total accumulated depreciation	(2,516,825)	(82,121)	—	(2,598,946)
Total capital assets, being depreciated, net	\$ 6,533,450	\$ (82,121)	\$ —	\$ 6,451,329
Total	\$ 18,083,919	\$ 5,255,495	\$ —	\$ 23,339,414

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

7. LONG-TERM OBLIGATIONS

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Governmental activities:					
Revenue bonds:					
Lease revenue refunding bonds, series 2003	\$ 6,727,009	\$ —	\$ 501,253	\$ 6,225,756	\$ 515,693
Adjustable rate lease revenue refunding bonds, series 1993	800,000	—	800,000	—	—
Adjustable rate lease revenue bonds, series 2003B	14,080,000	—	330,000	13,750,000	340,000
1999 certificates of participation	7,835,000	—	215,000	7,620,000	225,000
Tax allocation refunding bonds, series 2004A	18,635,000	—	605,000	18,030,000	620,000
Capital lease:					
LaSalle national leasing	1,412,398	—	326,385	1,086,013	336,102
Compensated absences	12,056,376	7,646,892	6,662,151	13,041,117	6,180,000
Metropolitan water district loan	5,205,852	—	5,205,852	—	—
Unamortized discounts	(88,411)	—	(9,824)	(78,587)	—
Total governmental activities	<u>\$ 66,663,224</u>	<u>\$ 7,646,892</u>	<u>\$ 14,635,817</u>	<u>\$ 59,674,299</u>	<u>\$ 8,216,795</u>
Business-type activities:					
Revenue bonds:					
Lease revenue refunding bonds, series 2003 - golf	\$ 9,578,314	\$ —	\$ 713,747	\$ 8,864,567	\$ 734,307
Water revenue refunding bonds, series 2001	11,415,000	—	255,000	11,160,000	265,000
Water revenue project bonds, series 2004	46,990,000	—	925,000	46,065,000	940,000
Water revenue project bonds, series 2006	—	54,600,000	—	54,600,000	—
Wastewater revenue refunding bonds, series 2003	38,415,000	—	1,885,000	36,530,000	1,950,000
Wastewater revenue bonds, series 2004A	80,000,000	—	—	80,000,000	—
Wastewater revenue bonds, series 2004B	23,975,000	—	—	23,975,000	—
Wastewater revenue bonds, series 2006	—	12,575,000	—	12,575,000	185,000
Solid waste revenue refunding bonds, series 2005	20,955,000	—	1,575,000	19,380,000	1,645,000
2004 capital fund revenue bonds - housing authority	5,615,000	—	205,000	5,410,000	215,000
Unamortized bond premium	2,167,940	911,998	149,125	2,930,813	—
Unamortized discounts	(927,414)	—	(89,291)	(838,123)	—
Unamortized gain or loss on refunding	(3,274,773)	—	(130,991)	(3,143,782)	—
Subtotal	<u>234,909,067</u>	<u>68,086,998</u>	<u>5,487,590</u>	<u>297,508,475</u>	<u>5,934,307</u>
Capital lease:					
Residential trash collection vehicles	596,900	—	229,264	367,636	258,443
Del Norte Blvd. Improvement	556,563	—	64,051	492,512	69,143
Fifth and Del Norte improvement	934,895	—	99,706	835,189	106,623
LaSalle national leasing - solid waste	380,712	—	65,373	315,339	67,515
Compensated absences	2,339,814	1,895,476	1,810,425	2,424,865	1,120,000
Total business-type activities	<u>239,717,951</u>	<u>69,982,474</u>	<u>7,756,409</u>	<u>301,944,016</u>	<u>7,556,031</u>
Total	<u><u>\$ 306,381,175</u></u>	<u><u>\$ 77,629,366</u></u>	<u><u>\$ 22,392,226</u></u>	<u><u>\$ 361,618,315</u></u>	<u><u>\$ 15,772,826</u></u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term obligations are included as part of the above totals for the governmental activities. Changes in long-term obligations for the internal service funds for the year ended June 30, 2006, are as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Internal Service Funds:					
Compensated absences	\$ 626,932	\$ 704,542	\$ 578,931	\$ 752,543	\$ 380,000
Total	<u>\$ 626,932</u>	<u>\$ 704,542</u>	<u>\$ 578,931</u>	<u>\$ 752,543</u>	<u>\$ 380,000</u>

The following is a summary of changes in long-term obligations for each major enterprise fund for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Water fund					
Revenue refunding bonds, series 2001	\$ 11,415,000	\$ —	\$ 255,000	\$ 11,160,000	\$ 265,000
Water revenue refunding, series 2004	46,990,000	—	925,000	46,065,000	940,000
Water revenue project bonds, series 2006	—	54,600,000	—	54,600,000	—
Add: Unamortized bond premium	1,127,809	911,998	45,112	1,994,695	—
Less: Unamortized loss on refunding	(3,274,773)	—	(130,991)	(3,143,782)	—
Unamortized discounts	(172,162)	—	(6,887)	(165,275)	—
Subtotal	<u>56,085,874</u>	<u>55,511,998</u>	<u>1,087,234</u>	<u>110,510,638</u>	<u>1,205,000</u>
Compensated absences	434,940	326,236	322,974	438,202	275,003
Total	<u>\$ 56,520,814</u>	<u>\$ 55,838,234</u>	<u>\$ 1,410,208</u>	<u>\$ 110,948,840</u>	<u>\$ 1,480,003</u>
Wastewater fund					
Wastewater revenue refunding bonds, series 2003	\$ 38,415,000	\$ —	\$ 1,885,000	\$ 36,530,000	\$ 1,950,000
Wastewater revenue bonds, series 2004A	80,000,000	—	—	80,000,000	—
Wastewater revenue bonds, series 2004B	23,975,000	—	—	23,975,000	—
Wastewater revenue bonds, series 2006	—	12,575,000	—	12,575,000	185,000
Less: Unamortized discounts	(619,044)	—	(68,782)	(550,262)	—
Subtotal	<u>141,770,956</u>	<u>12,575,000</u>	<u>1,816,218</u>	<u>152,529,738</u>	<u>2,135,000</u>
Compensated absences	679,301	460,795	484,461	655,635	370,000
Total	<u>\$ 142,450,257</u>	<u>\$ 13,035,795</u>	<u>\$ 2,300,679</u>	<u>\$ 153,185,373</u>	<u>\$ 2,505,000</u>

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Solid waste fund					
Solid waste revenue refunding bonds, series 2005	\$ 20,955,000	\$ —	\$ 1,575,000	\$ 19,380,000	\$ 1,645,000
Less: Unamortized bond premium	1,040,131	—	104,013	936,118	—
Less: Unamortized discounts	(136,208)	—	(13,621)	(122,587)	—
Subtotal	21,858,923	—	1,665,392	20,193,531	1,645,000
Capital lease					
Residential trash collection vehicles	596,900	—	229,264	367,636	258,443
Del Norte Blvd. improvement	556,563	—	64,051	492,512	69,143
Fifth and Del Norte improvement	934,895	—	99,706	835,189	106,623
LaSalle national leasing	380,712	—	65,373	315,339	67,515
Compensated absences	538,323	633,969	565,205	607,087	400,100
Total	<u>\$ 24,866,316</u>	<u>\$ 633,969</u>	<u>\$ 2,688,991</u>	<u>\$ 22,811,294</u>	<u>\$ 2,546,824</u>
Performing arts and convention center fund					
Compensated absences	\$ 64,866	\$ 40,518	\$ 39,564	\$ 65,820	\$ 32,500
Total	<u>\$ 64,866</u>	<u>\$ 40,518</u>	<u>\$ 39,564</u>	<u>\$ 65,820</u>	<u>\$ 32,500</u>
Oxnard housing authority fund					
2004 capital fund revenue bonds	\$ 5,615,000	\$ —	\$ 205,000	\$ 5,410,000	\$ 215,000
Compensated absences	622,385	433,956	398,220	658,121	42,397
Total	<u>\$ 6,237,385</u>	<u>\$ 433,956</u>	<u>\$ 603,220</u>	<u>\$ 6,068,121</u>	<u>\$ 257,397</u>
Municipal golf course					
Lease revenue refunding bonds, series 2003	\$ 9,578,314	\$ —	\$ 713,747	\$ 8,864,567	\$ 734,307
Total	<u>\$ 9,578,314</u>	<u>\$ —</u>	<u>\$ 713,747</u>	<u>\$ 8,864,567</u>	<u>\$ 734,307</u>

Lease Revenue Refunding Bonds 2003, Series A

The Lease Revenue Refunding Bonds 2003 Series A are a thirteen-year bond issue with a net interest cost of 3.5904 percent. The bonds were issued to refinance the outstanding Lease Revenue Refunding Bonds Series 1993 for the 1988 Civic Center Library bonds, the 1986 River Ridge Golf Course bonds, the land acquisition bonds, the 1966 Auditorium Authority bonds and the 1972 parking authority, and to prepay the Zion Bank leases for the

Old Oxnard High School and 300 West Third Street. The refunding resulted in an economic gain of \$921,361 and an overall cash savings of \$4,922,193. The bonds were issued on May 22, 2003, with an original amount of \$18,640,000, maturing in various amounts through June 1, 2016. The total balance outstanding as of June 30, 2006, is \$15,090,323, of which \$6,225,756 is recorded within governmental activities and \$8,864,567 is recorded within business-type activities in the accompanying statement of net assets.

Adjustable Rate Lease Revenue Bonds, Series 2003 B

The Adjustable Rate Lease Revenue Bonds 2003 Series B were issued on December 1, 2003, with an original amount of \$14,750,000. These bonds are a thirty-year bond issue with a base interest of 1.45 to a maximum of 4 percent maturing in various amounts through June 1, 2033. These bonds were issued to finance the Downtown Parking Structure and a new Library. The balance outstanding as of June 30, 2006, is \$13,750,000.

1999 Certificates of Participation

The 1999 Certificates of Participation are thirty-year bonds that were issued on January 26, 1999, with an original amount of \$8,980,000 and a net interest cost of 5.04 percent. The balance outstanding and recorded as governmental activities as of June 30, 2006, is \$7,620,000.

Tax Allocation Refunding Bonds, Series 2004A

The Tax Allocation Refunding Bonds, Series 2004 A are a twenty-two-year bond issued on May 4, 2004, with an interest rate of 4.643 percent and an original amount of \$19,185,000. The bonds were issued to refinance the Tax Allocation Refunding Bonds Series 1994A and to finance additional redevelopment activities within the Central City Revitalization and Downtown Project Area. The balance outstanding as of June 30, 2006, is \$18,030,000.

Water Revenue Refunding and Project Bonds, Series 2001

On July 17, 2001, the Oxnard Financing Authority issued \$12,410,000 of Water Revenue Refunding and Project Bonds, Series 2001 with interest rate of 5.1057 percent, maturing on June 1, 2030. The proceeds from the sale of the bonds were used to refund the total outstanding principal amount of \$5,391,884 of the Water Revenue Bonds Series 1993 and the Water Capital Appreciation Bonds and to finance the cost of construction of the 2001

project. The advance refunding resulted in an economic gain of \$1,373,201 (difference between the present value of the old bonds and the present value of the new bonds), which is being amortized over the life of the original bonds, and cash flow savings of \$5,796,073. The outstanding balance on the new bonds as of June 30, 2006, is \$11,160,000.

The 2001 Project includes improvements to the City's Blending Station No. 1 Disinfection System; replacement of cast iron pipe in the City's downtown area; an upgrade of the City's Blending Station No. 1 to improve its energy efficiency; improvements to the City's Automated Meter Reading Program; replacement and upgrade of existing pipeline corrosion protection systems; and, the rehabilitation of certain water wells.

Water Revenue Project Bonds, Series 2004

On February 1, 2004, the Oxnard Financing Authority issued \$47,895,000 of Water Revenue Project Bonds, Series 2004 with an interest rate of 2 through 5 percent, maturing on June 30, 2034. The proceeds from the sale of the bonds were used to pay for the costs of improvements to the Water System, including Cast Iron Pipe Replacement (Hydraulic Improvement), Hydrant Upgrades, Hydraulic Deficiencies, Blending Station No. 3 Water Conditioning II, Blending Station No. 5, SCADA Upgrades, Phase I of the Groundwater Recovery Enhancement and Treatment Program, Automated Meter Reading Retrofit Program, and Water Well Improvement Program. The balance outstanding as of June 30, 2006, is \$46,065,000.

Water Revenue Project Bonds, Series 2006

On April 20, 2006, the Oxnard Financing Authority issued \$54,600,000 of Water Revenue Project Bonds, Series 2006 with an interest rate of 1 through 5 percent, maturing on June 1, 2036. The proceeds from the sale of the bonds were used to pay for the costs of reconstruction, repair or replacement to the water system, including SCADA system improvement, industrial lateral reconnection, aquifer storage and recovery wells, Blending Station No. 3 expansion project, downtown cast iron replacement, hydraulic deficiencies and GREAT Program. The balance outstanding as of June 30, 2006, is \$54,600,000.

Wastewater Revenue Refunding Bonds, Series 2003

The Wastewater Revenue Refunding Bonds Series 2003 are a seventeen-year bond issue with a net interest cost of 4.183 percent. The bonds were issued to refinance the Wastewater Revenue Refunding Bonds Series 1993 outstanding balances related to the 1986 Wastewater Treatment Plant

Expansion Bonds, 1985 Wastewater Treatment Plant Expansion Land Bonds and the 1977 Oxnard Port Hueneme Regional Wastewater Treatment Authority bonds. The bonds were issued on April 1, 2003, with an original amount of \$43,785,000, maturing in various amounts through June 1, 2020. The outstanding balance as of June 30, 2006, is \$36,530,000. The current refunding resulted in an economic gain of \$3,923,503 (difference between the present value of the old bonds and the present value of the new bonds) and a cash flow savings of \$4,922,193.

Wastewater Revenue Bonds, Series 2004A

On June 22, 2004, the Oxnard Financing Authority issued \$80,000,000 of Wastewater Revenue Bonds, Series 2004 A, with a fixed interest rate of 5 percent, maturing on June 30, 2034. The purpose of these bonds is to pay for the costs of the Redwood Trunk Sewer and Headworks Projects. The balance outstanding as of June 30, 2006, is \$80,000,000.

Wastewater Revenue Bonds, Series 2004B

On November 1, 2004, the Oxnard Financing Authority issued \$23,975,000 of Variable Rate Demand Wastewater Revenue Bonds, Series 2004 B, with an interest rate of 2.45 to 4.45 percent, maturing on June 1, 2033. The bond proceeds were used to finance the cost of certain capital improvements to the City's wastewater system (Headworks and Septic System Conversion Projects). The balance outstanding as of June 30, 2006, is \$23,975,000.

Wastewater Revenue Bonds, Series 2006

On April 27, 2006, the Oxnard Financing Authority issued \$12,575,000 of Wastewater Revenue Bonds (Headworks Project), Series 2006, with an interest rate of 4.25 to 5 percent, maturing on June 1, 2036. The proceeds from the sale of the bonds were used to finance the cost of certain capital improvements to the City's wastewater system (the "Headworks Project"), which is being implemented to address master-planned increases in sewer capacity needs in the north and northwest portions of the City, and to correct existing wastewater system deficiencies. The balance outstanding as of June 30, 2006, is \$12,575,000.

Solid Waste Revenue Refunding Bonds, Series 2005

On April 15, 2005, the Oxnard Financing Authority issued Solid Waste Revenue Refunding Bonds Series 2005 in the amount of \$20,955,000 with an interest rate of 3.97 to 5.00 percent maturing in various amounts on May 1, 2016. The proceeds of the bonds were used to refund the Solid Waste Revenue Bonds, Series 1995 and the additional fund of \$4,120,000 was to fund various Solid Waste equipment such as: commercial front-end loader trucks, green waste collection, refuse tractors, trailers, compactors, pickup truck and others. The bonds were issued to finance the reconstruction of the Del Norte Regional Recycling and Transfer Station. The purchase of certain solid waste transfer and materials recovery equipment and the purchase of rolling stock to be used in transferring solid waste from the Del Norte station site to a landfill for disposal. The refunding of the 1995 Bonds provided a net present value savings of \$1,200,000. The outstanding balance as of June 30, 2006, is \$19,380,000.

2004 Capital Fund Revenue Bonds

On April 25, 2004, the Affordable Housing Agency issued Affordable Housing Agency Certificates of Participation, Series 2004 (Oxnard's Santa Clara Projects) in the amount of \$10,370,000, evidencing a proportionate ownership interest in debt service payments to be made with respect to certain Capital Fund Revenue Bonds, Series 2004, issued by the Oxnard and Santa Clara Housing Authorities in the amounts of \$5,820,000 and \$4,550,000, respectively. Each certificate represents a proportionate ownership interest of the holder in the right to receive debt service payments made with respect to the bonds. The obligation of the housing authorities under their respective bond indentures are independent and neither is obligated for the payment of principal or interest on the bonds of the other housing authority. The bonds were issued to finance certain capital projects of the Housing Authority, with interest ranging from 2.00 percent to 4.95 percent, maturing on or after April 1, 2012. The outstanding balance as of June 30, 2006, is \$5,410,000.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings. Liabilities were calculated for the issues. However, the five-year reporting period has not yet occurred and therefore the amount calculated has been recorded as a liability to the IRS and maintained by the Trustee until payments are due to the IRS.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

The annual debt service requirements are shown below for all long-term debt except installment purchase obligations:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2,036,795	\$ 1,722,306	\$ 6,419,401	\$ 14,637,041
2008	2,019,822	1,653,500	6,573,449	14,157,913
2009	2,028,551	1,579,881	8,259,969	13,930,592
2010	2,100,721	1,512,271	8,569,244	13,608,377
2011	2,056,367	1,437,890	8,837,070	13,458,282
2012-2016	10,939,200	6,076,432	48,491,111	59,865,454
2017-2021	8,805,000	4,141,327	40,794,999	49,317,939
2022-2026	9,930,000	2,264,483	50,375,000	38,455,685
2027-2031	5,375,000	521,548	62,135,000	25,002,337
2032-2033	1,420,000	53,255	60,115,000	8,063,780
Totals	<u>\$ 46,711,456</u>	<u>\$ 20,962,893</u>	<u>\$ 300,570,243</u>	<u>\$ 250,497,400</u>

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

Fiscal Year	Wastewater Revenue Refunding Bonds, Series 2003		Wastewater Revenue Bonds, Series 2004A		Wastewater Revenue Bonds, Series 2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,950,000	\$ 1,717,612	\$ —	\$ 4,087,725	\$ —	\$ 1,138,813
2008	2,035,000	1,631,613	—	4,087,725	—	1,138,813
2009	2,100,000	1,565,563	—	4,087,725	820,000	1,138,813
2010	2,175,000	1,492,063	—	4,087,725	840,000	1,099,863
2011	2,240,000	1,426,813	—	4,087,725	865,000	1,059,963
2012-2016	13,025,000	5,316,763	—	20,438,625	4,700,000	4,660,700
2017-2021	13,005,000	1,665,500	4,075,000	20,438,625	5,005,000	3,477,950
2022-2026	—	—	23,630,000	17,172,285	4,020,000	2,418,225
2027-2031	—	—	30,175,000	10,627,575	4,625,000	1,408,138
2032-2036	—	—	22,120,000	2,362,418	3,100,000	297,113
Totals	<u>\$ 36,530,000</u>	<u>\$ 14,815,927</u>	<u>\$ 80,000,000</u>	<u>\$ 91,478,153</u>	<u>\$ 23,975,000</u>	<u>\$ 17,838,391</u>

Fiscal Year	Wastewater Revenue Bonds, Series 2006		Water Revenue Refunding Bonds, Series 2001		Water Revenue Project Bonds, Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 185,000	\$ 609,887	\$ 265,000	\$ 541,796	\$ 940,000	\$ 2,083,934
2008	225,000	571,313	275,000	531,196	960,000	2,065,134
2009	235,000	563,325	285,000	520,196	980,000	2,043,534
2010	240,000	554,865	300,000	508,796	1,005,000	2,020,014
2011	250,000	546,105	310,000	496,496	1,030,000	1,993,884
2012-2016	1,410,000	2,575,450	1,775,000	2,262,886	5,735,000	9,389,827
2017-2021	1,725,000	2,259,675	2,240,000	1,792,563	6,990,000	8,144,094
2022-2026	2,145,000	1,841,590	2,860,000	1,173,563	8,865,000	6,262,750
2027-2031	2,705,000	1,282,500	2,850,000	374,124	11,320,000	3,813,000
2032-2036	3,455,000	535,250	—	—	8,240,000	837,250
Totals	<u>\$ 12,575,000</u>	<u>\$ 11,339,960</u>	<u>\$ 11,160,000</u>	<u>\$ 8,201,616</u>	<u>\$ 46,065,000</u>	<u>\$ 38,653,421</u>

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

Fiscal Year	Water Revenue Refunding Bonds, Series 2006		Solid Waste Revenue Refunding Bonds, Series 2005	
	Principal	Interest	Principal	Interest
2007	\$ —	\$ 2,855,614	\$ 1,645,000	\$ 935,400
2008	—	2,656,385	1,715,000	869,600
2009	775,000	2,656,385	1,785,000	801,000
2010	800,000	2,625,385	1,875,000	711,750
2011	840,000	2,593,385	1,965,000	618,000
2012-2016	4,835,000	12,304,288	10,395,000	1,514,000
2017-2021	6,065,000	11,076,278	—	—
2022-2026	7,625,000	9,524,613	—	—
2027-2031	10,460,000	7,497,000	—	—
2032-2036	23,200,000	4,031,750	—	—
Totals	<u>\$ 54,600,000</u>	<u>\$ 57,821,083</u>	<u>\$ 19,380,000</u>	<u>\$ 5,449,750</u>

Fiscal Year	Lease Revenue Refunding Bonds, Series 2003A		Adjustable Lease Revenue Bonds, Series 2003B	
	Principal	Interest	Principal	Interest
2007	\$ 1,250,000	\$ 599,960	\$ 340,000	\$ 341,554
2008	1,305,000	549,960	350,000	334,021
2009	1,355,000	497,760	360,000	324,414
2010	1,405,000	450,335	370,000	315,472
2011	1,475,000	380,085	385,000	306,281
2012-2016	8,300,000	965,915	2,090,000	1,384,128
2017-2021	—	—	2,415,000	1,107,954
2022-2026	—	—	2,790,000	789,982
2027-2031	—	—	3,230,000	422,063
2032-2036	—	—	1,420,000	53,255
Totals	<u>\$ 15,090,000</u>	<u>\$ 3,444,015</u>	<u>\$ 13,750,000</u>	<u>\$ 5,379,124</u>

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

Fiscal Year	1999 Certificates of Participation		Tax Allocation Refunding Bonds, Series 2004A		2004 Capital Fund Revenue Bonds, Housing Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 225,000	\$ 353,460	\$ 620,000	\$ 750,599	\$ 215,000	\$ 224,682
2008	235,000	344,348	640,000	728,499	220,000	218,233
2009	245,000	334,713	665,000	702,399	225,000	211,632
2010	255,000	324,423	690,000	680,129	235,000	204,882
2011	265,000	313,585	710,000	660,509	240,000	386,450
2012-2016	1,510,000	1,378,890	3,915,000	2,914,922	1,355,000	796,450
2017-2021	1,800,000	990,138	4,590,000	2,043,236	1,690,000	463,255
2022-2026	2,100,000	542,688	5,040,000	931,814	1,230,000	62,660
2027-2031	985,000	70,775	1,160,000	28,710	—	—
Totals	<u>\$ 7,620,000</u>	<u>\$ 4,653,020</u>	<u>\$ 18,030,000</u>	<u>\$ 9,440,817</u>	<u>\$ 5,410,000</u>	<u>\$ 2,568,244</u>

Capital Lease Obligations

On September 12, 2000, the City entered into a Lease Purchase Agreement with Municipal Finance Corporation in the amount of \$1,490,000 for the acquisition of twelve residential trash collection vehicles. The lease bears an interest rate of 5.4 percent with final maturity on September 12, 2007. The outstanding balance as of June 30, 2006, is \$367,636.

On October 28, 2002, the City entered into a Lease Purchase Agreement, line of credit with Zions Bank in the amount of \$715,575, for the purpose of Del Norte Boulevard improvements, with variable interest rate, based upon a projected interest rate of 5.0 percent, final maturity on December 1, 2012. The outstanding balance as of June 30, 2006, is \$492,512.

On February 7, 2003, the City entered into a Lease Purchase Agreement with Zions Bank in the amount of \$1,118,330 for the purpose of purchasing Fifth /Del Norte Land Purchase, with an interest rate of 5.00 percent, final maturity on June 1, 2013. The outstanding balance as of June 30, 2006, is \$835,189.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

On November 20, 2003, the City entered into a Lease Purchase Agreement with LaSalle National Leasing Corporation in the amount of \$2,390,000 for various Parks equipment (\$524,000) amortized over a 4-year term at an interest rate of 2.57 percent, Fire equipment (\$1,383,000) and Solid Waste equipment (\$480,000) amortized over a 7-year period at a rate of 3.23 percent, final maturity on November 25, 2010. The outstanding balance as of June 30, 2006, is \$1,401,352.

The annual debt service requirements by year for the capital leases are as follows:

Equipment Lease Purchase LaSalle National Leasing - Total						
Fiscal Year	Principal		Interest			
2007	\$	403,876	\$	38,110		
2008		326,887		26,001		
2009		272,104		17,143		
2010		280,733		8,514		
2011		117,752		2,776		
Totals	\$	1,401,352	\$	92,544		

Fiscal Year	Residential Trash Collection Vehicles		Fifth Street/Del Norte Land Boulevard Purchase		Del Norte Boulevard Improvement	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 241,812	\$ 16,631	\$ 106,623	\$ 39,523	\$ 69,143	\$ 23,789
2008	125,824	3,397	109,818	34,152	71,461	20,303
2009	—	—	113,109	28,620	73,857	16,700
2010	—	—	116,500	22,923	76,332	12,976
2011	—	—	119,991	17,055	78,892	9,128
2012-2013	—	—	269,148	32,850	122,827	6,193
Totals	\$ 367,636	\$ 20,028	\$ 835,189	\$ 175,123	\$ 492,512	\$ 89,089

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2006.

Compensated Absences

The long-term portion of the liability was \$6,861,117 for governmental activities and \$1,304,865 for business-type activities at June 30, 2006, which is expected to be paid in future years from future resources.

Special Assessment Bonds

There are various 1915 Act Improvement Districts and Mello-Roos Community Facilities Act of 1982, within the City, which have issued special assessment or special tax debt. The debt is secured by liens or special taxes on the properties in the districts and is paid by the property owners. The City is not liable under any circumstance for the repayment of the debt, but is only acting as agent for the property owners in collecting the assessments and special taxes, forwarding the collections to fiscal agents to pay the bondholders, and initiating foreclosure proceedings, if appropriate.

Accordingly, such special assessment debt is not reflected in the accompanying basic financial statements. Special assessment debt outstanding at June 30, 2006, is as follows:

Mandalay Bay Assessment District:	
1915 Act Improvement Bonds issued April 24, 1987; original amount \$6,250,000; maximum rate 7.4%; due 2007	\$ 1,535,000
Rice Avenue/Highway 101 Assessment District:	
1915 Act Limited Obligation Bonds issued August 27, 2002 with original amount \$15,125,000; maximum rate of 5.70%; maturing in varying amounts through 2032	14,390,000
Rose Avenue/Highway 101 Assessment District:	
1915 Act Improvement Bonds issued November 1, 1996; original amount \$8,560,000; average rate of 5.50%; maturing in 2016	5,855,000
Pacific Commerce Center Assessment District:	
1915 Act Improvement Bonds issued November 1, 1996; original amount \$31,120,000; average rate of 5.17%; maturing in 2006	3,600,000
City of Oxnard Community Facilities District I:	9,740,000
City of Oxnard Community Facilities District 88-1:	1,530,000
Oxnard Boulevard Interchange Community District:	9,955,000
Oxnard Boulevard/Highway 101 Interchange:	
1915 Act Improvement Limited Obligation Bonds issued on August 14, 2003; original amount \$2,335,000; interest rate varies; the maximum rate of 6.15%; maturing in 2033	2,270,000
Community Facilities District 3 - Seabridge/Mandalay	32,275,000
	<u>\$ 81,150,000</u>
Total	

8. DEFINED BENEFIT PENSION PLAN

A. Retirement Plan Description - PERS

The City contributes to the California Public Employees' Retirement System ("PERS"), an agent multiple-employer, public employee defined benefit plan, that acts as a common investment and administrative agent for participating public entities within the State of California. The City's membership is reported within three plans classified into two categories: safety members (police and fire) and miscellaneous members (all other regular employees). The City's payroll for employees covered by PERS for the year ended June 30, 2006, was \$79,415,440; the City's total payroll was \$82,132,834. PERS issues a separate comprehensive annual financial report. Copies of PERS' annual financial report may be obtained from the PERS Executive Office, 400 "P" Street, Sacramento, CA 95814.

All personnel are eligible to participate in PERS. Benefits vest after five years of service. Employees who retire at or after age 50 with five years of credited service are entitled to retirement benefits. Monthly retirement benefits are payable for life in an amount equal to a specified percentage (ranging from 1.426 percent for employees who retire at age 50 to 2.418 percent for employees who retire at age 63 or over) for miscellaneous employees and 3 percent for police employees at age 50 and fire employees at age 55. The benefits are calculated at the highest consecutive 12 months for miscellaneous employees and safety employees.

Required employee contributions to PERS are 7 percent of compensation for miscellaneous employees and 9 percent of compensation for safety employees, which the City currently pays for regular employees. The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration.

PERS uses a modification of the entry age normal actuarial cost method, which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Annual Pension Cost

For Fiscal Year 2005-2006, the City's annual pension cost (APC) of \$21,743,117 for Public Employees Retirement System was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2005, revised actuarial assumptions and retain the entry age actuarial cost method.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

Significant actuarial assumptions across all three plans included (a) 8.25 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.75 percent to 14.2 percent (for miscellaneous employees) and from 4.27 percent to 11.59 percent (for safety employees) and that vary based on the duration of service and type of employment, and (c) 3.75 percent per year across-the-board real salary increases. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, was five years for prior service unfunded and sixteen years for remaining unfunded.

Trend Information by Plan

	Fiscal Year Ending June 30	Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police	2004	6/30/04	4,681,429	100%	\$ —
Police	2005	6/30/05	7,493,998	100%	—
Police	2006	6/30/06	9,051,159	100%	—
Fire	2004	6/30/04	1,179,214	100%	\$ —
Fire	2005	6/30/05	2,452,730	100%	—
Fire	2006	6/30/06	2,913,733	100%	—
Miscellaneous	2004	6/30/04	2,890,761	100%	\$ —
Miscellaneous	2005	6/30/05	6,015,206	100%	—
Miscellaneous	2006	6/30/06	9,778,224	100%	—

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

Contributions to PERS for the Fiscal Year ended June 30, 2006, are shown below:

	City Contributions	Employee Contributions	Total
Safety employees:			
Police	\$ 7,170,160	\$ 1,880,999	\$ 9,051,159
Fire	2,173,367	740,366	2,913,733
Total safety employees	9,343,527	2,621,365	11,964,892
Miscellaneous employees	6,257,983	3,520,241	9,778,224
Total	\$ 15,601,510	\$ 6,141,606	\$ 21,743,116

B. Public Agency Retirement System, Retirement Enhancement Plan (PARS-REP)

Plan Description - The City established a Public Agency Retirement System Retirement Enhancement Plan (PARS-REP) for selected group of miscellaneous employees (non-safety), Service Employees International Union (SEIU), International Union of Operating Engineers (IUOE), Management, and one of the two groups of Confidential employees, effective January 1, 2003. PARS is a defined benefit 401 (a) tax-qualified multiple agency trust. It meets the requirements of a pension trust under California Government code. The plan provides supplemental retirement benefits in addition to PERS. Phase II systems is the PARS Trust Administrator. Upon meeting the eligibility requirements, Plan provides a benefit equal to the “3.0% at 60” plan factor (formula is a static 3.0% at age 60 and older), less the CalPERS “2% at 55” plan factors for all years of City service plus any military service purchased through CalPERS (prior to July 1, 2003) while an employee of the City of Oxnard. Eligibility for an immediate benefit is defined as reaching age 50, completing five years of Oxnard service, and retiring concurrently from both the City and CalPERS after leaving City employment. In addition, a deferred benefit would be available to participants who complete five years of service. The City has full discretionary authority to control, amend, modify or terminate this plan at any time.

Funding Policy – Employees and the City contribute a total of 8 percent of eligible employees’ gross wages. Current employee/city contributions by employee groups are as follows: IUOE 6.65%/City 1.35%; SEIU 5%/City 3%; management and confidential employees 5%/City 3%. In addition, the City is required to contribute the remaining amounts necessary to fund the benefit to its members using the actuarial basis recommended by PARS actuarial consultants. This contribution for the fiscal year ended June 30, 2006, was 2.63 percent of eligible employee

gross wages. The City's payroll for employees covered by PARS for the year ended June 30, 2006, was \$37,655,384. PARS issues a separate comprehensive annual financial report. Copies of PARS annual financial report may be obtained from the PARS Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

PARS uses an entry age normal actuarial cost method, which is a projected benefit cost method. The chief characteristics of project benefits methods is that the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs.

Annual Pension Costs

For Fiscal Year 2005-2006, the City's annual pension cost (APC) of \$4,002,936, for Public Agency Retirement System was equal to the City's required actual contribution. The required contribution was determined as part of the June 30, 2005, actuarial assumptions and retain the entry age actuarial cost method.

Contributions to PARS for the fiscal year ended June 30, 2006, are shown below:

	City Contributions	Employee Contributions	Total
Miscellaneous employees	<u>\$ 991,501</u>	<u>\$ 3,011,435</u>	<u>\$ 4,002,936</u>

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides postemployment health care benefits to all retired employees that separate from the City, as provided under the City's contractual agreement with its recognized employee organizations. The City's maximum payment of \$48.40 increased in January 2006 to \$64.60 per month per retiree, as long as the retiree remains in a City-sponsored health plan. The benefits are funded on a pay-as-you-go basis. Postemployment health care benefits for the year ended June 30, 2006, totaled \$136,214. Currently, 199 retirees are enrolled and eligible to receive this benefit.

10. COMMITMENT AND CONTINGENCIES

There are various lawsuits and claims pending against the City. In the opinion of the City Attorney and management, none of these cases, nor the aggregate thereof, represents any substantial exposure to the City. At June 30, 2006, the City has recorded a general litigation reserve of \$1,000,000 to cover any potential exposure, which has been recorded within self-insurance claims liabilities in the accompanying basic financial statements.

The City has received several federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Based upon prior experience, the City believes such disallowance, if any, would be immaterial.

11. FUND BALANCE, RESERVES AND DESIGNATIONS - GOVERNMENTAL FUNDS

The following is a summary of reserved and unreserved fund balances. Reserved fund balances are not available for spending for the subsequent year's budget. The unreserved fund balances are further categorized into designated and undesignated. Designated fund balances represent amounts set aside for authorized projects and for management intended future use of resources. Undesignated fund balance amounts are available for current spending.

The restricted revenues of \$5,415,998 are restricted for capital improvements related to development and Community Development Commission. The following is a summary of reserved and unreserved fund balances at June 30, 2006:

	<u>General Fund</u>	<u>Development Fees Fund</u>	<u>HUD and CDBG Fund</u>	<u>State and Federal Grants Fund</u>	<u>Debt Services Fund</u>	<u>Capital Outlay Fund</u>	<u>Community Development Commission Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Reserved fund balance:									
Encumbrances	\$ 3,230,323	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,230,323
Receivables	—	—	—	—	—	—	1,095,814	—	\$ 1,095,814
Repayment of debt	—	—	—	—	1,197,830	—	—	—	1,197,830
Advances	73,035	—	—	—	—	—	—	—	73,035

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Restricted revenue	112,382	235,362	—	—	—	—	5,068,254	—	5,415,998
Carryover savings	243,109	—	—	—	—	—	—	—	243,109
Properties held for resale	—	—	—	—	—	—	4,646,071	—	4,646,071
Total reserved	3,658,849	235,362	---	---	1,197,830	---	10,810,139	---	15,902,180
Unreserved fund balance:									
Designated for authorized projects	—	28,567,809	—	1,751,046	—	23,246,053	5,866,799	5,097,552	64,529,259
Designated for community development	5,284,472	—	—	—	—	—	—	—	5,284,472
Undesignated and available for future operation	18,238,984	12,912,761	—	8,441,925	—	(14,245,707)	11,453,654	1,401,153	38,202,770
Total unreserved	23,523,456	41,480,570	—	10,192,971	—	9,000,346	17,320,453	6,498,705	108,016,501
Fund balances - unreserved:									
Designated for existing council-authorized projects	\$ —	\$ 28,567,809	\$ —	\$ 1,751,046	\$ —	\$ 23,246,053	\$ 5,866,799	\$ 5,097,552	\$ 64,529,259
Undesignated but restricted as to purpose:									
General fund:									
Administration, public safety, parks and street maintenance, recreation, and transportation services and community development									
Community development	5,284,472	—	—	—	—	—	—	—	5,284,472
Operating reserves and economic contingencies	18,693,380	—	—	—	—	—	—	—	18,693,380
Undesignated and available for future operations	(454,396)	—	—	—	—	—	—	—	(454,396)
Development fees funds:									
Quimby fees restricted solely for acquisition and development of parks	—	872,496	—	—	—	—	—	—	872,496
Parks acquisition fees restricted to acquire land and improve parks	—	310,242	—	—	—	—	—	—	310,242
Storm drain facilities fees restricted for storm drain constructions	—	4,058,772	—	—	—	—	—	—	4,058,772
Impact fees solely for traffic signals and synchronization systems	—	1,945,400	—	—	—	—	—	—	1,945,400

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Capital growth fees restricted to each residential/commercial neighborhoods	—	(299,763)	—	—	—	—	—	—	(299,763)
Capital growth fees restricted to each nonresidential/noncommercial neighborhoods	—	(156,238)	—	—	—	—	—	—	(156,238)
Utilities undergrounding fees solely for construction of underground lines	—	999,774	—	—	—	—	—	—	999,774
CUPA permit fees solely to manage hazardous materials disposal	—	71,131	—	—	—	—	—	—	71,131
Housing in-lieu fees and affordable housing fees solely for low-cost housing	—	5,110,947	—	—	—	—	—	—	5,110,947
State and Federal Grants Fund:									
State grants:									
Air pollution buy-down solely for transit projects, bicycle lanes and paths	—	—	—	1,286,870	—	—	—	—	1,286,870
Traffic congestion relief fund for improving traffic congestion in the freeway and City streets	—	—	—	605,496	—	—	—	—	605,496
Public safety retirement restricted for uniformed police and fire department	—	—	—	6,495,310	—	—	—	—	6,495,310
State assets seizure restricted to police activities	—	—	—	102,221	—	—	—	—	102,221
Federal grants:									
Federal assets seizure restricted to police activities	—	—	—	(47,972)	—	—	—	—	(47,972)
Capital outlay fund:									
This fund is solely for the acquisition and construction of street projects, civic center improvements	—	—	—	—	—	(14,245,707)	—	—	(14,245,707)

City of Oxnard, California

Notes to the Basic Financial Statements June 30, 2006

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Community development commission fund: This fund is solely for the development of blighted areas in the city and to construct capital improvement projects, provide low-cost housing to low/moderate income buyers and to grant loans	—	—	—	—	—	—	11,453,654	—	11,453,654
Non-major governmental funds: State gas tax restricted for street improvements and maintenance	—	—	—	—	—	—	—	(1,816,991)	(1,816,991)
Traffic safety fund restricted to maintenance of traffic signals, equipment and devices	—	—	—	—	—	—	—	111,383	111,383
Transportation development (TDA) restricted for street maintenance and improvements	—	—	—	—	—	—	—	53,678	53,678
Landscape maintenance districts restricted to waterways and landscape maintenance to various assessment districts	—	—	—	—	—	—	—	3,053,083	3,053,083
Subtotals	\$ 23,523,456	\$ 41,480,570	\$ —	\$ 10,192,971	\$ —	\$ 9,000,346	\$ 17,320,453	\$ 6,498,705	\$ 108,016,501
Total fund balances	\$ 27,182,305	\$ 41,715,932	\$ —	\$ 10,192,971	\$ 1,197,830	\$ 9,000,346	\$ 28,130,592	\$ 6,498,705	\$ 123,918,681

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

12. NET ASSETS - PROPRIETARY FUNDS AND GOVERNMENTAL ACTIVITIES

The following is a summary of net assets (restricted and unrestricted) which are included in the Fund Financial Statements for proprietary funds at June 30, 2006:

	Enterprise Funds						Governmental Activities - Internal Service Funds	
	Water	Wastewater	Solid Waste	Performing Arts and Convention Center	Housing Authority	Municipal Golf Course		Total
Invested in capital assets (net of related debt)	\$ 53,103,627	\$ 61,712,102	\$ 10,786,586	\$ 47,071	\$ 16,509,315	\$ 12,618,447	\$ 154,777,148	\$ 1,318,043
Restricted:								
Repayment of debt	9,349,251	—	2,199,513	—	—	1,856,400	13,405,164	—
Total restricted	9,349,251	—	2,199,513	—	—	1,856,400	13,405,164	—
Unrestricted:								
Capital assets replacements	—	—	—	—	—	—	—	—
Authorized projects	62,908,750	55,510,421	3,597,170	—	—	3,639,877	125,656,218	955,686
Undesignated	(37,666,890)	10,138,916	(4,329,751)	(202,526)	(660,551)	(9,913,090)	(42,633,892)	62,586
Total unrestricted	25,241,860	65,649,337	(732,581)	(202,526)	(660,551)	(6,273,213)	83,022,326	1,018,272
Total net assets	\$ 87,694,738	\$ 127,361,439	\$ 12,253,518	\$ (155,455)	\$ 15,848,764	\$ 8,201,634	\$ 251,204,638	\$ 2,336,315

13. RISK MANAGEMENT

General Liability

The City is self-insured for general liability claims up to \$1 million. The City is covered through BICEP for claims between \$1 million and \$25 million. Self-insured general liability claims are administered through a claims adjuster, with the City Attorney's approval for larger settlements. Litigated claims are settled directly through the City Attorney's Office.

The City's contribution to the Big Independent Cities Excess Pool (BICEP) for general liability coverage in Fiscal Year 2005-2006 was \$862,886 which includes a pure premium adjustment of \$27,856. BICEP information, a pooled liability insurance program for medium to large cities, can be obtained at 1100 South Flower Street, Suite 2100, Los Angeles, CA 90015, telephone number (213) 748-0066.

Workers' Compensation

The City is self-insured for workers' compensation claims up to \$500,000. For claims over \$500,000, the City has purchased excess workers' compensation insurance through BICEP. The claims are processed by a third party administrator similar to general liability claims.

Within the City's self-insured program for workers' compensation, there has been an average of 303 claims per year filed for the past four years, with an average of approximately \$2,948,585 per year in total reported losses as of June 30, 2006, (at an average of \$9,723 per claim). During the same four-year period, the average claims filed each year for general liability amounted to 251 claims totaling \$1,920,782 per year (at an average of \$7,653 per claim). In addition, there have been no insurance settlements that have exceeded the City's insurance coverage for each of the past three years.

All funds of the City participate in the program and make payments to an internal service fund on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of \$16,600,006 (Workers' Compensation-\$11,809,973 and Public Liability and Property Damage-\$4,790,033) recorded at June 30, 2006, is based on results of actuarial studies and includes an estimate for claims incurred but not reported at the balance sheet date. Claims liabilities are calculated considering the effects of inflation, recent claims settlement trends including frequency and amount of payouts and other economic and societal factors. General liability and workers' compensation liabilities are carried at present value using a discount rate of 3.0 percent. In addition, the City is in compliance with the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

City of Oxnard, California

Notes to the Basic Financial Statements
June 30, 2006

The following schedule presents the changes in self-insurance claims liabilities for the past two years for the Workers' Compensation Fund and Public Liability and Property Damage Fund:

	Workers' Compensation		Public Liability and Property Damage		Total	
	FY 05-06	FY 04-05	FY 05-06	FY 04-05	FY 05-06	FY 04-05
Unpaid claims and claims adjustment expenses - July 1	<u>\$ 12,381,899</u>	<u>\$ 10,290,798</u>	<u>\$ 4,044,440</u>	<u>\$ 2,772,917</u>	<u>\$ 16,426,339</u>	<u>\$ 13,063,715</u>
Incurred claims and claims adjustment expenses:						
Increase/decrease in provision for insured events	(676,236)	756,144	(404,004)	(79,147)	(1,080,240)	676,997
Increase/Decrease in actuarially incurred but not reported claims (IBNR)	<u>104,310</u>	<u>1,784,957</u>	<u>1,149,597</u>	<u>1,350,670</u>	<u>1,253,907</u>	<u>3,135,627</u>
Total incurred claims and claims adjustment expenses	<u>(571,926)</u>	<u>2,541,101</u>	<u>745,593</u>	<u>1,271,523</u>	<u>173,667</u>	<u>3,812,624</u>
Unpaid claims and claims adjustment expenses - June 30	<u><u>\$ 11,809,973</u></u>	<u><u>\$ 12,831,899</u></u>	<u><u>\$ 4,790,033</u></u>	<u><u>\$ 4,044,440</u></u>	<u><u>\$ 16,600,006</u></u>	<u><u>\$ 16,876,339</u></u>

14. ACCUMULATED FUND DEFICITS

As of June 30, 2006, the City has fund deficits in the Performing Arts and Convention Center of \$155,455 and in the Workers' Compensation Fund of \$2,696,354. The City intends to eliminate these deficits through increased user charges in future years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Oxnard, California

Required Supplementary Information
Schedule of Funding Progress (Dollars in Thousands)
For the Year Ended June 30, 2006

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
Police						
06/30/03	\$ 105,659	\$ 125,298	\$ 19,639	84.3%	\$ 14,783	132.8%
06/30/04	113,060	137,184	24,124	82.4%	16,902	142.7%
06/30/05	124,301	153,698	29,397	80.9%	18,959	155.1%
Fire						
06/30/03	1,045,896	1,248,173	202,277	83.8%	154,385	131.0%
06/30/04	4,424,587	5,383,922	959,335	82.2%	575,296	166.8%
06/30/05	5,295,150	6,367,049	1,071,899	83.2%	664,168	161.4%
Miscellaneous						
06/30/03	166,713	183,219	16,506	91.0%	41,622	39.7%
06/30/04	175,702	197,607	21,905	88.9%	42,957	51.0%
06/30/05	189,556	217,734	28,178	87.1%	46,873	60.1%

GENERAL FUND

The General Fund is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund. Principal sources of revenues are property taxes, sales tax, license and permits, state shared revenues, and billings for outside and interfund services. Primary expenditures in the General Fund are made for general administration, police and fire protection, parks maintenance, streets and transportation services, and community development.

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Taxes:				
Property tax	\$ 30,486,000	\$ 30,486,000	\$ 33,020,163	\$ 2,534,163
Sales tax	24,620,000	24,620,000	23,985,182	(634,818)
Transient occupancy tax	2,509,000	2,509,000	3,309,716	800,716
Other taxes:				
Franchise tax	4,952,700	4,952,700	3,914,317	(1,038,383)
Business license (net of refund)	5,085,000	5,085,000	4,470,841	(614,159)
Deed transfer tax	1,142,500	1,142,500	1,230,768	88,268
Total other taxes	11,180,200	11,180,200	9,615,926	(1,564,274)
Penalties/interest on delinquencies	183,000	183,000	132,403	(50,597)
Total taxes	68,978,200	68,978,200	70,063,390	1,085,190
Licenses and permits	2,768,053	2,868,053	5,390,754	2,522,701
Intergovernmental				
State shared revenue:				
Homeowners property tax relief	265,000	265,000	261,099	(3,901)
State mandated reimbursement - SB 90	75,000	75,000	442,240	367,240
POST reimbursement	66,000	66,000	105,750	39,750
Motor vehicle in lieu of tax	2,510,900	2,510,900	1,155,252	(1,355,648)
Off highway vehicle in lieu of tax	9,300	9,300	2,879	(6,421)
Public safety augmentation	1,215,800	1,215,800	1,213,013	(2,787)
AB 1191	75,000	75,000	32,419	(42,581)
Total state shared revenues	4,217,000	4,217,000	3,212,652	(1,004,348)
Local shared revenue:				
Infrastructure use revenues	2,109,146	2,109,146	2,109,146	—
Indirect cost reimbursements	5,344,432	5,344,432	5,920,069	575,637
Total local shared revenues	7,453,578	7,453,578	8,029,215	575,637
Total intergovernmental	11,670,578	11,670,578	11,241,867	(428,711)

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
CHARGES FOR SERVICES				
General government	330,323	330,323	303,031	(27,292)
Public safety	1,784,148	2,013,183	2,687,178	673,995
Parks and recreation	552,313	552,313	736,878	184,565
Community development	2,126,562	2,301,062	5,368,668	3,067,606
Other current service charges	368,100	656,173	1,203,700	547,527
Tipping fees	110,000	110,000	110,000	—
Miscellaneous service charges	167,150	167,150	412,996	245,846
Services to other programs	3,635,065	3,635,065	3,613,421	(21,644)
Total charges for services	9,073,661	9,765,269	14,435,872	4,670,603
Fines and forfeitures:				
Parking fines	634,000	634,000	736,692	102,692
Total fines and forfeitures	634,000	634,000	736,692	102,692
Interest	1,947,990	1,947,990	1,924,443	(23,547)
Miscellaneous:				
Rent and royalties	16,600	16,600	15,562	(1,038)
Reimbursements	215,600	215,600	653,268	437,668
Contributions and donations	72,482	72,482	29,126	(43,356)
Payments on loans	1,700,000	1,700,000	1,963,760	263,760
Other	3,273,063	3,339,063	3,109,669	(229,394)
Special assessments - other	770,950	557,915	200,928	(356,987)
Sale of fixed assets				
Sale of vehicle/equipment	80,000	80,000	101,413	21,413
Sale of real properties	1,600,000	1,867,462	3,449	(1,864,013)
Sale of unclaimed property	7,000	7,000	9,960	2,960
Total sale of fixed assets	1,687,000	1,954,462	114,822	(1,839,640)
Total miscellaneous	7,735,695	7,856,122	6,087,135	(1,768,987)
Total revenues	102,908,177	103,720,212	109,880,153	6,159,941

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
EXPENDITURES				
General government:				
Legislative				
City Council	354,880	356,162	342,490	13,672
City Treasurer	579,558	590,784	597,188	(6,404)
City Clerk	431,315	444,022	436,673	7,349
Total legislative	1,365,753	1,390,968	1,376,351	14,617
Administrative and support services				
City Manager	1,390,239	1,434,242	1,430,638	3,604
City Attorney	1,556,251	1,679,572	1,506,864	172,708
Financial Services	3,933,206	4,070,864	4,088,647	(17,783)
Human Resources	1,065,230	1,117,048	1,163,196	(46,148)
Non-departmental	17,005,451	12,275,827	11,202,266	1,073,561
Amount reclassified as transfers out	(4,984,125)	(5,170,860)	(5,365,334)	194,474
Amount reclassified as transfer to COFA	(2,749,810)	(2,749,810)	(2,749,810)	—
Amount estimated for CDC loans	(1,030,560)	(1,030,560)	(1,030,560)	—
Subtotal	8,240,956	3,324,597	2,056,562	1,268,035
Total administrative and support services	16,185,882	11,626,323	10,245,907	1,380,416
Other	97,000	97,000	124,236	(27,236)
Total general government	17,648,635	13,114,291	11,746,494	1,367,797
Public Safety:				
Police	38,933,820	41,445,956	43,722,376	(2,276,420)
Fire	10,451,368	11,869,934	12,539,410	(669,476)
Total Public Safety	49,385,188	53,315,890	56,261,786	(2,945,896)
Transportation:				
Transportation planning and engineering	1,929,121	2,182,014	2,070,327	111,687
Engineering services - design	1,077,716	1,085,394	1,175,435	(90,041)
Public services administration	383,538	388,714	389,429	(715)
Street lighting - SCE	1,291,389	1,291,389	1,051,363	240,026
Total transportation	4,681,764	4,947,511	4,686,554	260,957

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Community development:				
Planning and environmental services	1,787,510	5,222,039	2,049,196	3,172,843
Economic development and tourism service	641,998	641,998	641,998	—
Development and construction services	3,267,589	3,529,732	3,344,976	184,756
Development support/public projects	463,606	476,695	395,334	81,361
Housing services	221,246	228,233	205,850	22,383
Neighborhood services	255,528	274,883	284,254	(9,371)
Human services	2,447,267	2,565,109	2,509,719	55,390
Total community development	9,084,744	12,938,689	9,431,327	3,507,362
Culture and leisure:				
Recreation services	2,447,601	2,616,435	2,821,509	(205,074)
Carnegie art museum	383,305	410,860	379,021	31,839
Parks and public grounds	6,776,131	7,268,106	9,272,045	(2,003,939)
Total culture and leisure	9,607,037	10,295,401	12,472,575	(2,177,174)
Library services:				
Library services	4,022,579	4,174,491	4,214,038	(39,547)
Total library services	4,022,579	4,174,491	4,214,038	(39,547)
Capital outlay:				
General government				
Legislative	5,500	5,500	—	5,500
Administration and support services	55,000	76,835	27,235	49,600
Public safety				
Police	867,427	1,428,573	1,240,913	187,660
Fire	142,509	77,509	30,030	47,479
Transportation	90,000	90,000	16,814	73,186
Community development				
Development and construction services	40,000	60,291	—	60,291
Human services	—	40,000	450	39,550
Neighborhood services	5,000	5,000	—	5,000
Culture and leisure				
Recreation services	—	40,000	40,000	—
Parks and public grounds	171,365	186,365	164,414	21,951

City of Oxnard, California

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Library services	7,708	7,708	—	7,708
Savings carryover	—	336,510	78,492	258,018
Total capital outlay	1,384,509	2,354,291	1,598,348	755,943
Total operating expenditures	95,814,456	101,140,564	100,411,122	729,442
Excess (deficiency) of revenues over expenditures and other financing uses	7,093,721	2,579,648	9,469,031	6,889,383
Other financing uses:				
Transfers in:	2,311,750	2,311,750	2,430,023	118,273
Transfers out:				
Capital outlay fund	(1,184,220)	(1,358,720)	(1,553,194)	194,474
City of Oxnard financing authority	(2,749,810)	(2,749,810)	(2,749,810)	—
Traffic safety fund	(1,179,773)	(1,179,773)	(1,179,773)	—
Golf course fund	(550,000)	(550,000)	(550,000)	—
PACC operating fund	(1,563,632)	(1,575,867)	(1,575,867)	—
Internal service fund	(506,500)	(506,500)	(506,500)	—
Total transfers out	(7,733,935)	(7,920,670)	(8,115,144)	194,474
Total other financing uses	(5,422,185)	(5,608,920)	(5,685,121)	76,201
Net change in fund balances	1,671,536	(3,029,272)	3,783,910	6,813,182
Fund balances, July 1	25,744,810	10,799,055	23,398,395	12,599,340
Fund balances, budgetary basis, June 30	\$ 27,416,346	\$ 7,769,783	\$ 27,182,305	\$ 19,412,522

MAJOR SPECIAL REVENUE FUNDS

The Major Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects funds that are legally restricted to expenditures for particular purposes).

Park Fees Quimby Reserve Fund—As a result of the passage of the Quimby Act of 1965, the City requires that a developer set aside land or pay fees in lieu of land dedication. Park fees are earmarked primarily for the acquisition and development of neighborhood parks within the City.

Parks Acquisition and Development Fund—This fund is used to account for park and recreation facilities fees assessed on new developments on a per unit basis. Park development revenues are set aside for the acquisition of land and improvement of the City's park facilities.

Storm Drain Facilities Fund—This fund is used to account for revenue and expenditures related to the installation of storm drainage facilities from all new property developments.

Circulation System Improvement Fees—This fund is used to provide an additional funding source necessary to meet the need for circulation system improvements. This fee is assessed on new developments and calculated based on the expected number of trips daily. Funds collected from this fee can only be used to fund projects included in the 5-Year Circulation Improvement List.

Capital Growth Fee Funds—These funds were established to account for capital growth fees collected and to pay for community development expenditures designated to each community sector responsible for the growth:

- Capital Growth Fee Fund–Residential—Used to account for all developments/improvements in a residential area;
- Capital Growth Fee Fund–Non-Residential—Used to account for all developments/improvements in commercial and industrial areas.

Utility Undergrounding Fees Fund—This fund is used to account for utility undergrounding fees collected by the City in lieu of undergrounding existing overhead utility lines. These funds are restricted for the construction of utility undergrounding projects.

Housing In-Lieu Fees Fund—This fund is used to account for fees collected in lieu of the affordable housing requirement for housing development. This fund was created in April 1999.

Community Development Block Grants (CDBG) and HUD Home Loan—To account for Federal entitlements received by the City from CDBG for the purpose of developing a viable urban community, providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. Funds are allocated and administered by the U.S. Department of Housing and Urban Development (HUD).

State and Federal Grants Funds—These funds account for the receipt and expenditures of monies received from State and federal grants in aid.

City of Oxnard, California

Development Fees Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Licenses and permits	\$ 651,896	\$ 651,896	\$ 546,418	\$ (105,478)
Intergovernmental	32,810	32,810	32,810	—
Growth and development fees	9,211,000	10,711,000	9,601,485	(1,109,515)
Charges for services	566,421	566,421	1,346,203	779,782
Miscellaneous	—	21,460	32,382	10,922
Total Revenues	10,462,127	11,983,587	11,559,298	(424,289)
EXPENDITURES				
Public safety	636,896	637,798	625,176	12,622
Community development	2,520	635,084	620,021	15,063
Capital outlay	4,812,274	35,621,478	6,435,575	29,185,903
Total expenditures	5,451,690	36,894,360	7,680,772	29,213,588
Excess (deficiency) of revenues over (under) expenditures	5,010,437	(24,910,773)	3,878,526	28,789,299
Other financing sources (uses):				
Transfers out	(670,970)	(670,970)	(670,970)	—
Total other financing sources (uses):	(670,970)	(670,970)	(670,970)	—
Net change in fund balances	4,339,467	(25,581,743)	3,207,556	28,789,299
Fund balances, July 1	4,182,324	(39,781,717)	38,508,376	78,290,093
Fund balances, June 30	\$ 8,521,791	\$ (65,363,460)	\$ 41,715,932	\$ 107,079,392

City of Oxnard, California

HUD & CDBG Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES:				
Intergovernmental	\$ 4,308,587	\$ 5,869,614	\$ 4,316,996	\$ (1,552,618)
Total revenues	<u>4,308,587</u>	<u>5,869,614</u>	<u>4,316,996</u>	<u>(1,552,618)</u>
EXPENDITURES				
General government	—	—	247,554	(247,554)
Public safety	—	—	186,330	(186,330)
Community development	2,943,142	3,994,576	1,611,878	2,382,698
Culture and leisure	20,368	20,368	217,896	(197,528)
Capital outlay	1,582,450	4,180,440	2,053,338	2,127,102
Total expenditures	<u>4,545,960</u>	<u>8,195,384</u>	<u>4,316,996</u>	<u>3,878,388</u>
Net change in fund balances	(237,373)	(2,325,770)	—	(2,325,770)
Fund balances, July 1	<u>718,628</u>	<u>(14,674,817)</u>	<u>—</u>	<u>(14,674,817)</u>
Fund balances (deficit), June 30	<u>\$ 481,255</u>	<u>\$ (17,000,587)</u>	<u>\$ —</u>	<u>\$ (17,000,587)</u>

City of Oxnard, California

*State and Federal Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
For the Year Ended June 30, 2006*

	Final Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	\$ 11,012,962	\$ 11,012,962	\$ 11,097,143	\$ 84,181
Intergovernmental	28,000	9,779,366	8,275,048	(1,504,318)
Fines and forfeitures	—	40,456	70,101	29,645
Interest	—	139,543	261,617	122,074
Miscellaneous	118,000	124,402	692,598	568,196
Total revenues	11,158,962	21,096,729	20,396,507	(700,222)
EXPENDITURES				
Public safety	10,973,564	12,912,021	11,911,888	1,000,133
Transportation	282,000	1,343,256	141,456	1,201,800
Community development	—	124,000	336,616	(212,616)
Culture and leisure	67,398	1,658,865	1,267,269	391,596
Capital outlay	96,173	2,498,302	6,350,440	(3,852,138)
Total expenditures	11,419,135	18,536,444	20,007,669	(1,471,225)
Net change in fund balances	(260,173)	2,560,285	388,838	2,171,447
Other financing sources (uses):				
Operating transfers out:	—	—	(808,273)	(808,273)
Total other financing sources (uses)	—	—	(808,273)	(808,273)
Net change in fund balances	(260,173)	2,560,285	(419,435)	(2,979,720)
Fund balances, July 1	(23,721,789)	(23,721,789)	10,612,406	34,334,195
Fund balances (deficit), June 30	\$ (23,981,962)	\$ (21,161,504)	\$ 10,192,971	\$ 31,354,475

NON-MAJOR SPECIAL REVENUE FUNDS

NON-MAJOR SPECIAL REVENUE FUNDS

State Gas Tax Fund—This fund is used to account for the allocated share of Gas Tax Revenue received by the City from the State of California. Spending of gas tax is legally restricted by the State to be used for maintenance and improvement of public streets, in accordance with Section 2106, 2107, 2107.5 of the Streets and Highways Code.

Traffic Safety Fund—This fund is used to account for shared revenues received from fines and forfeitures under the State of California Vehicle Code. Fund is restricted to be expended only for improvement and maintenance of traffic control equipment/devices.

Transportation Development Fund—In July 1972, the State of California enacted the Transportation Development Act (known as TDA:SB325). A Local Transportation Fund (LTF) was created for each county to disburse TDA revenues derived from 1/4 cent of the 6 1/4 percent State Retail Sales Tax. Apportionments are locally administered by the Southern California Association of Governments (SCAG) and Ventura County Transportation Commission (VCTC). This fund is used to account for this revenue and restrict the use for street maintenance and road improvements, and construction of pedestrian and bike facilities.

Maintenance Assessment District—To account for assessment revenues and expenditures related to waterways and landscape maintenance of various district areas in the City. Maintenance work is undertaken by the City. Lot owners within the affected district areas are assessed a maintenance fee based on estimated maintenance cost per lot square footage.

City of Oxnard, California

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
ASSETS					
Cash and cash equivalents	\$ 795,115	\$ 111,384	\$ 2,849,784	\$ 3,185,428	\$ 6,941,711
Accounts and other receivables	7,795	(1)	3,283	—	11,077
Total assets	<u>802,910</u>	<u>111,383</u>	<u>2,853,067</u>	<u>3,185,428</u>	<u>6,952,788</u>
LIABILITIES					
Accounts payable	141,040	—	98,128	132,346	371,514
Other liabilities	—	—	(1,735)	—	(1,735)
Deferred revenues	—	—	84,304	—	84,304
Total liabilities	<u>141,040</u>	<u>—</u>	<u>180,697</u>	<u>132,346</u>	<u>454,083</u>
FUND BALANCES					
Unreserved:					
Designated for authorized projects	2,478,861	—	2,618,691	—	5,097,552
Undesignated	(1,816,991)	111,383	53,679	3,053,082	1,401,153
Total fund balances	<u>661,870</u>	<u>111,383</u>	<u>2,672,370</u>	<u>3,053,082</u>	<u>6,498,705</u>
Total liabilities and fund balances	<u>\$ 802,910</u>	<u>\$ 111,383</u>	<u>\$ 2,853,067</u>	<u>\$ 3,185,428</u>	<u>\$ 6,952,788</u>

City of Oxnard, California

Combining Statements of Revenues, Expenditures and Changes in Fund Balances
 Governmental Non-Major Funds
 For the Year Ended June 30, 2006

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
REVENUES					
Intergovernmental	\$ 3,463,867	\$ —	\$ 3,850,688	\$ 287,955	\$ 7,602,510
Charges for services	—	114,866	150,286	—	265,152
Fines and forfeitures	—	513,989	—	—	513,989
Interest	25,347	—	82,374	86,946	194,667
Special assessments	—	—	—	2,346,088	2,346,088
Miscellaneous	522,806	—	—	177,964	700,770
Total revenues	<u>4,012,020</u>	<u>628,855</u>	<u>4,083,348</u>	<u>2,898,953</u>	<u>11,623,176</u>
EXPENDITURES					
Current:					
Public safety	—	271,483	—	149,050	420,533
Transportation	3,475,342	682,949	573,113	694,910	5,426,314
Community development	—	—	—	1,683,251	1,683,251
Culture and leisure	—	—	—	100,753	100,753
Capital outlay	584,852	—	2,307,208	—	2,892,060
Total expenditures	<u>4,060,194</u>	<u>954,432</u>	<u>2,880,321</u>	<u>2,627,964</u>	<u>10,522,911</u>
Excess (deficiency) of revenues over expenditures	(48,174)	(325,577)	1,203,027	270,989	1,100,265
OTHER FINANCING SOURCES (USES)					
Contributions from property owners	—	—	—	1,085,000	1,085,000
Transfers in	—	1,179,773	—	—	1,179,773
Transfers out	—	—	—	(1,085,000)	(1,085,000)
Total other financing sources (uses)	<u>—</u>	<u>1,179,773</u>	<u>—</u>	<u>—</u>	<u>1,179,773</u>
Net change in fund balance	<u>(48,174)</u>	<u>854,196</u>	<u>1,203,027</u>	<u>270,989</u>	<u>2,280,038</u>
Fund balances, July 1	<u>710,044</u>	<u>(742,813)</u>	<u>1,469,343</u>	<u>2,782,093</u>	<u>4,218,667</u>
Fund balances (deficit), June 30	<u>\$ 661,870</u>	<u>\$ 111,383</u>	<u>\$ 2,672,370</u>	<u>\$ 3,053,082</u>	<u>\$ 6,498,705</u>

City of Oxnard, California

Gas Tax - Non-major Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Intergovernmental	\$ 4,367,878	\$ 4,367,878	\$ 3,463,867	\$ (904,011)
Interest	107,980	107,980	25,347	(82,633)
Miscellaneous	226,000	226,000	522,806	296,806
Total revenues	4,701,858	4,701,858	4,012,020	(689,838)
EXPENDITURES				
Transportation	3,438,858	3,466,185	3,475,342	(9,157)
Capital outlay	1,263,000	3,063,723	584,852	2,478,871
Total expenditures	4,701,858	6,529,908	4,060,194	2,469,714
Excess (deficiency) of revenues over expenditures	—	(1,828,050)	(48,174)	1,779,876
OTHER FINANCING SOURCES (USES)				
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total other financing sources (uses)	—	—	—	—
Net change in fund balances	—	(1,828,050)	(48,174)	1,779,876
Fund balance, July 1	2,017,677	(9,196,634)	710,044	9,906,678
Fund balance (deficit), June 30	\$ 2,017,677	\$ (11,024,684)	\$ 661,870	\$ 11,686,554

City of Oxnard, California

Traffic Safety - Non-major Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Charges for services	\$ —	\$ —	\$ 114,866	\$ 114,866
Fines and forfeitures	550,000	550,000	513,989	(36,011)
Interest	—	—	—	—
Total revenues	550,000	550,000	628,855	78,855
EXPENDITURES				
Public safety	375,333	375,333	271,483	103,850
Transportation	602,014	602,014	682,949	(80,935)
Total expenditures	977,347	977,347	954,432	22,915
Excess (deficiency) of revenues and expenditures	(427,347)	(427,347)	(325,577)	(101,770)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,179,773	1,179,773	1,179,773	—
Transfers out	—	—	—	—
Total other financing sources (uses)	1,179,773	1,179,773	1,179,773	—
Net change in fund balances	752,426	752,426	854,196	101,770
Fund balances, July 1	708,944	53,099	(742,813)	(795,912)
Fund balances (deficit), June 30	\$ 1,461,370	\$ 805,525	\$ 111,383	\$ (694,142)

Continued -

City of Oxnard, California**Transportation Development - Non-major Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES				
Intergovernmental	\$ 2,941,500	\$ 2,773,461	\$ 3,850,688	\$ 1,077,227
Charges for services	165,000	165,000	150,286	(14,714)
Interest	69,842	69,842	82,374	12,532
Total revenues	<u>3,176,342</u>	<u>3,008,303</u>	<u>4,083,348</u>	<u>1,075,045</u>
EXPENDITURES				
Transportation	536,785	560,246	573,113	(12,867)
Capital outlay	2,439,000	5,034,897	2,307,208	2,727,689
Total expenditures	<u>2,975,785</u>	<u>5,595,143</u>	<u>2,880,321</u>	<u>2,714,822</u>
Excess (deficiency) of revenues over expenditures	200,557	(2,586,840)	1,203,027	(3,789,867)
OTHER FINANCING SOURCES (USES)				
Transfers in	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	200,557	(2,586,840)	1,203,027	3,789,867
Fund balances, July 1	(547,117)	(3,244,878)	1,469,343	4,714,221
Fund balances (deficit), June 30	<u>\$ (346,560)</u>	<u>\$ (5,831,718)</u>	<u>\$ 2,672,370</u>	<u>\$ 8,504,088</u>

Continued -

City of Oxnard, California

Maintenance Assessment District - Non-major Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Intergovernmental	\$ —	\$ —	\$ 287,955	\$ 287,955
Interest	25,000	25,000	86,946	61,946
Special assessments	3,095,129	3,095,129	2,346,088	(749,041)
Miscellaneous	—	—	177,964	177,964
Total revenues	3,120,129	3,120,129	2,898,953	(221,176)
EXPENDITURES				
Public safety	—	—	149,050	(149,050)
Transportation	347,917	954,567	694,910	259,657
Community development	2,101,354	2,142,000	1,683,251	458,749
Culture and leisure	—	—	100,753	(100,753)
Capital outlay	25,000	25,000	—	25,000
Total expenditures	2,474,271	3,121,567	2,627,964	493,603
Excess (deficiency) of revenues over expenditures	645,858	(1,438)	270,989	272,427
OTHER FINANCING USES				
Transfers in	—	—	1,085,000	1,085,000
Transfers out	—	—	(1,085,000)	(1,085,000)
Total other financing sources (uses)	—	—	—	—
Net change in fund balances	645,858	(1,438)	270,989	272,427
Fund balances, July 1	3,717,069	125,332	2,782,093	2,656,761
Fund balances (deficit), June 30	\$ 4,362,927	\$ 123,894	\$ 3,053,082	\$ 2,929,188

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources and payments of principal and interest of the City of Oxnard and related entities' general long-term debt.

Community Development Commission—Used to account for the payment of principal and interest on tax allocation bonds. Revenue is derived from the tax levies on properties within the redevelopment area.

COFA Debt Service—Used to account for the payment of principal and interest on certain certificate of participation bonds other than those accounted for in various enterprise funds (a blended Component Unit of the City of Oxnard).

City of Oxnard, California

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2006

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Taxes increments	\$ 1,370,948	\$ 1,370,948	\$ 1,370,948	\$ —
Interest	—	—	210,386	210,386
Total revenues	1,370,948	1,370,948	1,581,334	210,386
EXPENDITURES				
Debt service:				
Principal	2,777,640	2,777,640	7,983,492	(5,205,852)
Interest	1,865,893	1,865,893	1,920,662	(54,769)
Total expenditures	4,643,533	4,643,533	9,904,154	(5,260,621)
Excess (deficiency) of revenues over expenditures	(3,272,585)	(3,272,585)	(8,322,820)	5,050,235
OTHER FINANCING SOURCES (USES)				
Transfers in	3,236,004	3,236,004	8,496,625	5,260,621
Transfers out	—	—	—	—
Total other financing sources (uses)	3,236,004	3,236,004	8,496,625	5,260,621
Net change in fund balances	(36,581)	(36,581)	173,805	210,386
Fund balances, July 1	—	1,171,941	1,024,025	(147,916)
Fund balances (deficit), June 30	\$ (36,581)	\$ 1,135,360	\$ 1,197,830	\$ 62,470

INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for goods and services provided by one City department to other City departments or related entities, generally on a cost recovery basis.

Workers' Compensation Fund—This fund is used to account for the City's self-insurance program for workers' compensation claims.

Public Liability and Property Damage—This fund is used to account for the City's self-insurance program of providing public liability and property damage insurance coverage and claims adjustment services to the City's operating funds.

Utility Customer Services Fund—This fund is used to account for the costs associated with administering the operation of the Customer Services Division and to distribute these costs to the various City utilities such as water, sewer and refuse.

Information Services Fund—This fund is used to account for the costs associated with the City's data/word processing and financial systems and to distribute these costs to the departments using the systems on a pro-rata basis. Included are costs for hardware and software maintenance, computer operation costs and some centralized supplies.

Facilities Maintenance Fund—This fund is used to account for the operation and maintenance of City facilities, properties and capital projects.

Equipment Maintenance Fund—This fund is used to account for automotive fleet maintenance and services provided to City departments.

City of Oxnard, California

Internal Service Funds Combining Statement of Net Assets June 30, 2006

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
ASSETS							
Cash and cash equivalents	\$ 9,224,350	\$ 6,040,537	\$ 658,841	\$ 1,408,955	\$ 1,071,400	\$ 442,324	\$ 18,846,407
Accounts and other receivables	60,000	800	—	—	18,252	8,577	87,629
Capital assets:							
Property, plant and equipment	64,460	651,914	48,632	892,592	626,397	558,075	2,842,070
Less: accumulated depreciation	(39,764)	(13,136)	(40,879)	(650,236)	(363,262)	(416,750)	(1,524,027)
Net capital assets	24,696	638,778	7,753	242,356	263,135	141,325	1,318,043
Total assets	9,309,046	6,680,115	666,594	1,651,311	1,352,787	592,226	20,252,079
LIABILITIES							
Current liabilities:							
Accounts payable	180,315	36,340	19,234	23,409	45,682	258,235	563,215
Non-current liabilities:							
Self-insurance claims liabilities	11,809,973	4,790,033	—	—	—	—	16,600,006
Compensated absences	15,112	—	108,614	175,169	229,668	223,980	752,543
Total liabilities	12,005,400	4,826,373	127,848	198,578	275,350	482,215	17,915,764
NET ASSETS							
Invested in capital assets, net of related debt	24,696	638,778	7,753	242,356	363,635	141,324	1,418,542
Restricted, for authorized projects	—	—	—	955,686	—	—	955,686
Unrestricted	(2,721,050)	1,214,964	530,993	254,691	713,802	(31,313)	(37,913)
Total net assets	<u>\$ (2,696,354)</u>	<u>\$ 1,853,742</u>	<u>\$ 538,746</u>	<u>\$ 1,452,733</u>	<u>\$ 1,077,437</u>	<u>\$ 110,011</u>	<u>\$ 2,336,315</u>

City of Oxnard, California

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Assets

For the Year June 30, 2006

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
OPERATING REVENUES							
Charges for services	\$ 7,966,989	\$ 3,787,534	\$ 1,269,002	\$ 3,257,249	\$ 2,909,028	\$ 6,658,658	\$ 25,848,460
OPERATING EXPENSES:							
Salaries and wages	297,418	54,294	558,235	1,552,103	1,720,739	2,677,557	6,860,346
Contractual services	388,794	225,334	3,742	110,421	115,821	51,785	895,897
Operating supplies	—	—	263,213	261,256	312,190	2,794,480	3,631,139
Utilities	4,600	2,830	7,272	778,445	517,165	15,868	1,326,180
Depreciation and amortization	7,067	9,343	672	92,365	40,959	30,821	181,227
General and administrative	696,757	187,565	395,900	320,826	71,620	156,419	1,829,087
Repairs and maintenance	18,484	—	21,406	215,840	111,225	1,098,278	1,465,233
Claims expenses	3,308,837	3,146,330	—	—	—	—	6,455,167
Total operating expenses	4,721,957	3,625,696	1,250,440	3,331,256	2,889,719	6,825,208	22,644,276
Net operating income (loss)	3,245,032	161,838	18,562	(74,007)	19,309	(166,550)	3,204,184
NONOPERATING REVENUES (EXPENSES)							
Interest income	231,425	199,545	21,979	47,980	37,484	12,030	550,443
Interest (expense)	—	—	—	—	—	—	—
Total nonoperating revenues (expenses)	231,425	199,545	21,979	47,980	37,484	12,030	550,443
Income (loss) before contributions and transfers	3,476,457	361,383	40,541	(26,027)	56,793	(154,520)	3,754,627
Transfers in	1,500,000	—	—	—	—	6,500	1,506,500
Transfers out	—	(1,500,000)	—	—	—	—	(1,500,000)
Net transfers	1,500,000	(1,500,000)	—	—	—	6,500	6,500
Change in net assets	4,976,457	(1,138,617)	40,541	(26,027)	56,793	(148,020)	3,761,127
Net assets - July 1	(7,672,811)	2,992,359	498,205	1,478,760	1,020,644	258,031	(1,424,812)
Net assets - June 30	\$ (2,696,354)	\$ 1,853,742	\$ 538,746	\$ 1,452,733	\$ 1,077,437	\$ 110,011	\$ 2,336,315

City of Oxnard, California

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2006

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
Cash flows from operating activities:							
Receipts from customers	\$ 7,941,989	\$ 3,787,534	\$ 1,269,001	\$ 3,257,249	\$ 2,890,776	\$ 6,650,082	\$ 25,796,631
Payments to suppliers	(962,566)	(546,289)	(709,241)	(1,803,144)	(1,180,850)	(4,207,678)	(9,409,768)
Payments to employees	(316,444)	(54,294)	(547,455)	(1,503,810)	(1,687,262)	(2,625,470)	(6,734,735)
Claims paid	(3,880,763)	(2,400,737)	—	—	—	—	(6,281,500)
Net cash flows from operating activities	2,782,216	786,214	12,305	(49,705)	22,664	(183,066)	3,370,628
Cash flows from noncapital financing activities:							
Transfers in	1,500,000	—	—	—	—	6,500	1,506,500
Transfers out	—	(1,500,000)	—	—	—	—	(1,500,000)
Net cash flows from noncapital financing activities	1,500,000	(1,500,000)	—	—	—	6,500	6,500
Cash flows from capital and related financing activities:							
Acquisition of capital assets	(16,880)	(648,121)	(8,063)	(119,510)	(39,971)	(85,576)	(918,121)
Proceeds from capital lease	—	—	—	—	—	—	—
Net cash flows from capital and related financing activities	(16,880)	(648,121)	(8,063)	(119,510)	(39,971)	(85,576)	(918,121)
Cash flows from investing activities:							
Interest on investments	231,425	199,545	21,979	47,980	37,484	12,030	550,443
Cash flows from investing activities	231,425	199,545	21,979	47,980	37,484	12,030	550,443
Net increase(decrease) in cash and cash equivalents	4,496,761	(1,162,362)	26,221	(121,235)	20,177	(250,112)	3,009,450
Cash and investments at beginning of period	4,727,589	7,202,899	632,620	1,530,192	1,051,223	692,434	15,836,957
Cash and investments at end of period	\$ 9,224,350	\$ 6,040,537	\$ 658,841	\$ 1,408,957	\$ 1,071,400	\$ 442,322	\$ 18,846,407
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$ 3,245,032	\$ 161,838	\$ 18,562	\$ (74,006)	\$ 19,309	\$ (166,551)	\$ 3,204,184
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	7,067	9,343	672	92,365	40,959	30,821	181,227
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(25,000)	—	—	—	(18,252)	(8,577)	(51,829)
Increase (decrease) in accounts payable	146,069	(130,560)	(17,709)	(116,357)	(52,829)	(90,846)	(262,232)
Increase (decrease) in self-insured claims liabilities	(571,926)	745,593	—	—	—	—	173,667
Increase (decrease) in compensated absences	(19,026)	—	10,780	48,293	33,477	52,087	125,611
Cash flows from operating activities	\$ 2,782,216	\$ 786,214	\$ 12,305	\$ (49,705)	\$ 22,664	\$ (183,066)	\$ 3,370,628

FIDUCIARY FUNDS

City of Oxnard, California

Fiduciary Funds

Combined Statement of Changes in Assets and Liabilities

For the Fiscal Year ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
ARTWORKS FUND				
ASSETS				
Cash and cash equivalents	\$ 46,851	\$ 1,552	\$ —	\$ 48,403
Total assets	<u>\$ 46,851</u>	<u>\$ 1,552</u>	<u>\$ —</u>	<u>\$ 48,403</u>
LIABILITIES				
Trust and agency payables	\$ 46,851	\$ 1,552	\$ —	\$ 48,403
Total liabilities	<u>\$ 46,851</u>	<u>\$ 1,552</u>	<u>\$ —</u>	<u>\$ 48,403</u>
IMPROVEMENT DISTRICTS FUND				
ASSETS				
Cash and cash equivalents	\$ 13,153,917	\$ 26,897,970	\$ 29,124,557	\$ 10,927,330
Investments with fiscal agents	26,954,120	38,388,406	26,318,877	39,023,649
Total assets	<u>\$ 40,108,037</u>	<u>\$ 65,286,376</u>	<u>\$ 55,443,434</u>	<u>\$ 49,950,979</u>
LIABILITIES				
Trust and agency payables	\$ 40,108,037	\$ 65,286,376	\$ 55,443,434	\$ 49,950,979
Total liabilities	<u>\$ 40,108,037</u>	<u>\$ 65,286,376</u>	<u>\$ 55,443,434</u>	<u>\$ 49,950,979</u>
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 13,200,768	\$ 26,899,522	\$ 29,124,557	\$ 10,975,733
Investments with fiscal agents	26,954,120	38,388,406	26,318,877	39,023,649
Total assets	<u>\$ 40,154,888</u>	<u>\$ 65,287,928</u>	<u>\$ 55,443,434</u>	<u>\$ 49,999,382</u>
LIABILITIES				
Trust and agency payables	\$ 40,154,888	\$ 65,287,928	\$ 55,443,434	\$ 49,999,382
Total liabilities	<u>\$ 40,154,888</u>	<u>\$ 65,287,928</u>	<u>\$ 55,443,434</u>	<u>\$ 49,999,382</u>

STATISTICAL SECTION

The Statistical Section contains comprehensive statistical data which relates to physical, economic, social, and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the basic financial statements.

Statistical Section tables usually cover more than two fiscal years and often present data from outside the accounting records. The Statistical Section information is not subject to independent audit.

City of Oxnard, California

Schedule I
Net Assets by Component
Last Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Governmental activities:						
Investments in capital assets, net of related debt	\$ 53,182,282	\$ 56,440,149	\$ 105,248,878	\$ 104,613,981	\$ 131,874,401	\$ 1,313,161,486
Restricted	15,555,288	18,239,533	59,123,684	12,510,935	16,183,475	15,902,180
Unrestricted	48,584,003	71,775,592	16,356,191	91,002,589	80,742,442	95,688,754
Total governmental activities net assets	<u>\$ 117,321,573</u>	<u>\$ 146,455,274</u>	<u>\$ 180,728,753</u>	<u>\$ 208,127,505</u>	<u>\$ 228,800,318</u>	<u>\$ 1,424,752,420</u>
Business-type activities:						
Investments in capital assets, net of related debt	\$ 158,107,742	\$ 161,339,177	\$ 171,973,198	\$ 59,252,770	\$ 97,741,991	\$ 154,777,148
Restricted	5,841,492	2,931,639	2,714,603	7,380,620	7,696,523	13,405,164
Unrestricted	41,672,083	42,906,594	38,624,788	159,369,013	138,793,254	83,556,063
Total business-type activities net assets	<u>\$ 205,621,317</u>	<u>\$ 207,177,410</u>	<u>\$ 213,312,589</u>	<u>\$ 226,002,403</u>	<u>\$ 244,231,768</u>	<u>\$ 251,738,375</u>
Primary government:						
Investments in capital assets, net of related debt	\$ 211,290,024	\$ 217,779,326	\$ 277,222,076	\$ 163,866,751	\$ 229,616,392	\$ 1,467,938,634
Restricted	21,396,780	21,171,172	61,838,287	19,891,555	23,879,998	29,307,344
Unrestricted	90,256,086	114,682,186	54,980,979	250,371,602	219,535,696	179,244,817
Total primary government net assets	<u>\$ 322,942,890</u>	<u>\$ 353,632,684</u>	<u>\$ 394,041,342</u>	<u>\$ 434,129,908</u>	<u>\$ 473,032,086</u>	<u>\$ 1,676,490,795</u>

Source: Finance Department, City of Oxnard

City of Oxnard, California

*Schedule II
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)*

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
EXPENSES						
Governmental activities:						
General government	\$ 8,962,823	\$ 11,561,786	\$ 11,089,303	\$ 12,911,930	\$ 13,646,432	\$ 18,360,819
Public safety	43,221,741	47,675,795	51,798,458	58,758,103	68,542,046	75,789,982
Transportation	5,529,190	4,900,486	8,576,565	8,595,630	9,912,068	10,341,829
Community development	13,613,463	17,583,882	25,632,688	18,590,562	18,937,934	22,614,813
Culture and leisure	5,613,563	7,917,645	8,194,868	11,177,403	12,018,761	15,345,765
Libraries	2,629,171	2,908,754	3,115,118	3,940,974	3,919,671	4,654,234
Interest on long-term debt	2,542,778	1,811,687	2,076,882	2,305,762	2,299,356	1,904,516
Total governmental activities expenses	82,112,729	94,360,035	110,483,882	116,280,364	129,276,268	149,011,958
Business-type activities:						
Water	17,335,671	20,660,212	19,281,560	23,636,082	23,152,648	26,636,150
Wastewater	19,406,873	18,321,799	22,141,678	18,960,096	25,482,133	27,939,236
Solid waste	30,287,398	29,770,148	28,693,531	35,070,009	37,117,879	38,535,592
Performing arts and convention center	1,113,265	1,250,372	1,284,733	1,402,812	1,565,920	1,590,321
Oxnard housing authority	17,685,407	20,103,955	22,800,927	24,462,843	25,507,125	24,724,889
Municipal golf course	4,318,642	3,901,301	2,052,025	3,130,165	4,028,435	3,983,695
Total business-type activities expenses	90,147,256	94,007,787	96,254,454	106,662,007	116,854,140	123,409,883
Total primary government expenses	\$ 172,259,985	\$ 188,367,822	\$ 206,738,336	\$ 222,942,371	\$ 246,130,408	\$ 272,421,841
PROGRAM REVENUES						
Governmental activities:						
Charges for services:						
General government	8,279,046	8,609,967	12,172,573	8,044,319	8,516,015	7,864,784
Public safety	1,054,655	2,412,682	5,066,751	3,654,740	5,306,818	6,513,674
Transportation	21,323	204,005	2,079,319	1,455,304	2,468,510	4,369,882
Community development	13,502,510	12,780,422	16,018,715	16,712,568	23,822,460	24,448,745
Culture and leisure	1,216,114	1,337,193	2,343,267	1,772,109	2,725,055	928,054
Libraries	86,064	103,356	196,900	214,559	209,622	169,339
Operating grants and contributions	25,907,496	36,071,980	32,793,458	39,370,445	20,254,587	30,436,511
Capital grants and contributions	—	—	—	—	—	16,758,901
Total governmental activities program revenues	50,067,208	61,519,605	70,670,983	71,224,044	63,303,067	91,489,890

City of Oxnard, California

**Schedule II
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Business-type activities:						
Charges for services:						
Water	16,226,461	17,206,345	20,465,812	28,401,190	34,334,436	32,150,667
Wastewater	18,254,171	20,495,040	22,130,759	23,532,305	33,709,319	26,139,278
Solid waste	29,697,676	28,432,860	29,811,773	32,965,746	36,071,999	36,704,264
Performing arts and convention center	422,078	296,295	364,053	371,553	468,732	483,475
Oxnard housing authority	18,292,175	18,040,124	20,342,572	23,024,813	21,411,579	23,197,945
Municipal golf course	3,351,431	3,207,541	2,687,299	7,487,215	3,119,621	3,899,645
Operating grants and contributions	4,777,822	3,881,547	3,422,902	—	—	—
Capital grants and contributions	—	—	—	—	—	1,306,910
Total business-type activities program revenues	91,021,814	91,559,752	99,225,170	115,782,822	129,115,686	123,882,184
Total primary government program revenues	<u>\$ 141,089,022</u>	<u>\$ 153,079,357</u>	<u>\$ 169,896,153</u>	<u>\$ 187,006,866</u>	<u>\$ 192,418,753</u>	<u>\$ 215,372,074</u>
Net expense (revenue):						
Governmental activities	(32,045,521)	(32,840,430)	(39,812,899)	(45,056,320)	(65,973,201)	(57,522,068)
Business-type activities	874,558	(2,448,035)	2,970,716	9,120,815	12,261,546	472,301
Total primary government net expense	<u>\$ (31,170,963)</u>	<u>\$ (35,288,465)</u>	<u>\$ (36,842,183)</u>	<u>\$ (35,935,505)</u>	<u>\$ (53,711,655)</u>	<u>\$ (57,049,767)</u>
GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS						
Governmental activities:						
Taxes:						
Property taxes	23,484,567	25,873,406	30,115,989	35,245,432	49,096,920	58,537,770
Sales taxes	18,140,143	19,846,352	20,775,896	22,772,358	23,212,641	23,985,182
Transient occupancy taxes	2,328,218	2,321,758	2,247,831	2,222,553	2,445,468	3,309,716
Franchise taxes	4,807,104	7,085,201	2,830,462	3,718,917	4,572,206	3,914,317
Deed transfer taxes	583,617	555,249	573,234	1,159,215	1,196,393	1,230,768
Business license taxes	2,203,188	3,194,683	—	4,386,245	3,967,972	4,470,841
Penalties on delinquent taxes	90,164	182,230	190,546	181,655	126,250	132,403
Investment earnings	4,389,201	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461
Sale of capital assets	—	—	—	—	—	7,146,270
Transfers	(1,463,398)	(1,672,830)	(1,236,947)	(1,778,579)	(1,882,942)	(2,280,393)
Total governmental activities	<u>54,562,804</u>	<u>61,974,131</u>	<u>59,355,989</u>	<u>72,455,072</u>	<u>86,646,014</u>	<u>105,307,335</u>

City of Oxnard, California

*Schedule II
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)*

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Business-type activities:						
Investment earnings	—	2,331,298	1,927,516	2,080,206	4,486,577	4,753,913
Transfers	1,463,398	1,672,830	1,236,947	1,488,793	1,481,242	2,280,393
Total business-type activities	1,463,398	4,004,128	3,164,463	3,568,999	5,967,819	7,034,306
Total primary program	<u>\$ 56,026,202</u>	<u>\$ 65,978,259</u>	<u>\$ 62,520,452</u>	<u>\$ 76,024,071</u>	<u>\$ 92,613,833</u>	<u>\$ 112,341,641</u>
Change in net assets:						
Governmental activities	22,517,283	29,133,701	19,543,090	27,398,752	20,672,813	47,785,267
Business-type activities	2,337,956	1,556,093	6,135,179	12,689,814	18,229,365	7,506,607
Total primary government program	<u>\$ 24,855,239</u>	<u>\$ 30,689,794</u>	<u>\$ 25,678,269</u>	<u>\$ 40,088,566</u>	<u>\$ 38,902,178</u>	<u>\$ 55,291,874</u>

City of Oxnard, California

***Schedule III
Fund Balances of Governmental Funds
Last Six Fiscal Years
(Accrual Basis of Accounting)***

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General fund						
Reserved	\$ 1,631,586	\$ 1,870,298	\$ 3,211,597	\$ 1,180,342	\$ 4,201,060	\$ 3,658,849
Unreserved	19,864,559	25,526,320	24,597,396	25,398,644	19,197,335	23,523,456
Total general fund	21,496,145	27,396,618	27,808,993	26,578,986	23,398,395	27,182,305
All other governmental funds						
Reserved	13,838,262	13,887,599	8,486,307	11,330,593	11,982,415	12,243,331
Unreserved, reported in:						
Special revenue funds	32,000,890	37,036,381	45,814,074	55,595,303	53,104,087	58,172,246
Capital projects funds	12,487,381	12,639,137	12,974,002	21,790,919	22,103,670	26,320,799
Total all other governmental funds	<u>\$ 58,326,533</u>	<u>\$ 63,563,117</u>	<u>\$ 67,274,383</u>	<u>\$ 88,716,815</u>	<u>\$ 87,190,172</u>	<u>\$96,736,376</u>

1. The increase in reserved fund balance in Fiscal Year 2005-06 is explained in the Management Discussion and Analysis.

Source: Finance Department, City of Oxnard

City of Oxnard, California

**Schedule IV
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
REVENUES						
Taxes	\$ 51,637,001	\$ 59,058,879	\$ 59,303,485	\$ 69,686,376	\$ 84,617,850	\$ 95,580,997
Licenses and permits	2,211,303	1,987,392	2,862,476	2,182,715	2,116,934	5,937,172
Intergovernmental	27,714,568	37,691,308	38,508,559	40,834,560	27,036,948	31,543,392
Growth and development fees	8,049,376	7,432,528	8,796,590	9,004,335	10,061,956	9,616,234
Charges for services	6,070,045	7,908,643	12,022,652	11,105,208	15,358,432	14,721,778
Fines and forfeitures	1,284,259	1,411,837	853,188	1,198,456	1,248,242	1,320,782
Interest	4,389,201	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461
Special assessments	1,250,930	1,515,592	1,727,674	2,089,097	2,240,492	2,346,088
Miscellaneous	3,486,727	3,572,305	3,055,944	4,809,675	5,240,064	10,352,424
Total revenues	<u>106,093,410</u>	<u>125,166,566</u>	<u>130,989,546</u>	<u>145,457,698</u>	<u>151,832,024</u>	<u>176,279,328</u>
EXPENDITURES						
General government	7,713,044	9,786,593	9,781,192	11,444,213	11,788,754	11,994,048
Public safety	40,353,308	44,560,812	48,494,541	55,856,590	64,312,956	69,405,713
Transportation	5,384,755	4,743,755	8,409,737	8,108,305	9,709,306	10,254,324
Community development	13,031,954	17,413,069	20,454,657	17,912,245	18,597,956	22,100,626
Culture and leisure	7,799,434	10,362,084	7,811,085	10,824,801	11,520,103	14,366,317
Library services	—	—	2,991,509	3,818,769	3,731,437	4,214,038
Capital outlay	16,294,274	23,794,668	22,199,380	31,640,247	29,924,300	41,227,891
Debt service:						
Principal	2,370,096	2,412,335	4,525,483	2,908,600	2,999,393	7,983,492
Interest	2,250,368	1,988,947	2,178,355	2,102,073	2,072,111	1,920,662
Total expenditures	<u>95,197,233</u>	<u>115,062,263</u>	<u>126,845,939</u>	<u>144,615,843</u>	<u>154,656,316</u>	<u>183,467,111</u>
Excess (deficiency) of revenues over expenditures	<u>10,896,177</u>	<u>10,104,303</u>	<u>4,143,607</u>	<u>841,855</u>	<u>(2,824,292)</u>	<u>(7,187,783)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from loans payable	—	2,705,584	7,435,000	—	—	—
Proceeds from financing sources	—	—	—	34,750,209	—	—
Payment to escrow agent	—	—	(6,380,000)	(13,601,060)	—	—
Proceeds from sale of property	—	—	—	—	—	1,885,649
Contributions from property owners	—	—	—	—	—	1,085,000
Payment to escrow agent	—	—	—	—	—	14,567,020
Transfers in	5,177,295	6,374,102	6,989,190	6,475,027	10,770,253	13,659,615
Transfers out	<u>(6,640,693)</u>	<u>(8,046,932)</u>	<u>(8,064,156)</u>	<u>(8,253,606)</u>	<u>(12,653,195)</u>	<u>(10,679,387)</u>
Total other financing sources (uses)	<u>(1,463,398)</u>	<u>1,032,754</u>	<u>(19,966)</u>	<u>19,370,570</u>	<u>(1,882,942)</u>	<u>20,517,897</u>
Net change in fund balances	<u>\$ 9,432,779</u>	<u>\$ 11,137,057</u>	<u>\$ 4,123,641</u>	<u>\$ 20,212,425</u>	<u>\$ (4,707,234)</u>	<u>\$ 13,330,114</u>
Debt service as a percentage of noncapital expenditures	5.86%	4.82%	6.41%	4.44%	4.07%	6.96%

City of Oxnard, California

***Schedule V
Governmental Activities Tax Revenue by Source
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)***

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Deed Transfer Tax	Business License Tax	Penalties and Interest	Total
2001	23,484,567	18,140,143	2,328,218	4,807,104	583,617	2,203,188	90,164	51,637,001
2002	25,873,406	19,846,352	2,321,758	7,085,201	555,249	3,194,683	182,230	59,058,879
2003	30,115,989	20,775,896	2,247,831	2,830,462	849,413	3,366,003	190,546	60,376,140
2004	35,245,432	22,772,358	2,222,553	3,718,917	1,159,215	4,386,245	181,655	69,686,375
2005	49,096,920	23,212,641	2,445,468	4,572,206	1,196,393	3,967,972	126,250	84,617,850
2006	58,537,770	23,985,182	3,309,716	3,914,317	1,230,768	4,470,841	132,403	95,580,997

City of Oxnard, California

*Schedule VI
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years*

Fiscal Year	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial						
1997	4,485,815,079	1,822,016,387	101,123,835	720,506,163	5,688,449,138	1.11737%	5,688,449,138	100.00%
1998	4,594,240,080	1,878,967,522	94,844,935	722,494,121	5,845,558,416	1.14647%	5,845,558,416	100.00%
1999	4,653,629,276	1,951,680,008	95,463,165	737,477,086	5,963,295,363	1.14497%	5,963,295,363	100.00%
2000	4,830,144,691	2,014,131,847	91,597,348	874,969,634	6,060,904,252	1.18067%	6,060,904,252	100.00%
2001	5,378,551,952	2,267,262,765	97,930,553	846,810,724	6,896,934,546	1.17277%	6,896,934,546	100.00%
2002	5,857,044,851	2,494,786,288	111,351,225	905,863,935	7,557,318,429	1.20417%	7,557,318,429	100.00%
2003	6,420,500,506	2,673,117,741	124,301,084	1,110,078,014	8,107,841,317	1.21447%	8,107,841,317	100.00%
2004	7,253,159,544	2,975,719,097	117,948,102	1,346,099,223	9,000,727,520	1.20384%	9,000,727,520	100.00%
2005	8,168,388,379	3,341,067,161	114,301,049	1,537,114,090	10,086,642,499	1.19624%	10,086,642,499	100.00%
2006	9,405,951,581	3,814,788,282	120,544,440	1,835,609,239	11,505,675,064	1.17614%	11,505,675,064	100.00%

City of Oxnard, California

*Schedule VII
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years*

Fiscal Year	City Direct Rates			Overlapping Rates			Total Direct & Overlapping Rates
	Basic	Debt Service	Total Direct	School Districts	Water Districts	Total Overlapping	
1997	1.00000%	0.11737%	1.11737%	—	0.06380%	0.06380%	1.18117%
1998	1.00000%	0.14647%	1.14647%	0.02620%	0.06694%	0.09314%	1.23961%
1999	1.00000%	0.14497%	1.14497%	0.10040%	0.08362%	0.18402%	1.32899%
2000	1.00000%	0.18067%	1.18067%	0.14920%	0.06067%	0.20987%	1.39054%
2001	1.00000%	0.17277%	1.17277%	0.11070%	0.06399%	0.17469%	1.34746%
2002	1.00000%	0.20417%	1.20417%	0.10420%	0.05690%	0.16110%	1.36527%
2003	1.00000%	0.21447%	1.21447%	0.10790%	0.05120%	0.15910%	1.37357%
2004	1.00000%	0.20384%	1.20384%	0.09770%	0.04476%	0.14246%	1.34630%
2005	1.00000%	0.19624%	1.19624%	0.08410%	0.04224%	0.12634%	1.32258%
2006	1.00000%	0.17614%	1.17614%	0.09850%	0.03691%	0.13541%	1.31155%

City of Oxnard, California

*Schedule VIII
Principal Property Taxpayers
June 30, 2006*

Taxpayer	2006			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Proctor & Gamble Paper Products Company	271,274,723	1	2.036%	285,208,162	1	4.135%
St. John's Regional Medical Center	201,681,487	2	1.514%	146,803,106	2	2.129%
RiverPark A LLC	123,180,205	3	0.925%			
K & G of Seabridge I LLC	95,535,353	4	0.717%			
SI VIII LLC (1)	76,666,310	5	0.575%			
Essex Tierra Vista	76,496,888	6	0.574%			
Centro Watt Operating Partners LLC	67,023,874	7	0.503%			
Centex Homes	62,253,314	8	0.467%			
Fred Kavli	61,937,650	9	0.465%			
Duesenberg Investment Company	61,459,198	10	0.461%			
Channel Islands Harbor Investment Company	61,280,393	11	0.460%	46,501,245	6	0.674%
Seminis Vegetable Seeds Inc.	56,498,976	12	0.424%	32,215,842	10	0.467%
Weyerhaeuser Company	52,834,200	13	0.397%			
Terminal Freezers Inc.	41,784,904	14	0.314%			
BMW of North America Inc.	35,843,329	15	0.269%	29,868,119	13	0.433%
Willamette Industries Inc.				68,998,598	3	1.000%
CHW Central Coast				56,821,100	4	0.824%
Tiger Ventura County				51,687,562	5	0.749%
AT&T Credit Corp Trust				43,778,328	7	0.635%
Ormond Beach Power				39,712,544	8	0.576%
Donwen Corporation				36,659,711	9	0.532%
Other Taxpayers	11,976,429,348		89.898%	6,058,680,229		87.846%
Totals	13,322,180,152		100.000%	6,896,934,546		100.000%

City of Oxnard, California

***Schedule IX
Property Tax Levies and Collections
Last Ten Fiscal Years***

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	18,233,366	17,033,821	93.42%	487,301	17,521,122	96.09%
1998	18,113,687	17,712,334	97.78%	250,440	17,962,774	99.17%
1999	15,014,300	14,868,769	99.03%	189,551	15,058,320	100.29%
2000	17,038,470	17,317,763	101.64%	99,032	17,416,795	102.22%
2001	23,380,000	23,484,567	100.45%	90,164	23,574,731	100.83%
2002	25,900,000	25,718,029	99.30%	284,711	26,002,740	100.40%
2003	30,040,000	29,892,747	99.51%	190,546	30,083,293	97.32%
2004	35,432,169	35,281,916	99.58%	344,390	35,626,306	99.99%
2005	44,743,658	49,223,170	110.01%	126,250	49,349,420	110.29%
2006	54,511,910	58,537,770	107.39%	132,403	58,670,173	107.63%

Source: Finance Department, City of Oxnard

City of Oxnard, California

*Schedule X
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years*

Fiscal Year	(1) Population	(2) Estimated Actual Value of Property	General Gross Bonded Debt	Less: Certain Debt Service Fund	Total	Ratio of Debt/Capita
1997	153,700	5,688,449,138	—	—	—	—
1998	156,000	5,845,558,416	—	—	—	—
1999	158,300	5,963,295,363	—	—	—	—
2000	170,358	6,060,904,252	—	—	—	—
2001	177,700	6,896,934,546	—	—	—	—
2002	182,027	7,557,318,429	—	—	—	—
2003	181,800	8,107,841,317	—	—	—	—
2004	186,122	9,000,727,520	—	—	—	—
2005	188,849	10,086,642,499	—	—	—	—
2006	189,990	11,505,675,064	—	—	—	—

NOTES: (1) California Department of Finance, Demographic Research Unit

(2) Ventura County Assessor's Office

Source: Finance Department, City of Oxnard

City of Oxnard, California

***Schedule XI
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years***

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	(1) Percentage of Personal Income	(1) Per Capita
	Revenue Bonds	Certificates of Participation	Tax Allocation Bonds	Capital Leases	Revenue Bonds	Capital Leases			
1997	17,718,000	—	17,100,000	921,390	100,098,256	—	135,837,646	6.180%	884
1998	16,193,000	—	16,630,000	1,693,752	96,662,129	—	131,178,881	5.478%	841
1999	14,541,000	8,980,000	16,140,000	1,425,696	93,118,592	—	134,205,288	5.126%	848
2000	12,285,000	8,805,000	15,620,000	1,163,893	89,448,949	—	127,322,842	4.133%	794
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	1,401,008	122,334,197	3.507%	688
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953	3.410%	674
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358	2.985%	653
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493	6.389%	1,444
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791	6.553%	1,530
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012	7.464%	1,828

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics for personal income and population data.

Source: Finance Department, City of Oxnard

City of Oxnard, California

**Schedule XII
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	3,069,772	0.788%	24,190
Ventura County Community College District	21,532,626	14.678%	3,160,559
Ventura County Superintendent of Schools - COP	1,992,729	14.674%	292,413
Ventura County General Fund Obligations	13,248,421	14.674%	1,944,073
Ventura County Pension Obligation	5,163,047	14.674%	757,626
Oxnard Union High School District	22,776,862	45.838%	10,440,458
Oxnard Union High School District - COP	10,574,827	45.838%	4,847,289
Oxnard School District	68,402,847	91.649%	62,690,525
Oxnard School District - COP	5,824,294	91.649%	5,337,907
Rio School District	14,842,006	83.948%	12,459,567
Rio School District - COP	4,495,415	83.948%	3,773,811
Hueneme School District	9,681,715	49.259%	4,769,116
Ocean View School District	1,419,529	40.616%	576,556
Ocean View School District - COP	861,059	40.616%	349,728
Subtotal - Overlapping Debt	183,885,149		111,423,818
City of Oxnard Direct Debt:			
City of Oxnard Financing Authority			22,710,000
City of Oxnard Pooled Insurance Obligation			577,940
Rio School District - Community Facilities District 1			30,725,000
City of Oxnard - Mandalay Bay Assessment District 85-5R			1,535,000
City of Oxnard - Rose Avenue/Hwy 101 Assessment District 96-1			5,855,000
City of Oxnard - Pacific Commerce Center Assessment District 97-1-R			3,580,000
City of Oxnard - Rice Avenue/Hwy 101 Assessment District 2001-1			14,390,000
City of Oxnard - Oxnard Blvd/Hwy 101 Assessment District 2000-1			2,270,000
City of Oxnard Community Facilities District 1			9,740,000
City of Oxnard Community Facilities District 3			32,275,000
City of Oxnard Community Facilities District 88-1			3,145,000
Oxnard Boulevard Interchange Community District			9,955,000
Subtotal - Direct Debt			136,757,940
Total direct and overlapping debt			248,181,758

Source: California Municipal Statistics, Inc.

City of Oxnard, California

**Schedule XIII
Legal Debt Margin Information in Thousands
Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 961,343	\$ 985,208	\$ 1,005,116	\$ 1,040,381	\$ 1,161,562	\$ 1,269,477	\$ 1,382,688	\$ 1,534,332	\$ 1,726,418	\$ 1,983,111
Total net debt applicable to limit	921	2,060	2,216	—	—	—	—	—	—	—
Legal debt margin	<u>\$ 960,422</u>	<u>\$ 983,148</u>	<u>\$ 1,002,900</u>	<u>\$ 1,040,381</u>	<u>\$ 1,161,562</u>	<u>\$ 1,269,477</u>	<u>\$ 1,382,688</u>	<u>\$ 1,534,332</u>	<u>\$ 1,726,418</u>	<u>\$ 1,983,111</u>
Total net debt applicable to the limit as a percentage of debt limit	0.10%	0.21%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 11,385,131
Add back: exempt real property	<u>1,835,609</u>
Total assessed value	13,220,740
Debt limit (15% of total assessed value)	1,983,111
Debt applicable to limit:	
General obligation bonds	344,185
Less: assets in debt service funds for principal payments:	
Revenue bonds - governmental activities	(19,975)
Revenue bonds - business-type activities	(298,560)
Tax allocation bond - community development commission	(18,030)
Certificates of participation	<u>(7,620)</u>
Total net debt applicable limit	<u>0</u>
Legal debt margin	<u><u>\$ 1,983,111</u></u>

Source: Finance Department

City of Oxnard, California

**Schedule XIV
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage	Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage
Water Revenue Bonds							Wastewater Revenue Bonds						
1997	13,594,356	12,875,166	719,190	745,000	115,295	0.84	1997	17,132,675	9,555,298	7,577,377	1,560,000	3,220,618	1.59
1998	13,508,174	13,364,858	143,316	551,127	157,283	0.20	1998	17,180,389	9,964,354	7,216,035	1,615,000	3,158,218	1.51
1999	14,980,803	13,780,587	1,200,216	543,537	128,855	1.78	1999	18,371,484	11,561,115	6,810,369	1,685,000	2,843,492	1.50
2000	16,529,128	15,057,247	1,471,881	534,642	230,776	1.92	2000	17,749,682	11,315,240	6,434,442	1,760,000	2,653,560	1.46
2001	16,226,461	15,347,727	878,734	522,065	224,747	1.18	2001	18,254,171	11,591,100	6,663,071	1,840,000	2,568,810	1.51
2002	17,856,094	18,141,656	(285,562)	794,388	709,225	(0.19)	2002	22,005,625	11,978,948	10,026,677	1,925,000	2,484,277	2.27
2003	20,602,479	16,782,851	3,819,628	225,000	730,142	4.00	2003	23,515,790	16,445,581	7,070,209	1,805,000	1,883,286	1.92
2004	28,898,906	19,899,216	8,999,690	235,000	1,315,783	5.80	2004	23,182,456	12,958,128	10,224,328	1,750,000	1,924,826	2.78
2005	34,609,573	18,351,471	16,258,102	1,150,000	2,682,330	4.24	2005	36,892,293	14,715,076	22,177,217	1,815,000	5,969,101	2.85
2006	34,212,012	21,865,005	12,347,007	1,202,083	2,699,580	3.16	2006	28,512,017	16,185,708	12,326,309	1,885,000	6,682,905	1.44
Solid Waste Revenue Bonds							Golf Course Revenue Bonds						
1997	21,661,953	16,837,171	4,824,782	760,000	1,369,880	2.27	1997	2,523,123	2,035,187	487,936	455,000	755,479	0.40
1998	26,475,373	20,914,785	5,560,588	790,000	1,339,478	2.61	1998	2,626,560	2,306,205	320,355	480,000	748,627	0.26
1999	28,438,658	25,275,245	3,163,413	820,000	1,306,299	1.49	1999	2,723,616	2,276,404	447,212	495,000	726,181	0.37
2000	32,195,190	28,050,828	4,144,362	860,000	1,403,617	1.83	2000	3,320,623	2,850,761	469,862	515,000	709,281	0.38
2001	29,697,676	26,728,446	2,969,230	1,096,492	1,303,060	1.24	2001	3,351,431	3,301,596	49,835	545,000	755,229	0.04
2002	28,714,969	26,240,998	2,473,971	1,012,756	1,570,081	0.96	2002	3,346,000	2,925,226	420,774	565,000	708,995	0.33
2003	30,031,391	25,682,146	4,349,245	1,617,980	1,499,922	1.39	2003	2,819,557	1,140,989	1,678,568	11,870,000	534,805	0.14
2004	33,200,540	30,574,399	2,626,141	1,433,833	1,216,797	0.99	2004	7,535,430	2,589,926	4,945,504	678,500	408,221	4.55
2005	36,529,711	34,228,035	2,301,676	19,001,588	1,155,331	0.11	2005	3,165,439	3,530,958	(365,519)	693,186	394,652	(0.34)
2006	36,878,690	36,342,348	536,342	2,033,392	1,117,677	0.17	2006	4,014,843	3,529,775	485,068	713,747	373,856	0.45
Oxnard Housing Authority													
2004	21,823,107	22,305,475	(482,368)		181,708	(2.65)							
2005	21,515,845	23,235,370	(1,719,525)	205,000	231,660	(3.94)							
2006	23,321,917	22,699,304	622,613	205,000	227,758	1.44							

NOTES: (1) The above operating expense figures do not include depreciation and debt service expenses.

SOURCE: Finance Department, City of Oxnard

City of Oxnard, California

*Schedule XV
Demographic Statistics
Last Ten Fiscal Years*

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
1997	153,700	2,197,910	14,300	33	37,211	8.40%
1998	156,000	2,394,444	15,349	34	38,073	7.00%
1999	158,300	2,617,965	16,538	34	38,793	6.40%
2000	160,300	3,080,485	19,217	32	40,238	6.38%
2001	177,700	3,488,251	19,630	30	39,865	4.90%
2002	182,027	3,599,948	19,777	30	42,106	5.20%
2003	181,800	3,979,057	21,887	30	41,936	7.40%
2004	186,122	4,207,288	22,605	30	42,276	5.60%
2005	188,941	4,408,869	23,346	30	38,372	4.90%
2006	189,990	4,652,855	24,490	28	37,196	4.00%

SOURCES:

- (1) California Department of Finance, Demographic Research Unit
- (2) Consumer Price Index of Urban Wage Earners
- (3) US Census
- (4) Oxnard School Districts (Elementary) and Oxnard Union High School District
- (5) State Employment Development Department (data is based on annual average)

City of Oxnard, California

*Schedule XVI
Principal Employers
Current Year*

Employer	Employees	Rank	Percentage of Total City Employment
St. John's Regional Medical Center	1,994	1	2.441%
Oxnard High School District	1,500	2	1.836%
Waterway Plastics	1,300	3	1.591%
City of Oxnard	1,167	4	1.428%
Haas Automation	996	5	1.219%
Aluminum Precision	700	6	0.857%
Total	7,657		9.372%

Source: Economic Development Corporation of Oxnard

City of Oxnard, California

*Schedule XVII
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years*

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	174	174	176	178	196	197	200	207	211	217
Public safety										
Police										
Officers	178	195	196	198	200	202	208	220	229	235
Civilians	114	115	119	119	127	128	131	134	138	152
Fire										
Firefighters & officers	76	76	83	83	85	86	87	89	91	100
Civilians	3	3	2	3	2	2	4	5	4	4
Transportation	34	34	34	34	36	36	36	36	36	45
Community development	46	48	49	55	47	50	53	56	57	57
Culture and recreation	67	68	71	69	70	72	78	79	79	74
Utilities										
Water	29	29	35	34	34	41	45	44	44	48
Wastewater	69	70	70	71	67	67	67	67	72	72
Solid Waste	63	71	76	77	76	76	80	80	80	81
Housing	66	66	67	74	76	77	80	80	80	80
Total	919	949	978	995	1,016	1,034	1,069	1,097	1,121	1,165

Source: Finance Department, City of Oxnard

City of Oxnard, California

*Schedule XVIII
Operating Indicators by Function
Last Two Fiscal Years*

Function	2005	2006
Police		
Physical arrests	6,492	8,162
Parking violations	36,240	28,533
Traffic vilations	30,985	19,590
Fire		
Numbers of calls answered	11,117	10,631
Inspections	2,829	3,109
Highways and streets		
Potholes repaired	18,333	10,545
Sanitation		
Total number of customers	43,617	44,941
Refuse collected (tons/day)	632	650
Recyclables collected (tons/day)	67	70
Culture and recreation		
Community center admissions	48,800	43,849
Water		
Total number of customers	37,276	38,053
Average daily consumption	29,000,000	29,000,000
Wastewater		
Total number of customers	34,694	35,188
Average daily sewerage treatment	23,000,000	23,000,000

Source: Various departments, City of Oxnard

City of Oxnard, California










*Schedule XIX
Capital Assets by Function
Last Two Fiscal Years*

Function	2005	2006
Public safety		
Police		
Stations	1	1
Police vehicles	223	261
Fire		
Stations	6	7
Hydrants	4,180	5,200
Sanitation		
Collection trucks	48	48
Highways and streets		
Streets (miles)	403	400
Streetlights	650	650
Traffic signals	9,120	9,120
Culture and recreation		
Parks acreage	449	469
Parks	45	49
Ball diamonds	31	30
Basketball courts	20	19
Craft/Activity buildings	9	8
Gymnasium	2	3
Swimming pools	1	1
Tennis courts	33	31
Community centers	3	3
Library		
Number of books	336,518	361,713
Number of microfilms	8,299	8,394
Number of audiotapes	14,537	18,200
Number of videotapes	9,377	12,917
Number of CD-ROMS (data disk)	609	708
Water		
Water mains (miles)	500	525
Maximum daily treatment capacity	18,000,000	18,000,000
Sewer		
Miles of sewer lines	425	435

Sources: Various City departments



LEGEND

-  PUBLIC SAFETY
-  CITY HALL
-  FIRE STATION
-  HOSPITAL
-  GOLF COURSE
-  SCHOOL
-  PARK
-  CITY LIMIT
-  RAILROAD

CITY OF OXNARD



November 14, 2006

The mapped data is created and designed by the City of Oxnard GIS Program, which is developed and operated solely for the convenience of the City. The map is for illustrative purposes only. The City does not warrant the accuracy of this map, and no decision involving a risk of injury or economic loss should be made in reliance thereon.



Mayer Hoffman McCann P.C.
An Independent CPA Firm

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH THE PROPOSITION 111
2005-2006 APPROPRIATION LIMIT INCREMENT**

Honorable Mayor and Members of the City Council
City of Oxnard

We have applied the procedures enumerated below to the Appropriations Limitation Worksheet for the City of Oxnard for the year ended June 30, 2006. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is intended for the information of management and the Honorable Mayor and Members of the City Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Appropriations Limitation Worksheet and determined that the 2005-2006 Appropriations Limit and annual adjustment factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. We recomputed the 2005-2006 Appropriations Limit to be \$147,103,877 by multiplying the 2004-2005 Prior Year Appropriations Limit by the annual adjustment factors. The City calculated a 2004-2005 appropriations limit of \$138,093,741.
- C. For the Appropriations Limitation Worksheet, we agreed the Per Capita Income, County and City Population Factors to California State Department of Finance Worksheets.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the Appropriations Limitation Worksheet. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention, which caused us to believe that the City's Appropriations Limitation Worksheet was not computed in accordance with Article XIII B of the California Constitution, as interpreted in the California League of Cities Article XIII B Appropriations Limit Uniform Guidelines. Had we performed additional procedures or had we made an audit of the Appropriations Limitation Worksheet and the other completed worksheets described above, matters might have come to our attention, which would have been reported to you.

Mayer Hoffman McCann P.C.
September 21, 2006
Oxnard, CA

SOUTHERN CALIFORNIA LOCATIONS
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APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

[Closing Date]

City Council
City of Oxnard
300 West Third Street
Oxnard, California 93030

\$27,675,000
City of Oxnard
Gas Tax Revenue Certificates of Participation
(2007 Street Improvement Program)
(Final Opinion)

Ladies and Gentlemen:

We have acted as Special Counsel to the City of Oxnard, California (the "City"), in connection with the execution and delivery of \$27,675,000 aggregate principal amount of the City of Oxnard Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program) (the "Certificates"), pursuant to the provisions of a Trust Agreement, dated as of December 1, 2007 (the "Trust Agreement"), by and among the City, the City of Oxnard Financing Authority (the "Authority"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Trust Agreement and in the Installment Purchase Agreement, dated as of December 1, 2007 (the "Installment Purchase Agreement"), by and between the City and the Authority, as applicable.

In such connection, we have reviewed the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, dated as of December 1, 2007 (the "Sale Agreement"), by and between the City and the Authority, the Agency Agreement, dated as of December 1, 2007 (the "Agency Agreement"), by and between the City and the Authority, the Tax Certificate of the City and the Authority, dated the date hereof (the "Tax Certificate"), opinions of the City Attorney of the City, certifications of the City, the Authority, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements, and procedures contained or referred to in the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Certificates) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Certificate or the interest payable with respect thereto if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates to be included in gross income for federal income

tax purposes. In addition, we call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Installment Purchase Agreement, the Sale Agreement, the Agency Agreement, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and joint powers authorities in the State of California.

We have not made or undertaken to make an investigation of the state of title to each of the sites or facilities described in the Installment Purchase Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Gas Tax Revenues.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The obligation of the City to pay the Installment Payments under the Installment Purchase Agreement constitutes a valid and binding limited obligation of the City.
2. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the Installment Payments, of the Gas Tax Revenues.
3. Assuming due authorization, execution, and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.
4. The portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. The portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates.

Except as stated in paragraph 4 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Certificates, including whether the portion of the Installment Payments designated as and comprising interest and received by the Owners of the Certificates is (a) included in the calculation of the amount subject to the "branch-level" tax imposed by Section 884 of the Code upon the earnings of certain foreign corporations engaged in a trade or business within the United States or (b) included in the income of certain Subchapter S corporations for purposes of the tax imposed thereon by Section 1375 of the Code. We also express no opinion as to any other federal, state, or local or any foreign tax consequences with respect to acquisition, ownership, or disposition of the Certificates.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the City of Oxnard, California (the “City”), and Wells Fargo Bank, National Association, in its capacity as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery of the City of Oxnard Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program) in the aggregate principal amount of \$27,675,000 (the “Certificates”). The Certificates are being executed and delivered Wells Fargo Bank, National Association, as trustee (the “Trustee”), pursuant to the provisions of that certain Trust Agreement, dated as of December 1, 2007 (the “Trust Agreement”), by and among the City, the City of Oxnard Financing Authority (the “Authority”), and the Trustee, in order to provide funds to finance the acquisition, construction, and improvement of certain public improvements in the City. The City and the Dissemination Agent hereby certify, covenant, and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934.

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement and in the Installment Purchase Agreement, dated as of December 1, 2007 (the “Installment Purchase Agreement”), by and between the City and the Authority, which apply to any capitalized terms used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean the date in each year that is nine months after the end of the City’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Central Post Office*” shall mean any organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement, including, but not limited to, the Texas Municipal Advisory Council’s (the “MAC”) internet website that, as of the date hereof, is located at <http://www.DisclosureUSA.org>, unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC, dated September 7, 2004.

“*Dissemination Agent*” shall mean, initially, Wells Fargo Bank, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the City and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the approved National Repositories can be found on the SEC website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“*Official Statement*” means the Official Statement dated December 11, 2007, relating to the Certificates.

“*Participating Underwriter*” shall mean the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Repository*” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized by the SEC. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2008, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Trustee and the Participating Underwriter. Not later than 15 calendar days prior to said date, the City shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the City. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the City may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report. The Annual Report may be filed using the services of the Central Post Office.

(b) If the City is unable to provide the Repositories with an Annual Report by the date required in subsection (a), the City shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;
2. provide any Annual Report received by it to each Repository or the Central Post Office by the date required in subsection (a);
3. file a report with the City and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided; and
4. take any other actions mutually agreed upon between the Dissemination Agent and the City.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City, which include information regarding the funds and accounts of the City, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the City and the Certificates for the fiscal year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for such fiscal year described in subsection (a) above:

1. Principal amount of the Certificates (including principal amount and years of maturity of Certificates, if any, called for prepayment in advance of maturity) and any bonds or certificates of participation issued or executed and delivered, as applicable, to refund the same.
2. Balance in the funds and accounts established under the Trust Agreement or the Installment Purchase Agreement.
3. If the amount on deposit in the Reserve Fund is not equal to the Reserve Fund Requirement, the amount of the delinquency or surplus, as applicable.
4. A description of the status of construction of the Project, including (i) a description of any land use entitlements acquired or amended with respect to any portion of the Project during the period covered by the Annual Report, and (ii) any previously undisclosed legislative, administrative, or judicial challenges to the development of the Project, if material.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders.
8. Certificate calls.
9. Defeasances.
10. Release, substitution, or sale of property securing repayments of the securities.
11. Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the City shall promptly file a notice of such occurrence with each Repository, with a copy to the Trustee and the Participating Underwriter. Such notice may be filed using the services of the Central

Post Office. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The obligations of the City and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall act as Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of the City or nationally recognized bond counsel, materially impair the interest of Certificates owners.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provisions of this Disclosure Agreement any Participating Underwriter or any holder or beneficial owner of the Certificates, or the Trustee on behalf of the holders of the Certificates, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, 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 City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the City pursuant to this Disclosure Agreement. The City shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: [Closing Date]

CITY OF OXNARD, CALIFORNIA

By: _____
Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A TO CONTINUING DISCLOSURE AGREEMENT

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Oxnard, California

Name of Certificates: City of Oxnard Gas Tax Revenue Certificates of Participation
(2007 Street Improvement Program)

Date of Execution and Delivery: [Closing Date]

NOTICE IS HEREBY GIVEN that the City of Oxnard, California, has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated [Closing Date]. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF OXNARD, CALIFORNIA

By: _____
Authorized Signatory

APPENDIX F

SPECIMEN CERTIFICATE INSURANCE POLICY

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**MUNICIPAL BOND
INSURANCE POLICY****ISSUER:** []**Policy No:** []**BONDS:** []**Effective Date:** []

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. Pacific time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of California, the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XLCA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

IN THE EVENT THAT XLCA WERE TO BECOME INSOLVENT, ANY CLAIMS ARISING UNDER THIS POLICY ARE NOT COVERED BY THE CALIFORNIA GUARANTY INSURANCE FUND SPECIFIED IN ARTICLE 12119(b) OF THE CALIFORNIA INSURANCE CODE.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

SPECIMEN

Name:

Title:

SPECIMEN

Name:

Title:

