**NEW ISSUE – BOOK-ENTRY ONLY**

**INSURED RATING: Standard & Poor's: "AA"**
**UNDERLYING RATING: Standard & Poor's: "BBB"**
**(See "RATINGS.")**

*In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded 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 Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."*

# $71,985,000
# CITY OF OXNARD FINANCING AUTHORITY
# WASTEWATER REVENUE REFUNDING BONDS
# SERIES 2014

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

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

The City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 (the "Bonds"), are being issued in the aggregate principal amount of $71,985,000 by the City of Oxnard Financing Authority (the "Authority") pursuant to (i) the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code; and (iii) the provisions of an Indenture, dated as of November 1, 2014 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (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 the Principal Legal Documents – Selected Definitions."

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding City of Oxnard Financing Authority Wastewater Revenue Bonds (Redwood Trunk Sewer and Headworks Projects), 2004 Series A (the "2004 Series A Bonds"), which 2004 Series A Bonds were previously issued in the aggregate principal amount of $80,000,000 and are currently outstanding in the aggregate principal amount of $80,000,000. A portion of the proceeds from the sale of the Bonds will also be used to fund a reserve fund established for the Bonds under the Indenture, and to pay certain costs related to the issuance of the Bonds. The proceeds from the 2004 Series A Bonds were used to finance the cost of certain capital improvements to the Wastewater System (as defined herein) of the City of Oxnard (the "City"). See "THE REFUNDING PLAN," "THE BONDS – Estimated Sources and Uses of Bond Proceeds," and "SECURITY FOR THE BONDS – Reserve Fund."

The Bonds will be 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 Bonds. Individual purchases 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 Bonds purchased. See "THE BONDS – Book-Entry Only System."

Payments of interest on the Bonds will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2015, until the maturity or the earlier redemption thereof. Principal and any redemption premiums with respect to each Bond will be paid upon surrender of such Bond at the principal corporate office of the Trustee upon maturity or the earlier redemption thereof.

**The Bonds are subject to optional redemption prior to the stated maturities thereof, as described herein. See "THE BONDS – Optional Redemption of Bonds."**

The Bonds are limited obligations of the Authority, payable from certain installment payments (the "Installment Payments") to be received by the Authority pursuant to an Amended and Restated Installment Purchase Agreement, dated as of November 1, 2014 (the "Installment Purchase Agreement"), by and between the Authority and the City, which Installment Purchase Agreement amends and restates in its entirety that certain Installment Purchase Agreement, dated as of June 1, 2004, by and between the City and the Authority (the "2004 Installment Purchase Agreement"). Pursuant to the Installment Sale Agreement, the Installment Payments are assigned by the Authority to the Trustee for the benefit of the Bond owners. The Bonds are further secured by certain amounts on deposit in funds and accounts held under the Indenture. See "SECURITY FOR THE BONDS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

ASSURED GUARANTY MUNICIPAL

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF VENTURA (THE "COUNTY"), THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**[Maturity Schedule set forth on inside cover]**

*The Bonds are offered when, as, and if delivered to and received by the Underwriter, subject to the approval of legality by Goodwin Procter LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the Interim City Attorney and by Goodwin Procter LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about November 25, 2014.*

## RBC CAPITAL MARKETS

Dated: November 18, 2014

## MATURITY SCHEDULE

| Maturity Date (June 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP[1] No. |
|---|---|---|---|---|---|
| 2021 | $3,675,000 | 5.000% | 2.270% | 116.450 | 691878 BJ0 |
| 2022 | 3,855,000 | 5.000 | 2.570 | 116.513 | 691878 BK7 |
| 2023 | 4,050,000 | 5.000 | 2.780 | 116.732 | 691878 BL5 |
| 2024 | 4,250,000 | 5.000 | 2.930 | 117.082 | 691878 BM3 |
| 2025 | 4,465,000 | 5.000 | 3.100 | 115.554 [2] | 691878 BN1 |
| 2026 | 4,690,000 | 5.000 | 3.270 | 114.050 [2] | 691878 BP6 |
| 2027 | 4,925,000 | 5.000 | 3.380 | 113.089 [2] | 691878 BQ4 |
| 2028 | 5,165,000 | 5.000 | 3.460 | 112.396 [2] | 691878 BR2 |
| 2029 | 5,425,000 | 5.000 | 3.510 | 111.965 [2] | 691878 BS0 |
| 2030 | 5,700,000 | 5.000 | 3.560 | 111.537 [2] | 691878 BT8 |
| 2031 | 5,985,000 | 5.000 | 3.610 | 111.110 [2] | 691878 BU5 |
| 2032 | 6,280,000 | 5.000 | 3.620 | 111.025 [2] | 691878 BV3 |
| 2033 | 6,595,000 | 5.000 | 3.630 | 110.940 [2] | 691878 BW1 |
| 2034 | 6,925,000 | 5.000 | 3.660 | 110.686 [2] | 691878 BX9 |

(1) CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2014 American Bankers Association. All rights reserved. CUSIP® data are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City, or the Underwriter takes any responsibility for the accuracy of such numbers.

(2) Priced to first optional redemption date of June 1, 2024; callable at par.

**CITY OF OXNARD, CALIFORNIA**

**MAYOR AND CITY COUNCIL**

Tim Flynn, *Mayor*
Carmen Ramirez, *Mayor Pro Tem*
Bryan A. MacDonald, *Councilman*
Dorina Padilla, *Councilmember*
Bert E. Perello, *Councilmember*

---

**GOVERNING BOARD OF THE AUTHORITY**

Tim Flynn, *Chairman*
Carmen Ramirez, *Vice Chair*
Bryan A. MacDonald, *Board Member*
Dorina Padilla, *Board Member*
Bert E. Perello, *Board Member*

---

**CITY OFFICIALS**

Greg Nyhoff, *City Manager*
Daniel Martinez, *City Clerk*
Danielle Navas, *City Treasurer*
James Cameron, *Chief Financial Officer*
Michael J. More, *Financial Services Manager*
Daniel Rydberg, *Director, Utilities Department, Water and Wastewater*
Stephen Fischer, *Interim City Attorney*

---

**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***
Goodwin Procter LLP
Los Angeles, California

***Trustee***
Wells Fargo Bank, National Association
Los Angeles, California

***Financial Advisor***
First Southwest Company
Santa Monica, California

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority, or RBC Capital Markets, LLC (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, nor will there be any sale of the Bonds 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 Bonds. 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 (which includes the cover page, inside cover page, and the appendices) has been obtained from the Authority, 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 Authority or the City. 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 Authority or the City 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX F – Specimen Municipal Bond Insurance Policy."

## TABLE OF CONTENTS


Page

INTRODUCTION ..... 1
- General ..... 1
- The City and the Wastewater System ..... 1
- Changes From Preliminary Official Statement ..... 1
- Authorization ..... 2
- Purpose of Issuance ..... 2
- Registration, Date, and Maturity of Bonds ..... 2
- Payment of the Bonds ..... 2
- Optional Redemption of Bonds ..... 2
- Security for the Bonds ..... 3
- Rate Covenant ..... 4
- Continuing Disclosure ..... 4
- Limited Obligations ..... 4
- Forward-Looking Statements ..... 5
- References Qualified ..... 5
- Other Information ..... 5

THE REFUNDING PLAN ..... 5

THE BONDS ..... 6
- Authorization and Payment of Bonds ..... 6
- Optional Redemption of Bonds ..... 6
- Notice of Redemption of Bonds; Effect of Notice ..... 7
- Book-Entry Only System ..... 7
- Estimated Sources and Uses of Bond Proceeds ..... 9
- Debt Service on Bonds and Parity Obligations ..... 9

SECURITY FOR THE BONDS ..... 10
- Installment Payments ..... 10
- Net System Revenues ..... 11
- Rate Covenant ..... 13
- Reserve Fund ..... 14
- Reserve Policy ..... 14
- Limitations Regarding Additional Obligations ..... 14
- Insurance ..... 15
- Action on Default ..... 16
- Investment of Moneys ..... 16

BOND INSURANCE ..... 16
- Bond Insurance Policy ..... 16
- Assured Guaranty Municipal Corp. ..... 16

RISK FACTORS ..... 18
- Bonds are Limited Obligations ..... 19
- System Demand ..... 19
- Increased Regulations ..... 19
- Increased System Expenses ..... 19
- Seismic Activity; Flood Plain; Limited Insurance ..... 19
- Limited Recourse on Default ..... 20
- Limitations on Available Remedies ..... 20
- Absence of Market for the Bonds ..... 21
- Constitutional Limitations ..... 21
- Loss of Tax Exemption ..... 21
- Economic, Political, Social, and Environmental Conditions ..... 21

CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES ..... 22

California Constitution Article XIIIB Limitations ..... 22
California Constitution Article XIIIC and Article XIIID Limitations ..... 22
Future Initiatives ..... 24
THE AUTHORITY ..... 24
THE 2004 PROJECT ..... 25
Redwood Trunk Sewer Project ..... 25
The Headworks Project ..... 25
THE WASTEWATER SYSTEM ..... 26
Background and Organization ..... 26
Service Area ..... 27
Sources of Wastewater System Revenues ..... 28
Wastewater Rates and Charges ..... 28
Wastewater Connection Fees ..... 30
Actual and Projected Operating Results ..... 32
Fiscal Year 2014-15 Wastewater System Budget ..... 34
Outstanding Debt ..... 34
Plans for Future Indebtedness ..... 34
TAX MATTERS ..... 35
Bond Counsel Opinion ..... 35
Risk of Audit by Internal Revenue Service ..... 36
Original Issue Discount and Premium ..... 36
Information Reporting and Backup Withholding ..... 37
RATINGS ..... 37
CONTINUING DISCLOSURE ..... 37
UNDERWRITING ..... 38
FINANCIAL ADVISOR ..... 38
LITIGATION ..... 38
CERTAIN LEGAL MATTERS ..... 39
MISCELLANEOUS ..... 40

APPENDIX A SUMMARY OF CERTAIN PROVISIONS OF THE 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, 2013 ..... C-1
APPENDIX D FORM OF BOND COUNSEL OPINION ..... D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT ..... E-1
APPENDIX F SPECIMEN MUNICIPAL BOND INSURANCE POLICY ..... F-1

# OFFICIAL STATEMENT

## $71,985,000
## CITY OF OXNARD FINANCING AUTHORITY
## WASTEWATER REVENUE REFUNDING BONDS
## SERIES 2014

## INTRODUCTION

### General

This Official Statement, which includes the cover page, the inside cover page, the Table of Contents, and the Appendices (the "Official Statement"), provides certain information concerning the issuance of the City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2014, in the aggregate principal amount of $71,985,000 (the "Bonds"). 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 Bonds 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 the Principal Legal Documents – Selected Definitions."

### The City and the Wastewater System

The City of Oxnard (the "City") was incorporated under the general laws of the State of California in 1903. The City is located in the western portion of Ventura County (the "County"), approximately 62 miles northwest of the City of Los Angeles. The population of the City was estimated to be approximately 200,855 in 2013, which represents approximately 24% of the County's population. The City's wastewater system (the "Wastewater System") serves the entire City, as well as a small unincorporated area of the County. See "THE WASTEWATER SYSTEM" and "APPENDIX B – General Information Concerning the City of Oxnard."

### Changes From Preliminary Official Statement

In addition to the inclusion of pricing information relating to the Bonds, certain other information in the Official Statement has been updated since the distribution of the Preliminary Official Statement, dated November 6, 2014, as supplemented by the Supplement Dated November 10, 2014, to Preliminary Official Statement Dated November 6, 2014 (collectively, the "Preliminary Official Statement"). Such updated information is reflected in the two tables that appear on page B-16 in Appendix B. Such tables contain actuarial valuations of various pension plans administered by the California Public Employees Retirement System ("PERS") in which certain City employees participate. Such information has been updated to reflect PERS June 30, 2013, actuarial valuations, which valuations were not available as of the date of the Preliminary Official Statement. See "APPENDIX B – General Information Concerning the City of Oxnard – City's Pension Plans."

In addition, the proposed forms of the Indenture and the Installment Purchase Agreement (each as hereinafter defined) have been revised to incorporate changes required by the Bond Insurer in connection

with its provision of the Bond Insurance Policy and the Reserve Policy (all as hereinafter defined). See "APPENDIX A – Summary of Certain Provisions of The Principal Legal Documents."

**Authorization**

The Bonds are being issued by the City of Oxnard Financing Authority (the "Authority"), a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California, pursuant to (i) the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act"), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"); and (iii) the and the provisions of an Indenture, dated as of November 1, 2014 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

**Purpose of Issuance**

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding City of Oxnard Financing Authority Wastewater Revenue Bonds (Redwood Trunk Sewer and Headworks Projects), 2004 Series A (the "2004 Series A Bonds"), which 2004 Series A Bonds were previously issued in the aggregate principal amount of $80,000,000 and are currently outstanding in the aggregate principal amount of $80,000,000. A portion of the proceeds from the sale of the Bonds will also be used to fund a reserve fund established for the Bonds under the Indenture, and to pay certain costs related to the issuance of the Bonds. The proceeds from the 2004 Series A Bonds were used to finance the cost of certain capital improvements to the City's Wastewater System (the "2004 Project"). See "THE REFUNDING PLAN," "THE BONDS – Estimated Sources and Uses of Bond Proceeds," and "SECURITY FOR THE BONDS – Reserve Fund."

**Registration, Date, and Maturity of Bonds**

The Bonds 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 Bonds. The Bonds will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof.

**Payment of the Bonds**

Interest on the Bonds is payable semiannually on June 1 and December 1, commencing June 1, 2015 (each, an "Interest Payment Date"), and will be paid by check, mailed by first class mail to the registered owners thereof ("Owners") as of the fifteenth day of the calendar month preceding the applicable Interest Payment Date, whether or not such day is a Business Day (each, a "Record Date"); provided, however, that any Owner of $1,000,000 or more aggregate principal amount of Bonds may request in writing payment of such interest by wire transfer in immediately available funds to a designated account in the United States. Principal of and any redemption premium with respect to each Bond will be paid upon surrender of such Bond at the principal corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof. See "THE BONDS – Authorization and Payment of Bonds."

**Optional Redemption of Bonds**

The Bonds are subject to redemption prior to their respective Principal Payment Dates upon the exercise by the City of its right to cause the redemption of Bonds in accordance with the Installment

Purchase Agreement, dated as of November 1, 2014 (the "Installment Purchase Agreement"), by and between the Authority and the City, from and to the extent of any source of available funds, as a whole or in part on any Interest Payment Date on or after June 1, 2024, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued by unpaid interest to the redemption date, without premium. See "THE BONDS –Optional Redemption of Bonds."

**Security for the Bonds**

***Bonds Payable from Revenues***. The Bonds are limited obligations of the Authority and are payable solely from Revenues (defined below) received by the Trustee pursuant to the Indenture. Such Revenues are derived from the Installment Payments to be made by the City to the Authority pursuant to the Installment Purchase Agreement and the interest or profits from the investment of moneys on deposit in certain funds held under the Indenture (collectively, the "Revenues"). The Installment Payments are payable solely from Net System Revenues (as defined in the Installment Purchase Agreement), which are comprised of System Revenues less Maintenance and Operation Costs of the Wastewater System (as such terms are defined in the Installment Purchase Agreement). The obligation of the City to make Installment Payments is secured by a pledge of and lien on the Net System Revenues. Pursuant to the Installment Purchase Agreement, the City may incur Additional Obligations secured by the Net System Revenues on a parity with the Installment Payments to the extent the City can provide evidence that the Net System Revenues will be sufficient to meet certain debt coverage requirements as described herein. See "SECURITY FOR THE BONDS."

***Outstanding Parity Obligations***. Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Projects), 2004 Series B, issued by the Authority on November 18, 2004, in the aggregate principal amount of $23,975,000, of which $18,710,000 are currently outstanding (the "2004 Series B Bonds"), (iii) the City of Oxnard Financing Authority Wastewater Revenue Bonds (Headworks Project), Series 2006, issued by the Authority on May 11, 2006, in the aggregate principal amount of $12,575,000, of which $10,630,000 are currently outstanding (the "2006 Bonds"); and (iv) the City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2013, issued by the Authority on October 30, 2013, in the aggregate amount of $21,384,064, of which $18,364,064 are currently outstanding (the "2013 Refunding Bonds"). The City may incur Additional Obligations payable on a parity with the Installment Payments that secure payment of the Bonds, subject to certain limitations and conditions set forth in the Installment Purchase Agreement. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds, and are also subject to such limitations and conditions. See "SECURITY FOR THE BONDS – Net System Revenues" and "– Limitations Regarding Additional Obligations."

***Reserve Fund.*** Pursuant to the Indenture, the City will be required to maintain amounts on deposit (or obtain one or more qualified reserve fund insurance policies or surety bonds in lieu of or guaranteeing such deposit) in the Reserve Fund, which is held by the Trustee and pledged to the payment of principal of and interest on the Bonds, in an amount equal to the Reserve Requirement (as defined herein). See "SECURITY FOR THE BONDS – Reserve Fund" and "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Indenture."

***Reserve Policy.*** Simultaneously with the issuance of the Bonds, the Authority expects to satisfy the Reserve Requirement with respect to the Bonds with a Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") to be provided by Assured Guaranty Municipal Corp. ("AGM" or

the "Bond Insurer"). See "SECURITY FOR THE BONDS – Reserve Policy." See also "BOND INSURANCE" for information about the Bond Insurer.

***Bond Insurance Policy.*** Simultaneously with the issuance of the Bonds, the Bond Insurer will issue its Municipal Bond Insurance Policy (the "Bond Insurance Policy") guaranteeing the scheduled payment of principal of and interest on the Bonds when due. See "BOND INSURANCE" and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**Rate Covenant**

The Installment Purchase Agreement provides that the City will fix, prescribe, and collect rates and charges for the Wastewater System that will be at least sufficient to yield during each Fiscal Year Net System Revenues equal to the sum of (a) one-hundred percent (100%) of the "Debt Service" (defined in the Installment Purchase Agreement as principal, interest, and redemption premiums) due with respect to all outstanding Obligations, which include debt service payable with respect to all outstanding Bonds, 2004 Series B Bonds, 2006 Bonds, 2013 Refunding Bonds, and other Additional Obligations, if any, for such Fiscal Year, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund (as defined in the Installment Purchase Agreement) on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described above. See "SECURITY FOR THE BONDS – Rate Covenant."

**Continuing Disclosure**

In connection with the issuance of the Bonds, the Authority will covenant in the Continuing Disclosure Agreement, dated the date of delivery of the Bonds (the "Continuing Disclosure Agreement"), by and between the Authority and the Trustee, as dissemination agent, to provide certain financial information and operating data relating to the Authority and the City and notices of certain events listed therein. See "CONTINUING DISCLOSURE" and "APPENDIX E – Form of Continuing Disclosure Agreement."

**Limited Obligations**

**The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture. Neither the full faith and credit nor the taxing power of City, the County, the State of California (the "State"), or any political subdivision of the State is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The obligation of the City to make Installment Payments under the Installment Purchase Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Installment Payments constitutes an indebtedness of the Authority, the City, the County, the State, or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction. For certain financial information with respect to the City and the Wastewater System, see "THE WASTEWATER SYSTEM."**

### 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. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE WASTEWATER SYSTEM." 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.

### Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Bonds, the Indenture, and the Installment Purchase Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Bonds, the Indenture, the Installment Purchase Agreement, the Constitution and laws of the State, or any proceedings of the City or the Authority are qualified in their entirety by references to such documents, laws, and proceedings, and, with respect to the Bonds, by reference to the Indenture and the Installment Purchase Agreement. Copies of the Indenture, the Installment Purchase Agreement, and other documents and information are available for inspection and (upon request and payment to the Authority of a charge for copying, mailing, and handling) for delivery from the Authority at City of Oxnard Financing Authority, 300 West Third Street, Oxnard, California 93030, telephone (805) 385-7475.

## THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current refunding basis, all of the outstanding 2004 Series A Bonds, which 2004 Series A Bonds were previously issued in the aggregate principal amount of $80,000,000 and are currently outstanding in the aggregate principal amount of $80,000,000. The proceeds from the sale of the 2004 Series A Bonds were used to finance the cost of certain capital improvements to the Wastewater System. The Authority is authorized to issue the Bonds to refund the outstanding 2004 Series A Bonds pursuant to the Act and the Refunding Law.

The 2004 Series A Bonds were previously issued by the Authority pursuant to, and will be refunded in accordance with, the terms of that certain Indenture, dated as of June 1, 2004 (the "2004 Indenture"), by and between the City and the Trustee, as trustee for the 2004 Series A Bonds (the "2004 Trustee"). Upon the issuance of the Bonds, a portion of the proceeds from the sale of the Bonds (the "Refunding Proceeds"), together with certain other available moneys then on deposit in the funds and accounts established under the 2004 Indenture and held by the 2004 Trustee (together with the Refunding Proceeds, the "Escrow Proceeds"), will be delivered to the 2004 Trustee, acting as escrow agent (the "Escrow Agent") under that certain Escrow Agreement, dated as of November 1, 2014 (the "Escrow Agreement"), by and between the Authority and the Escrow Agent. The Escrow Agent will hold the Escrow Proceeds in an irrevocable escrow fund (the "Escrow Fund") for the benefit of the owners of the outstanding 2004 Series A Bonds, to be applied solely as provided in the Escrow Agreement. The Escrow Proceeds will be held uninvested as cash in accordance with the terms of the Escrow Agreement and will be used to redeem all outstanding 2004 Series A Bonds on December 1, 2014, at the redemption price of 100% of the principal amount of the 2004 Series A Bonds to be redeemed, together with interest accrued thereon to the redemption date. Upon the deposit of the Escrow Proceeds into the Escrow Fund, the 2004 Series A Bonds will no longer be deemed outstanding and the 2004 Indenture shall be discharged.

## THE BONDS

### Authorization and Payment of Bonds

The Bonds are being issued pursuant to the Act, the Refunding Law, and the provisions of the Indenture. The Bonds will be dated the date of their initial delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will be paid semiannually on each Interest Payment Date to Owners recorded in the registration books kept by the Trustee as of the applicable Record Date. Interest will be computed on the basis of a 360-day year comprised of twelve, 30-day months.

The Bonds will be issued as fully registered bonds in the denomination of $5,000 each or any integral multiple thereof; provided, however, that no Bond shall have principal represented thereby maturing in more than one year. Principal of and redemption premium, if any, on each Bond will be payable upon surrender of such Bond at the principal corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof. Interest will be payable by check, mailed to the Owners of the Bonds as of the applicable Record Date at their addresses as they appear on the registration books maintained by the Trustee; provided, however, that interest payable to an Owner of $1,000,000 or more aggregate principal amount of Bonds 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 to the Trustee for such purpose. Certain of the provisions described above will not apply as long as the Bonds are in a book-entry only system. See "THE BONDS – Book-Entry Only System."

### Optional Redemption of Bonds

The Bonds maturing on or after June 1, 2025, are subject to redemption prior to their respective Principal Payment Dates, upon the exercise by the City of its right to cause the redemption of Bonds in accordance with the Installment Purchase Agreement, from and to the extent of any source of available funds, as a whole or in part on any Interest Payment Date on or after June 1, 2024, of such maturities or portions of maturities as shall be directed by the City in accordance with the Installment Purchase Agreement if less than all of the Bonds are to be called for prior redemption and by lot within any such maturity if less than all of the Bonds are to be redeemed, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued by unpaid interest to the redemption date, without premium.

**Notice of Redemption of Bonds; Effect of Notice**

Whenever redemption is authorized or required and sufficient funds are deposited with the Trustee for such purposes as provided in the Indenture, the Trustee will mail a notice of such redemption, in form and substance as prescribed in the Indenture, to affected Owners not less than thirty (30) days nor more than sixty (60) days prior to the date of such redemption. Neither failure to receive notice nor any defect in notice will affect the sufficiency of the proceedings for the redemption of Bonds. From and after any such redemption date, interest on the Bonds to be redeemed will cease to accrue.

**Book-Entry Only System**

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

DTC, the world's largest securities 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate, and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission ("SEC"). More information about DTC can be found at www.dtcc.com. *The foregoing reference to an internet website is made for reference and convenience only; the information contained within the website has not been reviewed by the City or the Authority and is not incorporated in this Official Statement by reference.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 nor its nominee, the Trustee, the City or Authority, 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority or the City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC in accordance with the terms of the Indenture.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY AND THE CITY BELIEVE TO BE RELIABLE, BUT NEITHER THE AUTHORITY NOR THE CITY TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE AUTHORITY NOR THE CITY GIVES ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY REDEMPTION 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.

## Estimated Sources and Uses of Bond Proceeds

The following table details the estimated sources and uses of the proceeds from the sale of the Bonds and certain moneys transferred from the City's Wastewater Revenue Fund pertaining to the 2004 Series A Bonds.

**Table 1**
**Estimated Sources and Uses of Funds**

| | |
|---|---|
| **Estimated Sources:** | |
| Principal Amount | $71,985,000.00 |
| Plus: Net Original Issue Premium | 9,408,574.65 |
| Less: Underwriter's Discount | (160,998.65) |
| Amounts Transferred from Wastewater Revenue Fund | 2,043,862.50 |
| **Total Sources** | **$83,276,438.50** |
| **Estimated Uses:** | |
| Transfer to Bond Insurer for Bond Insurance Policy Premium | $ 206,831.97 |
| Transfer to Bond Insurer for Reserve Policy Premium | 122,374.50 |
| Transfer to Escrow Agent for Deposit Into Escrow Fund [(1)] | 82,043,862.50 |
| Deposit to Costs of Issuance Fund [(2)] | 278,369.53 |
| Deposit to Payment Fund [(3)] | 625,000.00 |
| **Total Uses** | **$83,276,438.50** |

(1) Comprised of $1,418,862.50 transferred by the City from the Wastewater Revenue Fund, plus $80,625,000.00 from the proceeds from the sale of the Bonds; to be used to redeem the 2004 Series A Bonds on December 1, 2014. See "THE REFUNDING PLAN."

(2) Moneys in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the rating agency, and the Trustee, as well as printing, and other miscellaneous costs related to the Bonds.

(3) Comprised of moneys transferred by the City from the Wastewater Revenue Fund. Such moneys are expected to be used to pay a portion of the interest due on the Bonds on June 1, 2015.

## Debt Service on Bonds and Parity Obligations

Principal of and interest on all obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues and outstanding as of the date of issuance of the Bonds, which obligations include the Bonds, the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds, are scheduled to be paid as shown in the following table.

**Table 2**
**Debt Service Schedule**
**(Bonds and Outstanding Parity Obligations)**

| Year Ending June 1 | Principal of Bonds | Interest on Bonds | Principal of 2004 Series B Bonds | Interest on 2004 Series B Bonds [1] | Principal of 2006 Bonds | Interest on 2006 Bonds | Principal of 2013 Refunding Bonds | Interest on 2013 Refunding Bonds | Total Debt Service [1] |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | | $1,859,612.50 | $ 965,000 | $ 1,050,941 | $ 295,000 | $ 504,330 | $ 2,854,299 | $ 510,521 | $ 8,039,703 [2] |
| 2016 | | 3,599,250.00 | 995,000 | 996,737 | 305,000 | 492,530 | 2,935,324 | 431,171 | 9,755,012 |
| 2017 | | 3,599,250.00 | 1,025,000 | 940,848 | 315,000 | 480,330 | 3,013,176 | 349,569 | 9,723,173 |
| 2018 | | 3,599,250.00 | 1,050,000 | 883,273 | 330,000 | 466,943 | 3,101,192 | 265,803 | 9,696,461 |
| 2019 | | 3,599,250.00 | 1,085,000 | 824,295 | 345,000 | 452,753 | 3,183,905 | 179,590 | 9,669,792 |
| 2020 | | 3,599,250.00 | 1,110,000 | 763,350 | 360,000 | 437,745 | 3,276,168 | 91,077 | 9,637,591 |
| 2021 | $3,675,000 | 3,599,250.00 | 735,000 | 701,002 | 375,000 | 421,905 | | | 9,507,157 |
| 2022 | 3,855,000 | 3,415,500.00 | 760,000 | 659,717 | 390,000 | 405,218 | | | 9,485,434 |
| 2023 | 4,050,000 | 3,222,750.00 | 780,000 | 617,027 | 410,000 | 387,668 | | | 9,467,445 |
| 2024 | 4,250,000 | 3,020,250.00 | 805,000 | 573,215 | 430,000 | 369,218 | | | 9,447,682 |
| 2025 | 4,465,000 | 2,807,750.00 | 825,000 | 527,998 | 445,000 | 349,868 | | | 9,420,616 |
| 2026 | 4,690,000 | 2,584,500.00 | 850,000 | 481,658 | 470,000 | 329,620 | | | 9,405,778 |
| 2027 | 4,925,000 | 2,350,000.00 | 870,000 | 433,913 | 490,000 | 308,000 | | | 9,376,913 |
| 2028 | 5,165,000 | 2,103,750.00 | 900,000 | 385,045 | 515,000 | 283,500 | | | 9,352,295 |
| 2029 | 5,425,000 | 1,845,500.00 | 925,000 | 334,492 | 540,000 | 257,750 | | | 9,327,742 |
| 2030 | 5,700,000 | 1,574,250.00 | 950,000 | 282,535 | 565,000 | 230,750 | | | 9,302,535 |
| 2031 | 5,985,000 | 1,289,250.00 | 980,000 | 229,174 | 595,000 | 202,500 | | | 9,280,924 |
| 2032 | 6,280,000 | 990,000.00 | 1,005,000 | 174,127 | 625,000 | 172,750 | | | 9,246,877 |
| 2033 | 6,595,000 | 676,000.00 | 1,035,000 | 117,676 | 655,000 | 141,500 | | | 9,220,176 |
| 2034 | 6,925,000 | 346,250.00 | 1,060,000 | 59,540 | 690,000 | 108,750 | | | 9,189,540 |
| 2035 | | | | | 725,000 | 74,250 | | | 799,250 |
| 2036 | | | | | 760,000 | 38,000 | | | 798,000 |
| **Totals [3]** | **$71,985,000** | **$49,680,862.50** | **$18,710,000** | **$11,036,563** | **$10,630,000** | **$6,915,875** | **$18,364,064** | **$1,827,733** | **$189,150,097** |

(1) Estimated at an average interest rate of 5.617%. The 2004 Series B Bonds are variable rate bonds and bear interest at a weekly rate. In June 2007, the City entered into a floating-to-fixed interest rate swap with Royal Bank of Canada in the original notional amount of $23,975,000 with respect to the outstanding 2004 Series B Bonds. Pursuant to such swap, the City pays a fixed rate of 4.017% and receives variable payments computed as 68% of the one-month LIBOR. The 2004 Series B Bonds and the related swap agreement mature on June 1, 2034, and, as of June 30, 2014, the swap's notional amount of $18,710,000 matches the $18,710,000 in variable-rate bonds. The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the 2004 Series B Bonds. The 5.617% interest rate also includes aggregate annual letter of credit and remarketing agent fees payable by the City in an amount equal to 1.60% of the outstanding principal amount of the 2004 Series B Bonds.

(2) Amount does not include the December 1, 2014, interest payment to be made on the 2004 Series A Bonds in the amount of $2,043,863. Such amount will be paid from moneys deposited in the Escrow Fund. See "THE REFUNDING PLAN."

(3) Totals may not add due to rounding.

Source: Underwriter.

## SECURITY FOR THE BONDS

### Installment Payments

The City has agreed to purchase the 2004 Project pursuant to the Installment Purchase Agreement. See "THE 2004 PROJECT." Pursuant to the Installment Purchase Agreement, the City has covenanted to pay the Authority, solely from Net System Revenues and from no other sources, the Purchase Price for the 2004 Project in Installment Payments in the amounts and on the dates as set forth in the Installment Purchase Agreement. The obligation of the City to make the Installment Payments solely from Net System Revenues is absolute and unconditional (subject to the parity lien of any Additional Obligations; see "– Net System Revenues" and "– Limitations Regarding Additional Obligations" below) and, until such time as the Purchase Price shall have been paid in full, the City shall not discontinue or suspend any Installment Payments required to be made by the Installment Purchase Agreement.

The Bonds are limited obligations of the Authority, issued pursuant to the Indenture, and payable solely from (i) Revenues, consisting of Installment Payments to be made by the City pursuant to the Installment Purchase Agreement and the interest or profits from the investment of moneys in certain of the funds established under the Indenture, and (ii) all moneys in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund and the Costs of Issuance Fund). Pursuant to the Indenture, the Installment Payments are required to be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the outstanding Bonds. The Installment Payments are secured by a pledge, charge, and lien upon, and are payable solely from, the Net System Revenues of the City's Wastewater System. **Neither the full faith and credit nor the taxing power of the City, the County, the State, or any political subdivision of the State is pledged to the payment of the Bonds. The Authority has no taxing power.**

**Net System Revenues**

The City's obligation to make Installment Payments under the Installment Purchase Agreement is secured by a pledge of and lien on the Net System Revenues. In order to carry out and effectuate its pledge of Net System Revenues, the City has agreed and covenanted in the Installment Pledge Agreement to deposit all System Revenues when and as received into the Wastewater Revenue Fund, which fund the City agrees and covenants to maintain so long as any Installment Payments remain unpaid. All moneys in the Wastewater Revenue Fund will be held in trust and applied and used solely as provided in the Installment Purchase Agreement.

The Installment Purchase Agreement includes the following definitions:

> "Net System Revenues" means System Revenues less the Maintenance and Operations Costs of the Wastewater System.
>
> "System Revenues" means, for any Fiscal Year or other period, all rates, fees, and charges received for, and all other income and receipts derived by the City from, the operation of the Wastewater System or arising from the Wastewater System, determined in accordance with generally accepted accounting principles, including all proceeds of insurance covering business interruption loss relating to the Wastewater System, investment earnings on such amounts, and all other money howsoever derived by the City from the operation of the Wastewater System or arising from the Wastewater System; provided, however, that System Revenues shall include fees and charges collected during such Fiscal Year or other period, but only to the extent that such fees and charges could be properly expended on a Wastewater System Project for which the proceeds were used or are available to be used.
>
> "Maintenance and Operation Costs of the Wastewater System" means, for any Fiscal Year or other period, the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including Administrative Costs, salaries and wages of employees, payments to employee retirement systems (to the extent paid from System Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, or engineers, and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Bonds, this Installment Purchase Agreement, or any Additional Obligations, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, but excluding in all cases (i) depreciation and replacement and obsolescence charges or reserves therefor, (ii) amortization

of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions, or improvements to the Wastewater System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iv) charges for the payment of principal of and interest on any general obligation bond heretofore or hereafter issued for Wastewater System purposes, and (v) charges for the payment of any debt service on the Obligations or on any obligation subordinate to the Obligations.

"Additional Obligations" means Obligations other than the Installment Payments.

"Administrative Costs" means the ordinary and necessary administrative costs and incidental expenses related to the Bonds, the Indenture, the Installment Purchase Agreement, and any Additional Obligations, including, but not limited to Trustee fees (including any fees and expenses of its counsel) and indemnification payable by the Authority pursuant to the Indenture and fees incurred in connection with the calculation of arbitrage rebate due to the federal government with respect to the Bonds.

"Obligations" means City Bonds and Contract Payments.

"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, the installment or lease payments under which are payable form the Net System Revenues and secured on a parity with the Installment Payments.

"City Bonds" means all revenue bonds or notes of the City that are payable from the Net System Revenues and secured on a parity with the Installment Payments.

All Net System Revenues are pledged on a parity and *pro rata* basis to the payment of the Installment Payments and all Additional Obligations. Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the 2004 Series B Bonds, (iii) the 2006 Bonds, and (iv) the 2013 Refunding Bonds. The City may incur Additional Obligations payable on a parity with the Installment Payments that secure payment of the Bonds, subject to certain limitations and conditions set forth in the Installment Purchase Agreement. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds, and are also subject to such limitations and conditions. See "Limitations Regarding Additional Obligations" below.

The City shall not be required to advance any moneys derived from any source of income other than Net System Revenues and the other funds provided in the Installment Purchase Agreement for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Agreement. The City may, however, but in no event shall it be obligated to, advance moneys for any such purpose so long as such moneys are derived from a source legally available therefor. See "Limitations Regarding Additional Obligations" below and "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents."

**The obligation of the City to make the Installment Payments is a limited obligation of the City payable solely from Net System Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the Authority, the City, the County, the State, or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction.**

**Rate Covenant**

The City has covenanted in the Installment Purchase Agreement to fix, prescribe, and collect fees, rates, and charges for the Wastewater System that will be at least sufficient to yield, during each Fiscal Year, Net System Revenues equal to the sum of (a) one-hundred percent (100%) of the Debt Service for such Fiscal Year, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in the rates and charges described above and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in this paragraph. See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents."

The Installment Purchase Agreement includes the following definitions:

> "Debt Service" means, for any Fiscal Year or other period, the sum of (i) 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), (ii) 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, (iii) 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 (iv) that portion of the Contract Payments required to be made in such Fiscal Year or other period (all subject to certain assumptions set forth in the Installment Purchase 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 Account and provided to 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.

Net System Revenues did not meet the rate covenant requirements in fiscal years 2009-10 and 2010-11 despite 8% rate increases in each year. While there were several factors, the primary causes were lower consumption of potable water used to calculate the wastewater flows and lower eligible connection fees. Potable water consumption is driven in part by rainfall and those years were relatively wet, negatively impacting revenues based on flow. In fiscal year 2011-12, in addition to rate adjustments, water consumption began to increase to normal trend levels and connection fees also increased. Despite the improved revenues, Net System Revenues were slightly below the covenant requirements in fiscal year 2011-12. **The shortfall in Net System Revenues in fiscal years 2009-10, 2010-11, and 2011-12 did not adversely affect the City's payment of debt service on any outstanding obligation related to**

**the Wastewater System.** The City's response in failure to meet the rate covenant requirements in those fiscal years resulted in approval of a 6% rate increase effective October 2012, an additional increase of 6% effective January 2013, and an additional rate increase of 6% in October 2013.

**Reserve Fund**

Pursuant to the Installment Purchase Agreement, the City is required to maintain or cause to be maintained the Reserve Fund, which is pledged to the payment of principal of and interest on the Bonds, at the Reserve Requirement. Pursuant to the Indenture, the Trustee is required to annually set aside from the Payment Fund and deposit in the Reserve Fund from amounts received from the City pursuant to the Installment Purchase Agreement an amount of money which, together with the amount already on deposit therein, will be equal to the Reserve Requirement. The term "Reserve Requirement" is defined in the Indenture as being equal to the least of (i) ten percent (10%) of the aggregate principal amount of the Bonds originally issued, (ii) the Maximum Annual Debt Service on the Bonds, and (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the Bonds. No deposit need be made in the Reserve Fund so long as there shall be on deposit therein a sum equal to at least the Reserve Requirement for the succeeding Bond Year. The Trustee is required to promptly notify the City and the Authority if the amount on deposit in the Reserve Fund is less than the Reserve Requirement.

Pursuant to the Indenture, all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of, or redemption premiums, if any, on the Bonds in the event that no other money of the Authority is lawfully available therefor, or for the retirement of all Bonds then outstanding. All interest income received by the Trustee on investment of moneys in the Reserve Fund shall be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement for the following Bond Year.

In lieu of funding the Reserve Fund with cash, the Authority, at its option, may fund all or any portion of the Reserve Requirement by providing to the Trustee (a) an irrevocable, unconditional letter of credit issued by a bank or other financial institution whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Inc., or Moody's Investors Service ("Moody's"), or (b) a Qualified Reserve Fund Policy.

**Reserve Policy**

Simultaneously with the issuance of the Bonds, the Authority expects to satisfy the Reserve Requirement with respect to the Bonds with the Reserve Policy to be provided by AGM. The Reserve Policy will provide that, upon the later of (i) the Business Day next following the Business Day of receipt by the AGM of a Notice of Nonpayment (as defined in the Reserve Policy) presented by the Trustee to the AGM, or (ii) the payment date with respect to the Bonds as specified in the Notice of Nonpayment, AGM will make a deposit of funds with the Trustee in an amount sufficient to pay principal and interest with respect to the Bonds, to the extent of the amount available under the Reserve Policy (as such amount may be reduced in accordance with the terms of the Reserve Policy). The Reserve Policy provides that it will expire on the earlier of the scheduled final maturity date of the Bonds or the date the Bonds are no longer outstanding under the Indenture. See "BOND INSURANCE" for information about AGM.

**Limitations Regarding Additional Obligations**

The City may at any time incur Additional Obligations payable from Net System Revenues and secured on a parity with the payment by the City of the Installment Payments; provided:

(1) There shall not have occurred and be continuing an Event of Default under and as defined in the Installment Purchase Agreement or the Indenture; and

(2) The City obtains or provides a certificate or certificates prepared by a Consultant showing that (i) the Net System Revenues as shown by the books of the City for the twelve (12) calendar months ending prior to the incurring of such Additional Obligations shall have amounted to at least one hundred percent (100%) of Debt Service for such twelve (12) calendar month period, plus the amount by which the amount on deposit in the Wastewater Revenue Fund on the date prior to the first day of such twelve (12) calendar month period was less than twenty-five percent (25%) of Maximum Annual Debt Service; (ii) the estimated Net System Revenues for the twelve (12) calendar months following the date of incurring such Additional Obligations will be at least equal to one hundred percent (100%) of Debt Service on all Obligations to be outstanding immediately after the incurring of such Additional Obligations; and (iii) the amount on deposit in the Wastewater Revenue Fund on the date of incurring such Additional Obligations is at least equal to twenty-five percent (25%) of Maximum Annual Debt Service as of the date of incurring of such Additional Obligations.

The determination of Net System Revenues for use in the calculation described above is more fully described in the Installment Purchase Agreement and in "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Installment Purchase Agreement – 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 an Authorized 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.

Upon the issuance of the Bonds, the following obligations payable on a parity and *pro rata* basis from separate installment payments secured by Net System Revenues will be outstanding: (i) the Bonds, (ii) the 2004 Series B Bonds, (iii) the 2006 Bonds, and (iv) the 2013 Refunding Bonds. The Installment Payments that secure payment of the Bonds constitute Additional Obligations in relation to the respective installment payments that secure payment of the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds, and are therefore subject to the limitations described above.

**Insurance**

Pursuant to the Installment Purchase Agreement, the City is required to procure and maintain or cause to be procured and maintained insurance on the Wastewater System with responsible insurers, or provide self-insurance reserves (which may be provided in the form of risk sharing pools), in such amounts and against such risks as are usually covered in connection with wastewater systems similar to the Wastewater System. The City is also required to procure and maintain such other insurance that it shall deem advisable or necessary to protect its interests and the interests of the Authority with respect to the Wastewater System.

All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City will certify to the Trustee annually on or before July 1 of each Fiscal Year that it is in compliance with such insurance requirements.

See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Installment Purchase Agreement – Covenants of the City – Insurance."

**Action on Default**

Upon the happening and continuance of any Event of Default as defined in the Indenture, the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding 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 a written instrument 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 Indenture with respect to such Bonds. See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents."

**Investment of Moneys**

Amounts held in any fund or account held under the Indenture will be invested in Permitted Investments, subject to the conditions provided for in the Indenture. All investment earnings on monies on deposit in any fund or account held under the Indenture will be transferred to the Payment Fund, subject to the obligation of the City or the Authority 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 the Principal Legal Documents – The Indenture."

## BOND INSURANCE

*The following disclosure regarding the Bond Insurance Policy and the Bond Insurer has been provided by the Bond Insurer and has not been verified for accuracy or completeness by the Authority or the City, and neither the Authority nor the City shall have any liability with respect thereto.*

**Bond Insurance Policy**

Concurrently with the issuance of the Bonds, the Bond Insurer will issue its Bond Insurance Policy for the Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy included as Appendix F to this Official Statement.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut, or Florida insurance law.

**Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure, and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"), and "A2" (stable outlook) by Moody's Investors Service,

Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell, or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings*

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

*Capitalization of AGM*

At September 30, 2014, AGM's policyholders' surplus and contingency reserves were approximately $3,683 million and its net unearned premium reserve was approximately $1,810 million. Such amounts represent the combined surplus contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve, and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (filed by AGL with the SEC on August 8, 2014); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014 (filed by AGL with the SEC on November 7, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be a part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Bonds offered. AGM or such affiliate may hold such Bonds or uninsured Bonds for investment or may sell or otherwise dispose of such Bonds or uninsured Bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

## RISK FACTORS

***Investment in the Bonds 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 Bonds 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 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.***

**Bonds are Limited Obligations**

The Bonds are payable solely from Net System Revenues and amounts held in certain funds and accounts established under the Indenture. Consequently, the payment of principal of and interest on the Bonds will be dependent upon the availability and sufficiency of such Net System Revenues. The Bonds do not constitute an obligation of the Authority for which the Authority must levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The Installment Payments do not constitute an obligation of the City for which the City must levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the Installment Payments constitute a debt or indebtedness of the Authority, the City, the County, the State, or any political subdivision of the State, within the meaning of any constitutional or statutory debt limitation or restriction

**System Demand**

There can be no assurance that the local demand for the services provided by the Wastewater System will be maintained at levels described in this Official Statement. Because of changes in demographics within the boundaries of the City, it is possible for the demand for wastewater services to decline over the term of the Bonds. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in subscribers or usage. This would reduce the City's ability to make Installment Payments, which could in turn adversely impact the Authority's ability to make repayments of the principal or interest on the Bonds.

**Increased Regulations**

The adoption by federal or state agencies of more regulations could adversely affect Net System Revenues. A significant change in effluent standards for wastewater treatment imposed by law or regulation might cause the City to incur greater expenses of operation, thus creating a temporary or permanent inability to support the Installment Payments due under the Installment Purchase Agreement, which would in turn adversely impact the Authority's ability to pay the principal of and interest on the Bonds when due. It is not possible to predict the timing or nature of more stringent operating standards that may be imposed upon the City over the term of the Bonds.

**Increased System Expenses**

Changes in technology, increases in the cost of energy, chemicals, or other expenses could reduce Net System Revenues, which could in turn require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Purchase Agreement. The City's ability to make its required Installment Payments may be adversely affected until such time as the City is able to increase rates and charges to pay for such increased costs.

**Seismic Activity; Flood Plain; Limited Insurance**

The Installment Purchase Agreement does not require the City to maintain earthquake or flood insurance on the Wastewater System. The City, along with much of the State of California, shares a history of seismic activity and is thus listed as a "Zone 4" earthquake area in the Uniform Building Code. A Zone 4 designation has the most restrictive design requirements for new construction. The City standards for development, to which the components of the Wastewater System were subject, have been designed to reduce the risk to the public and adequately mitigate seismic hazards.

There are no known major faults within the City; however, there are several active faults located within a radius of approximately 50 miles from the City, including the San Andreas Fault and the San Gabriel Fault. Activity along these faults could potentially result in damage to the buildings, roads, bridges, and property within the City in the event of a major earthquake.

If a major earthquake were to occur, it may substantially damage or destroy the Wastewater System or portions of it. In such a case, under certain circumstances, the Net System Revenues could possibly be reduced or eliminated if the City was unable to provide wastewater services to its customers, or if large amounts of System Revenues were required to be applied to make extensive repairs to the Wastewater System. Such a reduction or elimination of Net System Revenues could impair the ability of the City to make Installment Payments, which in turn would impair the ability of the Authority to make payments of principal of and interest on the Bonds when due.

The chance that the occurrence of severe seismic activity in the area of the Wastewater System could result in substantial damage and interference with the City's right to use all or a portion of the Wastewater System, and thereby result in a reduction or elimination of Net System Revenues, is mitigated by the City's standards for development.

The components of the Wastewater System are located in a flood insurance rate zone designated by the Federal Emergency Management Agency ("FEMA") as "Zone B." According to FEMA, Zones B, C, and X refer to flood insurance rate zones that are not within the 100-year floodplain and are therefore not considered to pose a flood hazard. The term "100-year flood" refers to the flood elevation that has a one percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a "100-year storm" and the area inundated during the base flood is sometimes called the "100-year floodplain." The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program as the standard for floodplain management and to determine the need for flood insurance.

**Limited Recourse on Default**

If the City defaults on its obligation to make Installment Payments, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of the Installment Payments. However, there can be no assurance that the City will have sufficient Net System Revenues to pay the accelerated Installment Payments.

**Limitations on Available Remedies**

The enforceability of the obligations of the City and the rights and remedies of the Owners of the Bonds may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable 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 federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners of the Bonds 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.

**Absence of Market for the Bonds**

There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions and the financial condition or market position of firms who may make the secondary market.

**Constitutional Limitations**

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

**Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City or the Authority in violation of their respective covenants in the Indenture and the Installment Purchase Agreement.

In addition, no assurance can be given that future legislation, including amendments to the Internal Revenue Code of 1986, as amended, or interpretations thereof, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the excludability of the interest on the Bonds from gross income for United States federal income tax purposes. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Federal Tax Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

**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 WASTEWATER SYSTEM REVENUES AND EXPENDITURES

### California Constitution Article XIIIB Limitations

Article XIIIB of the California Constitution 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 of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the government entity. The "base year" for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes is population, consumer prices, and increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIIIB include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance, and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions, and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity), and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates that without discretion require an expenditure for additional services or that unavoidably make the providing of existing services more costly. The City believes that its charges for sewer service and wastewater treatment do not exceed the costs it reasonably bears in providing such services and, therefore, are not subject to the limitations of Article XIIIB. The City has covenanted in the Installment Purchase Agreement that it will, in each year, prescribe rates and charges sufficient to provide for payments of the Bonds each year.

### California Constitution Article XIIIC and Article XIIID Limitations

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees, and charges. These provisions could adversely affect the financial condition of the City, its ability to comply with its covenants under the Installment Purchase Agreement, and/or the Authority's ability to pay principal of or interest on the Bonds. In such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds. See "RISK FACTORS – Limitations on Available Remedies" above.

Article XIIID contains several new provisions affecting the ability of local governments to impose or increase "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by ... a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service"; provided, however, that Article XIIID specifically provides that it shall not be construed to "affect existing laws relating to the imposition of fees or charges as a condition of property development." The City believes that its connection fee charges related to the Wastewater System is a fee

or charge as a condition of property development within the meaning of Article XIIID, although no assurance can be given that a court would not determine otherwise. “Property related service” means a public service having a direct relationship to property ownership (which term may include tenancies). All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) 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. Although the City believes that its sewer service charges are not property related fees or charges within the meaning of Article XIIID, the City further believes that its sewer service charges, if determined to be such property related fees or charges, would satisfy all of these requirements. However, in any legal action contesting the validity of a fee or charge, the City will have the burden of proving exemption from or compliance with Article XIIID and no assurance can be given that a court would not determine otherwise. 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. The City is unable to predict whether the imposition or increase of any fee and charge, including any increase in its sewer service charge, will be prevented by such a majority protest.

Moreover, Article XIIID also provides that, except for fees or charges for sewer, water, and refuse collection services (or fees for electrical and gas service, which are not treated as property related for purposes of Article XIIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City believes that its sewer service charges are charges for sewer service within the meaning of Article XIIID, although no assurance can be given that a court would not determine otherwise.

Article XIIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIIID will be applied to fees or charges established prior to such date. The City does not plan to conduct any new hearings, elections, or other proceedings with respect to any of its existing sewer-related fees or charges.

In addition to the provisions described above, Article XIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any local tax, assessment, fee, or charge. “Assessment,” “fee,” and “charge” are not defined in Article XIIIC and it is unclear whether the definitions of such terms contained in Article XIIID (which are generally property-related as described above) apply with respect to Article XIIIC. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce, or prohibit the future imposition or increase of assessments, fees, or charges. The City believes that the initiative power cannot be used to alter covenants in the Installment Purchase Agreement concerning the imposition of the City’s charges or reduce or repeal such charges to the extent that the City could not meet its obligation to make Installment Payments. In addition to the foregoing, the City’s general financial condition may be affected by other provisions of Article XIIIC and Article XIIID, including (A) provisions of Article XIIIC (i) requiring taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into general fund, to be approved by a two-thirds vote, (ii) subjecting all taxes, assessments, fees, and charges to reduction or repeal at any time through the initiative process

(as mentioned above), and (iii) provisions of Article XIIID that could reduce the ability of the City to fund certain services or programs that it may be required or choose to fund from its general fund, such as provisions (1) adding requirements making it generally more difficult to levy and maintain "assessments," defined to mean a levy or charge upon real property for a particular and distinct benefit to the property over and above general benefits conveyed to property located in the district or to the public at large, (2) requiring any imposition or increase of property related fees or charges other than for sewer, water and refuse collection services or fees for electrical or gas service (which are not treated as property related for purposes of Article XIIID) to be approved by "majority of the property owners" subject to the fee or charge or, at the option of the local government, two-thirds vote of the electorate residing in the affected area.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

**Future Initiatives**

Articles XIIIB, XIIIC, and XIIID of the Constitution were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Wastewater System revenues or the City's ability to generate or expend revenues.

## 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 Exercise of Powers Agreement, dated as of October 8, 1991, as amended on April 21, 1992, by and among the City, the Oxnard Community Development Commission (as successor to the former Redevelopment Agency of the City of Oxnard), and the Housing Authority of the City of Oxnard. The Authority was created 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, who are the members of the City Council, are listed below:

| Name | Office |
|---|---|
| Tim Flynn | Chairman |
| Carmen Ramirez | Vice Chair |
| Bryan A. MacDonald | Board Member |
| Dorina Padilla | Board Member |
| Bert E. Perello | 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 Chief Financial Officer and Interim City Attorney, respectively, of the City, 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:

| Name | Position |
|---|---|
| James Cameron | Controller |
| Michael J. More | Assistant Controller |
| Stephen Fischer | Interim General Counsel |
| Daniel Martinez | Secretary |

Neither the Authority nor its Board members have any obligations or liability to the Owners of the Bonds 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.

## THE 2004 PROJECT

The City is purchasing the 2004 Project from the Authority with Installment Payments pursuant to the Installment Purchase Agreement. The 2004 Project is comprised of the Redwood Trunk Sewer Project (the "Redwood Trunk Sewer Project") and the Oxnard Wastewater Treatment Plant Headworks Project (the "Headworks Project"), both of which have been implemented to address master-planned increases in sewer capacity needs, to meet the City's commitment to serve these needs in the north and northwest portions of the City, and to correct existing Wastewater System deficiencies.

### Redwood Trunk Sewer Project

The City currently operates and maintains approximately 430 miles of sewer pipelines and sixteen wastewater pump stations. These facilities provide wastewater collection services to City residents and other agencies/users such as the Santa Clara Wastewater Company, Crestview Mutual Water Company, Point Mugu, City of Port Hueneme, and the Naval Construction Battalion Center. Collected wastewater is conveyed to the City's Wastewater Treatment Plant located in the southern portion of the City along Perkins Road. Based on wastewater collection system master planning efforts begun in May 1998, the City identified a need to make substantial improvements to its collection system. These improvements are intended to alleviate hydraulic deficiencies and provide sufficient capacity for new rapidly emerging developments. The Redwood Trunk Sewer Project constitutes part of these improvements and was designed to improve the system hydraulics along the corridor of the existing Redwood Trunk and to provide sufficient capacity for the Northwest Golf Course Community (Victoria Estates) and the Seabridge and Westport developments in the City. In addition, the Redwood Trunk Sewer Project was designed to relieve the existing Central Trunk by diverting flows north of the Central Trunk in the College Park area, including the area of the RiverPark development, to the proposed Redwood Trunk Sewer.

The Redwood Trunk Sewer Project was completed in 2007 and primarily included the construction of approximately 45,500 feet of pipe and improvement of the existing Lift Station 29. In addition, two lift stations were eliminated along the Redwood Trunk Sewer Project. The elimination of these lift stations has increased the efficiency and decreased the operating and maintenance costs of the Wastewater System.

### The Headworks Project

The Oxnard Wastewater Treatment Plant ("OWTP") is a secondary treatment plant located at southwest portion of the City. The OWTP has an average dry weather flow ("ADWF") design capacity of 31.7 million gallons per day ("MGD") with provision for an ultimate ADWF design capacity of 39.7 MGD and corresponding ultimate peak weather flow of 75.4 MGD.

The Headworks Project was completed in 2007 and is located on the City property north of the OWTP. The Headworks Project facilities were designed to meet the City's ultimate average dry weather flow of 39.7 MGD and ultimate peak weather flow of 75.4 MGD. The Headworks Project is expected to maintain the OWTP capacity while substantially enhancing process reliability, performance, and operability. These improvements have been attained by providing process and mechanical equipment redundancy throughout key elements of the new Headworks Project facility, and upgrading stand-by power and odor control support systems.

## THE WASTEWATER SYSTEM

### Background and Organization

The City's Wastewater System provides wastewater collection and treatment services for the residents of Oxnard, the neighboring City of Port Hueneme and the Naval Base Ventura County (Port Hueneme and Point Mugu). Its principal facilities consist of the Treatment Plant, approximately 430 miles of sewer pipelines and 15 wastewater pump stations. The City maintains two accounting funds for the Wastewater System: a Wastewater Conveyance Fund, the primary sources of revenue for which are comprised of the monthly user charges paid by the existing residents of the City and connection fee income generated by new development within the City, and a Wastewater Treatment Plant Fund, the primary revenue sources for which are comprised of regional user charges and connection fee income generated by new development within the City. The Wastewater Conveyance Fund and the Wastewater Treatment Plant Fund together comprise the Wastewater Revenue Fund, as defined in the Installment Purchase Agreement. Amounts in the Wastewater Revenue Fund are invested in accordance with the City's investment policy (the "Investment Policy"), as described in Appendix D.

Prior to 1977, the City had owned and operated a local sewage treatment and disposal system, financing the acquisition and construction of a collection system, treatment plant and ocean outfall through various bond issues commencing in 1905. In 1976, following an action by the Los Angeles Regional Water Quality Control Board calling for the regional consolidation of wastewater treatment at the City's treatment plant, the City and the City of Port Hueneme formed the Oxnard - Port Hueneme Regional Wastewater Treatment Authority ("OPHRWTA") by means of a Joint Exercise of Powers Agreement dated August 17, 1976. OPHRWTA, through a combination of Federal and State grants and an issue of lease revenue bonds, undertook a major reconstruction and expansion of the Oxnard Wastewater Treatment Plant that resulted in the Treatment Plant's then reported design capacity of 22.6 MGD.

In 1976, the City entered into a contract whereby the Treatment Plant was to be operated by the Ventura County Regional Sanitation District. In 1986, the City cancelled that contract and established an organization for direct City operation of the facility. Following the defeasance of the lease revenue bonds, OPHRWTA was dissolved.

In 1991, the City completed the Treatment Plant Expansion Project which included the addition of a new secondary treatment system and several improvements to the existing treatment processes. This project increased the Treatment Plant's design capacity from 22.6 MGD to 31.7 MGD.

The Wastewater System is part of the City's newly formed Utilities Department. In an effort to focus resources and expertise on the complexities of water resources in the City and surrounding area, the former Public Works Department was recently reorganized into separate Utilities and General Services Departments. The Utilities Department, which consists of Water and Wastewater enterprises has a separate Director and management structure. The Wastewater Enterprise employs 75 full time employees

(budgeted) and is responsible for all payroll costs including benefits such as pensions. Other general administrative costs are allocated to the enterprise fund as well through an indirect cost plan.

## Service Area

The Treatment Plant currently serves a population of approximately 200,855 with an average flow of about 20 MGD. The following table shows the history of flow through the Treatment Plant, broken down according to its three major user groups, for fiscal years 2008-09 through 2012-13.

**TABLE 3**
**OXNARD WASTEWATER TREATMENT PLANT**
**AVERAGE DAILY FLOW (MILLIONS OF GALLONS PER DAY)**

| Fiscal Year | Oxnard | Port Hueneme | Naval Base Ventura County | Total |
|---|---|---|---|---|
| 2008-09 | 19.28 | 2.16 | 0.96 | 22.40 |
| 2009-10 | 18.60 | 2.78 | 0.93 | 22.31 |
| 2010-11 | 18.74 | 2.50 | 1.01 | 22.25 |
| 2011-12 | 17.39 | 2.25 | 0.96 | 20.60 |
| 2012-13 | 20.10 | 1.29 | 0.75 | 22.14 |

Source: City of Oxnard.

As of December 31, 2013, the Wastewater System had 38,906 active service accounts, of which 36,378 were residential, 2,530 were commercial, and 25 were industrial. The following table shows the annual growth in the number of the Wastewater System's active service accounts since December 31, 2009.

**TABLE 4**
**WASTEWATER SYSTEM**
**ACTIVE SERVICE ACCOUNTS**

| Date | Residential Accounts | Commercial Accounts | Industrial Accounts | Total Accounts | Percentage Increase |
|---|---|---|---|---|---|
| 12/31/09 | 34,856 | 2,395 | 25 | 37,276 | 1.9% |
| 12/31/10 | 35,628 | 2,436 | 25 | 38,089 | 2.1 |
| 12/31/11 | 35,850 | 2,431 | 23 | 38,304 | 0.6 |
| 12/31/12 | 36,027 | 2,460 | 25 | 38,512 | 0.5 |
| 12/31/13 | 36,378 | 2,503 | 25 | 38,906 | 1.8 |

Source: City of Oxnard, Finance and Management Services Department, Billing Division.

The Wastewater System's 10 largest wastewater customers in order of billing for the twelve-month period ending December 31, 2013, are listed in the following table:

**TABLE 5**
**WASTEWATER SYSTEM**
**TEN LARGEST CUSTOMERS BY ORDER OF BILLING**
**FOR TWELVE-MONTH PERIOD ENDING DECEMBER 31, 2013**

| Customer Name | Twelve-Month Billing Through December 31, 2013 | Percent of Total Revenue |
|---|---|---|
| Procter & Gamble Paper Products | $1,356,705.55 | 4.34% |
| Boskovich Farms | 414,042.13 | 1.33 |
| Coastal Green Vegetable Co | 408,054.84 | 1.31 |
| Puretec | 314,187.27 | 1.00 |
| Gills Onions | 245,758.93 | 0.79 |
| J M Smucker Company | 202,960.22 | 0.65 |
| Harris Water Conditioning | 197,729.84 | 0.63 |
| International Paper | 195,524.65 | 0.63 |
| Santa Clara Wastewater | 188,331.42 | 0.60 |
| Sunrise Growers | 120,963.66 | 0.39 |
| **Total** | **$3,644,258.51** | **11.68%** |

Source: City of Oxnard, Finance and Management Services Department, Billing Division.

## Sources of Wastewater System Revenues

The Wastewater System has two main sources of revenues: (i) monthly wastewater user charges billed and paid according to separate rate schedules for residential, commercial and industrial accounts and (ii) wastewater connection fees billed and paid prior to the issuance of any building permit for the construction of new residential, commercial or industrial structures in the City.

## Wastewater Rates and Charges

The Wastewater System's monthly wastewater usage rates and charges are adopted by the City Council of the City and are not subject to review by any state or local governmental agency. On September 11, 2012, the City Council adopted a three-step rate increase of 6% for each step, effective October 2012, January 2013, and October 2013. The City is currently evaluating the effect of conservation measures on the Wastewater System prior to developing proposed increases for City Council consideration in fiscal year 2014-15.

Residential usage rates are levied on the basis of a flat monthly fee, currently $21.07 per month for single family detached residential units and variable rate fees based on 60% or 90% of metered potable water consumption depending on lot size. Similarly, multi-family customers are charged a flat monthly fee of $15.41 per unit for one to six units and $7.68 per unit for seven or more units. Variable rate fees are as follows:

**TABLE 6**
**CITY OF OXNARD MONTHLY WASTEWATER USAGE RATES**
**RESIDENTIAL CUSTOMERS**
(Rate Per Hundred Cubic Feet)

| Type of Customer | Usage Rate |
|---|---|
| **Single Family Residential** | |
| 0 to 9 HCF/Mo. | $1.37 |
| 10 to 18 HCF/Mo. | 1.52 |
| Over 18 HCF/Mo. | 2.12 |
| **Single Family Residential (Large Lots)** (1) | |
| 0 to 16 HCF/Mo. | $1.37 |
| 17 to 25 HCF/Mo. | 1.52 |
| Over 25 HCF/Mo. | 2.12 |
| **Multifamily, Multi-Unit Residential** | |
| 0 to 6 HCF/Mo. (2) | $1.11 |
| 7 to 12 HCF/Mo. (2) | 1.24 |
| Over 12 HCF/Mo. (2) | 1.73 |

(1) Rate per hundred cubit feet.
(2) Tiers for multifamily/multi-unit residential wastewater rates are variable and are determined by multiplying each tier by the number of units.
Source: City Utilities Department

[Remainder of Page Intentionally Left Blank]

Commercial and industrial customers are billed on either a formula basis that includes both flow and water quality characteristics or a non-formula basis determined by a percentage of metered potable consumption.

**TABLE 7**
**CITY OF OXNARD MONTHLY WASTEWATER USAGE RATES**
**COMMERCIAL AND INDUSTRIAL CUSTOMERS**

**INDUSTRIAL FORMULA**

| Category | Rate |
|---|---|
| Flow Rate | $2,154.65 per Million Gallons |
| BOD Rate | 490.95 per Thousand Pounds |
| SS Rate | 383.28 per Thousand Pounds |

**COMMERCIAL FORMULA**
Rate Per Hundred Cubic Feet

| Type of Customer | Usage Rate |
|---|---|
| **Commercial/School** | |
| 0 to 50 HCF/Mo. | $2.45 |
| 51 to 930 HCF/Mo. | 3.06 |
| Over 930 HCF/Mo. | 6.13 |
| **Restaurant** | |
| 0 to 20 HCF/Mo. | $2.45 |
| 21 to 160 HCF/Mo. | 3.06 |
| Over 160 HCF/Mo. | 6.13 |
| **Laundry/Laundromat** | |
| 0 to 105 HCF/Mo. | $2.45 |
| 106 to 525 HCF/Mo. | 2.71 |
| Over 525 HCF/Mo. | 3.38 |

Source: City Utilities Department.

A minimum monthly fee is charged to commercial customers and schools as follows:

| Type of Customer | Fee |
|---|---|
| Commercial | $14.00 |
| Restaurant | 12.98 |
| Laundry | 64.44 |
| School | 49.15 |

Source: City Utilities Department.

Each customer is charged a monthly Security and Contamination Prevention Fee of $0.65.

The following table shows how the City's 2013-14 monthly wastewater usage charges for single family detached-unit residential customers compared with the monthly rates of some of its neighboring cities as of July 1, 2013:

**TABLE 8**
**WASTEWATER SYSTEM**
**COMPARABLE MONTHLY WASTEWATER USAGE CHARGE FOR AVERAGE SINGLE FAMILY DETACHED-UNIT RESIDENTIAL CUSTOMER**

| City | Rate |
|---|---|
| Thousand Oaks | $26.85 |
| Simi Valley | 29.15 |
| ***Oxnard*** | ***34.31*** |
| Port Hueneme | 36.00 |
| Camarillo | 41.10 |
| Ventura | 47.59 (1) |
| Ojai | 54.32 |
| Fillmore | 89.60 |
| Santa Paula | 90.65 |

(1) The City of Ventura charges rates based upon six tiers, ranging from $25.11 to $53.55.
Source: City of Oxnard, Public Works Department.

The average residential customer wastewater charge for the City is within the range of charges by neighboring cities. The differences in average charges can be attributed to the level of capital improvements to the Wastewater System's facilities, including the Treatment Plant, and the flatness of the terrain which impacts the frequency sewer cleaning and the need for pump stations.

## Wastewater Connection Fees

The City Council of the City also periodically establishes wastewater connection fees which are also not subject to review by any state or local government agency. These fees consist of a wastewater treatment plant component (Treatment Facility Related Infrastructure Fee) and a wastewater conveyance system component (Conveyance Facility Related Connection Fee). By Ordinance No. 2,709 adopted on November 22, 2005, and effective December 6, 2005, the City Council adopted the following schedule of wastewater connection fees, which have not been revised since their effective date:

**TABLE 9**
**WASTEWATER SYSTEM**
**SCHEDULE OF CONNECTION FEES**

**METER EQUIVALENCY FACTORS**

| Meter Size | Meter Equivalency Factor |
|---|---|
| 5/8", 3/4" | 1 |
| 1" | 2 |
| 1-1/2" | 3 |
| 2" | 5 |
| 3" | 11 |
| 4" | 17 |
| 6" | 33 |
| 8" | 53 |
| 10" | 113 |
| 12" | 180 |

Source: City of Oxnard, Public Works Department.

A. Treatment Facility Related Infrastructure Fee shall be paid which shall be the sum of the Flow, Biological Oxygen Demand (BOD) and Suspended Solid (SS) charges, based upon the following schedule:

1. Flow Charges (Utilizing Equivalency Factors for Water Meter Size)

| Volume | Rate |
|---|---|
| All Users Meter Equivalency X | $1,627.00 |

2. Biological Oxygen Demand (BOD) Charges (Utilizing Equivalency Factors for Strength and Meter Size)

| | Strength | Rate |
|---|---|---|
| Detached Single Family Residential | 1 X Meter Equiv. Factor X | $1,235.00 |
| Commercial: | | |
| Other | 1 X Meter Equiv. Factor X | $1,235.00 |
| Laundries | 1.6 X Meter Equiv. Factor X | $1,235.00 |
| Restaurants | 2 X Meter Equiv. Factor X | $1,235.00 |
| Industrial | 2 X Meter Equiv. Factor X | $1,235.00 |

3. Suspended Solids (SS) Charges (Utilizing Equivalency Factors For Strength and Meter Size)

| | Strength | Rate |
|---|---|---|
| Detached Single Family Residential | 1 X Meter Equiv. Factor X | $936.00 |
| Commercial: | | |
| Regular | 1.3 X Meter Equiv. Factor X | $936.00 |
| Laundries | 1 X Meter Equiv. Factor X | $936.00 |
| Restaurants | 3.2 X Meter Equiv. Factor X | $936.00 |
| Industrial | 3.4 X Meter Equiv. Factor X | $936.00 |

4. Meter Equivalency Factors for Residential Other Than Detached Single Family Dwellings for Which a Common Meter is Permissible

For residential units which can be serviced with a common meter, the fees shall be according to an average occupancy factor as follows.

Mobile Home Parks - 1.9/3.3 X number of mobile home spaces plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Apartments - 2.4/3.3 X number of service connections plus equivalency factor for meter that would be required for common facilities that require wastewater service.

B. In addition to the above, the Conveyance Facility Related Connection Fee shall be charged as follows:

For All Connections

For any connection to the wastewater conveyance system, the fee shall be determined by the size of the water meter needed to serve the development, based on a charge of $936.00 per water meter equivalency factor as described in Section A and as noted below for all but mobile homes, and apartments:

Meter Equivalency Factors for Residential Other than Detached Single-Family Dwellings for Which a Common Meter is Permissible

For residential units which can be serviced with a common meter the fees shall be according to a calculated factor as follows.

Mobile Home Parks - 1.9/3.3 X number of mobile home spaces plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Apartments - 2.4/3.3 X number of service connections plus equivalency factor for meter that would be required for common facilities that require wastewater service.

Source: City of Oxnard, Public Works Department.

In accordance with the above schedule, the wastewater connection fee for a detached single family residential dwelling unit would be computed as follows:

| Treatment Related Infrastructure Fee | Fee |
|---|---|
| Flow Component | $1,627 |
| BOD Component | 1,235 |
| SS Component | 936 |
| Total | $3,798 |
| Conveyance Facility Related Infrastructure Fee | 1,458 |
| TOTAL WASTEWATER CONNECTION FEE | $5,256 |

## Actual and Projected Operating Results

The table below shows a five-year historical summary of the Wastewater System's operating results for fiscal years 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13, together with the projected figures for fiscal years 2013-14 (unaudited), 2014-15 (budgeted), and 2015-16 through 2018-19 (projected). Projected revenues do not include rate increases beyond those previously approved. Fiscal year 2014-15 revenues included the full year benefit of the last 6% adjustment in October 2013, as well as certain one-time revenues. Operating expenditures are projected to grow between 2% and 3% depending on the type of expense. The data for fiscal year 2014-15 includes one-time costs for master planning and operational assistance. Depreciation expenses are not included in budgeted and future years.

[Remainder of Page Intentionally Left Blank]

# TABLE 10
# CITY OF OXNARD
# WASTEWATER SYSTEM
# HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

| FISCAL YEAR ENDING JUNE 30 | *(Actual)* *2008-09* | *(Actual)* *2009-10* | *(Actual)* *2010-11* | *(Actual)* *2011-12* | *(Actual)* *2012-13* | *(Unaudited)* *2013-14* | *(Budgeted)* *2014-15* | *(Projected)* *2015-16* | *(Projected)* *2016-17* | *(Projected)* *2017-18* | *(Projected)* *2018-19* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | | | | | | |
| Charges for Services | $22,366,479 | $21,764,958 | $23,889,173 | $24,387,484 | $28,729,237 | $27,336,424 | $29,650,000 | $29,327,000 | $29,334,140 | $29,341,400 | $29,348,800 |
| Connection Fees/Development Fees | 1,633,468 | 1,168,425 | 432,211 | 3,028,792 (1) | 1,572,676 | 1,221,482 | 700,000 | 816,000 | 832,320 | 848,966 | 865,945 |
| Interest Income | 1,052,634 | 406,886 | 216,268 | 122,470 | 47,455 | 160,831 | 100,000 | 206,700 | 203,600 | 199,800 | 201,200 |
| Investment Income | -- | -- | -- | 29,668 | -- | -- | -- | -- | -- | -- | -- |
| Miscellaneous and reimbursements | 3,709,727 | (174,611) | 835,710 | 862,809 | 696,347 | 2,519,014 | 730,000 | 650,000 | 650,000 | 650,000 | 650,000 |
| **Total Operating Revenues** | $28,762,308 | $23,165,658 | $25,373,362 | $28,431,223 | $31,045,715 | $31,237,751 | $31,180,000 | $30,999,700 | $31,020,060 | $31,040,166 | $31,065,945 |
| **OPERATING EXPENSES** | $20,355,777 | $21,609,160 | $20,521,419 | $26,421,461 | $27,225,802 | $27,649,378 | $20,431,310 | $19,655,085 | $20,208,485 | $20,780,085 | $21,368,685 |
| (Less: Depreciation) | (4,087,382) | (4,020,403) | (4,036,690) | (8,274,502) | (8,462,344) | (8,420,952) | -- | -- | -- | -- | -- |
| **Total Operating Expenses** | $16,268,395 | $17,588,757 | $16,484,729 | $18,146,959 | $18,763,458 | $19,228,426 | $20,431,310 | $19,655,085 | $20,208,485 | $20,780,085 | $21,368,685 |
| **NET SYSTEM REVENUES** | $12,493,913 | $5,576,901 | $8,888,633 | $10,284,264 | $12,282,257 | $12,009,325 | $10,748,690 | $11,344,615 | $10,811,575 | $10,260,081 | $9,697,260 |
| **ANNUAL DEBT SERVICE (3) (7)** | | | | | | | | | | | |
| 2003 Bonds (4) | $ 3,665,563 | $3,667,063 | $3,666,813 | $3,669,813 | $3,667,063 | -- | -- | -- | -- | -- | -- |
| 2004 Series A Bonds (Fixed Rate) (5) | 4,087,725 | 4,087,725 | 4,087,725 | 4,087,725 | 4,087,725 | 4,087,725 | $1,406,863 (2) | -- | -- | -- | -- |
| 2004 Series B Bonds (Variable Rate) (6) | 1,885,420 | 1,989,810 | 2,176,085 | 2,038,895 | 2,040,586 | 2,015,941 | 1,991,737 | 1,965,848 | 1,933,273 | 1,909,295 | 1,873,350 |
| 2006 Bonds | 798,325 | 794,865 | 796,105 | 796,730 | 796,330 | 795,530 | 799,330 | 797,530 | 795,330 | 796,943 | 797,753 |
| 2013 Bonds | -- | -- | -- | -- | -- | 3,368,430 | 3,364,820 | 3,366,495 | 3,362,745 | 3,366,995 | 3,363,495 |
| 2014 Bonds (Projected Refunding) | -- | -- | -- | -- | -- | -- | 1,859,613 | 3,599,250 | 3,599,250 | 3,599,250 | 3,599,250 |
| **Total Annual Debt Service (7)** | $10,437,032 | $10,539,462 | $10,726,727 | $10,593,162 | $10,591,703 | $10,267,626 | $9,422,363 | $9,729,123 | $9,690,598 | $9,672,483 | $9,633,848 |
| **DEBT SERVICE COVERAGE RATIO (8)** | 1.20 | 0.53 | 0.83 | 0.97 | 1.16 | 1.17 | 1.14 | 1.17 | 1.12 | 1.06 | 1.01 |
| Wastewater Revenue Fund Cash | $12,495,747 | $15,247,497 | $7,031,994 | $8,654,004 | $8,965,061 | $7,282,385 | $5,885,100 | $5,830,100 | $4,909,100 | $5,056,900 | $5,182,600 |
| Cash Required at 25% of Maximum Annual Debt Service ("MADS") | $2,681,682 | $2,681,682 | $2,681,682 | $2,681,682 | $2,647,926 | $2,566,907 | $2,432,281 | $2,432,281 | $2,422,650 | $2,418,121 | $2,408,462 |
| Surplus Cash After 25% MADS Requirement | $9,814,065 | $12,565,815 | $4,350,312 | $5,972,322 | $6,317,135 | $4,715,479 | $3,452,819 | $3,397,819 | $2,486,451 | $2,638,779 | $2,774,138 |

(1) Connection Fees/Development Fees totaled $6,277,878 in fiscal year 2011-12, but $3,249,086 of such fees were disallowed for debt service coverage purposes.
(2) The December 1, 2014, payment of $2,043,863 is expected to be paid from $1,418,862.50 of Net System Revenues and $625,000 from Bond proceeds.
(3) Totals may not add due to rounding.
(4) The City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2003, originally issued in the aggregate principal amount of $43,785,000 (the "2003 Bonds"), were called in full and defeased on December 1, 2013.
(5) The 2004 Series A Bonds will be refunded by the Bonds.
(6) Amounts for the variable rate 2004 Series B Bonds are based on an average interest rate of 5.617%. See footnote (2) in Table 2 above.
(7) Projected debt service payment amounts provided by RBC Capital Markets.
(8) The debt service coverage ratio is calculated by dividing net revenues by the total annual debt service. The debt service coverage ratio does not take into consideration the balance in the Wastewater Revenue Fund for purposes of satisfaction of the City's rate covenant. See "SECURITY FOR THE BONDS – Rate Covenant."

Source: City of Oxnard Finance Department.

## Fiscal Year 2014-15 Wastewater System Budget

The City Council of the City has adopted a budget for the Wastewater System for fiscal year 2014-15. The summary totals of that budget, broken down according to the Wastewater Collection Fund and the Wastewater Treatment Plant Fund, are as follows:

**TABLE 11**
**CITY OF OXNARD**
**WASTEWATER SYSTEM**
**FISCAL YEAR 2014-15 OPERATING BUDGET SUMMARY**

| | Wastewater Collection Fund | Wastewater Treatment Plant Fund | Total |
|---|---|---|---|
| **Revenues** | | | |
| Charges for Services | $9,090,000 | $20,560,000 | $29,650,000 |
| Other Operating Income | 700,000 | 30,000 | 730,000 |
| **Total Revenues** | **$9,790,000** | **$20,590,000** | **$30,380,000** |
| **Maintenance and Operation Costs** | | | |
| Salaries, Benefits & Insurance | $ 2,040,974 | $ 4,550,034 | $ 6,591,008 |
| Contractual | 676,327 | 2,117,100 | 2,793,427 |
| Supplies and Maintenance | 218,100 | 1,573,600 | 1,791,700 |
| Utilities | 2,265,648 | 4,098,375 | 6,364,023 |
| General and Administrative | 1,114,782 | 1,670,668 | 2,785,450 |
| Repair and Maintenance | 46,101 | 59,601 | 105,702 |
| **Total Maintenance and Operation Costs** | **$6,361,932** | **$14,069,378** | **$20,431,310** |
| **Net Operating Revenues** | **$3,428,068** | **$6,520,622** | **9,948,690** |
| **Non-Operating Revenues (Expenses)** | | | |
| Interest Income | $100,000 | $ 0 | $100,000 |
| Connection Fees | 200,000 | 500,000 | 700,000 |
| Capital Outlay | 0 | (10,000) | 0 |
| **Total Non-Operating Revenues (Expenses)** | **$300,000** | **$490,000** | **$800,000** |
| **Total Net Revenues** | **$3,728,068** | **$7,010,622** | **$10,748,690** |

Source: City of Oxnard, Public Works Department.

## Outstanding Debt

Upon the issuance of the Bonds, the outstanding obligations payable on a parity and pro rata basis from installment payments secured by Net System Revenues will consist of the respective installment payments that secure payment of the Bonds, the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds. Upon the issuance of the Bonds, there will be no outstanding obligations of the City or the Authority secured by a lien on Net System Revenues that is senior to the lien on Net System Revenues securing the respective installment payments pertaining to the Bonds, the 2004 Series B Bonds, the 2006 Bonds, and the 2013 Refunding Bonds. See "SECURITY FOR THE BONDS – Net System Revenues" herein.

## Plans for Future Indebtedness

The City is in the process of updating the Wastewater Master Plan and assessing the operational efficiencies and status of the existing plant and conveyance system. These efforts will assist the City in determining the need for future capital improvements. Based on preliminary information, additional

indebtedness in connection with the City's obligations to maintain and operate the Wastewater System is likely. Future obligations will be subject to the limitations described herein. See "SECURITY FOR THE BONDS – Limitations Regarding Additional Obligations" and "THE 2004 PROJECT."

## TAX MATTERS

### Bond Counsel Opinion

In the opinion of Goodwin Procter LLP, Los Angeles, California, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for United States 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. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the United States federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix D attached hereto and will accompany the Bonds.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for United States federal income tax purposes of interest received by persons such as the Owners of the Bonds. The Authority has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in gross income for United States federal income tax purposes. Inaccuracy of these representations or failure to comply with those covenants may result in interest on the Bonds being included in gross income for United States federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of those representations and compliance with those covenants. Bond 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 issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

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

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for United States federal and State personal income tax purposes, a United States ("U.S.") holder's United States federal and State tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of such other tax consequences will depend upon the U.S. holder's particular circumstances, including other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Bonds.

Subsequent to the issuance of the Bonds, there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. Legislative changes have been proposed in

Congress, which changes, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. No assurance can be given that, subsequent to the issuance of the Bonds, such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Bonds, potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Bonds, as to all of which Bond Counsel expresses no opinion.

**Risk of Audit by Internal Revenue Service**

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the Owners thereof for United States federal income tax purposes. No assurances can be given as to whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS is likely to treat the Authority as the taxpayer and the Owners of the Bonds may have no right to participate in such procedure.

Bond 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 guarantee of a result. Bond Counsel is not obligated to defend the tax-exempt status of the Bonds. Neither the Authority nor Bond Counsel is responsible to pay or reimburse the costs of any Owner with respect to any audit or litigation relating to the Bonds.

**Original Issue Discount and Premium**

If the Bonds' "stated redemption price at maturity" (generally the sum of all payments required under the Bonds other than payments of stated interest payable at least annually over the term of such Bonds) exceeds their issue price by more than a de minimis amount, the difference constitutes "original issue discount" or "OID" the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds that is excluded from gross income for United States federal income tax purposes. OID with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). Any accruing OID is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. U.S. holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount.

In general, if the Bonds are issued for an amount greater than the stated principal amount of the Bonds, the Bonds will be considered to have "amortizable bond premium." No deduction is allowable for the amortizable bond premium in the case of bonds, like the Bonds, the interest on which is excluded from gross income for United States federal income tax purposes. However, the amount of tax-exempt interest received, and a U.S. holder's basis in a Bond issued with acquisition premium, would be reduced by the amount of amortizable bond premium properly allocable to such U.S. holder. U.S. holders of Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

**Information Reporting and Backup Withholding**

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor, with a Form W-9 "Request for Taxpayer Identification Number and Certification," unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the IRS.

## RATINGS

It is anticipated that Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, will assign its municipal bond rating of "AA" to the Bonds, based on the issuance of the Bond Insurance Policy by the Bond Insurer at the time of delivery of the Bonds. In addition, such rating agency has assigned an underlying municipal bond rating of "BBB" to the Bonds. There is no assurance that any such ratings will be in effect for any given period of time or that either or both such ratings 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 Bonds. Such ratings reflect only the views of the rating agency furnishing the same and any desired explanation of the significance of such ratings should be obtained from the rating agency at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the foregoing ratings may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE

The Authority will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City and the Authority and notices of certain events listed therein. Such information and notices will be filed by the Authority with the Municipal Securities Rulemaking Board. 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 Securities and Exchange Commission Rule 15c2-12(b)(5), as amended. See "APPENDIX E – Form of Continuing Disclosure Agreement."

During the last five years, the City and the Authority failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. Such failures to comply

were limited to the failure to provide material event notices regarding changes in the ratings of outstanding bonded indebtedness of the Authority resulting from changes in the ratings to the applicable bonds or of the bond insurers insuring such bonded indebtedness. As of the date of this Official Statement, the Authority has filed material event notices with respect to all such changes in the ratings of its outstanding bonded indebtedness or of the bond insurers insuring such bonded indebtedness.

Other than as set forth above, the Authority believes that, in the last five years, the City and the Authority have materially complied with their respective continuing disclosure undertakings.

## UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $81,232,576.00 (which represents the aggregate principal amount of the Bonds, less an Underwriter's discount of $160,998.65, plus a net original issue premium of $9,408,574.65.)

The contract of purchase pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds 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 Bonds 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 Bonds after the initial offering, no guarantee can be made that such a market will develop or be maintained by the Underwriter or others.

## FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority and the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

## LITIGATION

The City and the Authority will certify, and the Interim City Attorney will render opinions on behalf of the City and the Authority upon the issuance of the Bonds to the effect that, there is no action,

suit or proceeding known to the City or the Authority to be pending or threatened, restraining, or enjoining the execution or delivery of the Bonds, the Indenture, or the Installment Purchase Agreement, or in any way contesting or affecting the validity of the foregoing or any proceeding of the City or the Authority taken with respect to any of the foregoing or that will materially adversely affect the City's ability to pay Installment Payments when due.

## CERTAIN LEGAL MATTERS

Goodwin Procter LLP, Los Angeles, California, Bond Counsel, will render an opinion with respect to the Bonds 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 Bonds. Certain legal matters will be passed upon for the City and the Authority by the Interim City Attorney and by Goodwin Procter LLP, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's Counsel.

[Remainder of Page Intentionally Left Blank]

## MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and documents contained in this Official Statement do not purport to be complete, and reference is made to such statutes and documents for full and complete statements of their provisions.

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

CITY OF OXNARD FINANCING AUTHORITY

By: /s/ James Cameron
Controller

# APPENDIX A

## SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

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

### SELECTED DEFINITIONS

"*Annual Debt Service*" means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, 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 the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

"*Average Annual Debt Service*" means the amount determined by dividing the sum of all Annual Debt Service amounts due in each of the Bond Years following the date of such calculation by the number of such Bond Years.

"*Beneficial Owners*" means those individuals, partnerships, corporations, or other entities for which the Participants have caused the Depository to hold Book-Entry Bonds.

"*Bond Insurance Policy*" means the municipal bond insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"*Bond Insurer*" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"*Bond Register*" means the registration books referred to in the Indenture.

"*Bond Year*" means the period of twelve consecutive months commencing on June 2 and ending on June 1 in any year during which Bonds are or will be Outstanding; provided, however, that the first Bond Year shall commence on the Closing Date and end on June 1, 2015, and that the final Bond Year shall end on the date on which the Bonds are fully paid or redeemed.

"*Book-Entry Bonds*" means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"*Business Day*" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, or (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 Designated Office of the Trustee or the principal office of the Bond Insurer is located. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

"*Certificate of the Authority*" means an instrument in writing signed by the Chairman, the Vice Chairman, the Secretary, or the Controller of the Authority, or by any other officer of the Authority duly authorized for that purpose.

"*Closing Date*" means the date of issuance of the Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Computation Year*" means with respect to the Bonds the period beginning on the Closing Date and ending on June 1, 2015, and thereafter each successive twelve-month period commencing on the following June 2 and ending on the following June 1.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the issuance, sale, and delivery of the Bonds and the execution and delivery of the Installment Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, the Indenture, and the preliminary and final official statements pertaining to the Bonds, including administrative fees, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for transportation and safekeeping of the Bonds, and charges and fees in connection with the foregoing.

"*Costs of Issuance Fund*" means the fund by that name established pursuant to the Indenture.

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

"*Designated Office of the Trustee*" means the designated corporate trust office of the Trustee located in Los Angeles, California, or such other office as the Trustee may designate in writing.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors and assigns.

"*Escrow Fund*" means the fund of that name established under the Escrow Agreement.

"*Event of Default*" has the meaning given to such term in the Indenture.

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

"*Information Services*" means Financial Information, Inc.'s "Financial Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Department and Standard & Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other services providing information with

respect to called bonds, or to such services, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

"*Insurance Agreement*" means the Insurance Agreement, dated November 25, 2014, by and among the Authority, the City, and the Bond Insurer.

"*Maximum Annual Debt Service*" means the maximum Annual Debt Service for any Bond Year prior to the maturity of the Bonds.

"*Moody's*" means Moody's Investors Service, Inc., and its successors and assigns.

"*Outstanding,*" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the Indenture (including Bonds, the principal of and interest on which has been paid by the Bond Insurer pursuant to the Bond Insurance Policy), except --

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant to the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due with respect to the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Authority.

"*Owner*" means the registered owner, as indicated in the Bond Register, of any Bond.

"*Participant*" means each broker-dealer, bank, and other financial institution from time to time for which the Depository holds Book-Entry Bonds as securities depository.

"*Participating Underwriter*" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Payment Fund*" means the fund by that name established pursuant to the Indenture.

"*Permitted Investments*" means any of the following, provided at the time of investment the investment is a legal investment under the laws of the State of California for the moneys proposed to be invested therein and provided further that such investments are permitted under the Indenture:

(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 obligations[*] of the following federal agencies, which are fully guaranteed by the full faith and credit of the United States of America:

[*] The following are explicitly excluded from the securities enumerated in clauses 2 and 3: [footnote continues on next page.]

(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

(h) Washington Metropolitan Area Transit Authority - guaranteed transit bonds

(3) Direct obligations* 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 ("FNMAs") - 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.

---

(i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;

(ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity.

(iii) 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

(iv) 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 Bond 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 ten (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 GNMAs, FNMAs, or FHLMCs. 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 (2) 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 Authority 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 Bond 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 Bond 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 Al 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 Al by Moody's and A+ by S&P; (iii) domestic insurance companies approved by the Bond Insurer and rated at least Al by Moody's and A+ by S&P; and (iv) domestic structured investment companies 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 ten (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 ten

(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 Bond 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 (2) 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 Bonds in whole or in part;

(iv) Reduction of the Reserve Requirement for the Bonds; 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 Authority's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the Bonds 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 Authority 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 (2) 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 Bond 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 Bond 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 Bond 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 Bond 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 Bond 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 under the Indenture) 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 ten (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 (1) 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 Bond 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 Bond Insurer.

(14) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of the State of California or of any agency, instrumentality, or local governmental unit of the State of California which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and 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").

(17) Other forms of investments approved in writing by the Bond Insurer with notice by the Authority 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.

*"Project Costs"* means the contract prices paid or to be paid for the acquisition, construction, or improvement of any portion of the Project and related facilities in accordance with a purchase or construction contract or contracts therefor. Project Costs include any other administrative, engineering, legal, financial, and other costs incurred by the City in connection with the acquisition, construction, or improvement of the Project.

*"Project Fund"* means the fund by that name established pursuant to the Indenture.

*"Qualified Reserve Fund Policy"* means an insurance policy or surety bond issued by a company licensed to issue an insurance policy or surety bond, the claims-paying ability of which is rated not less than "Aa" by Moody's or "AA" by S&P.

*"Rating Agency"* means an agency that has provided a credit rating on the Bonds. As of the Closing Date, only S&P has provided such credit rating.

*"Rebate Fund"* means the fund by that name established pursuant to the Indenture.

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

"*Repository*" shall have the meaning given to such term in the Continuing Disclosure Agreement.

"*Reserve Fund*" means the fund by that name established pursuant to the Indenture.

"*Reserve Policy*" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer guaranteeing certain payments into the Reserve Fund with respect to the Bonds as provided therein and subject to the limitations set forth therein.

"*Reserve Requirement*" means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the aggregate principal amount of the Bonds originally issued, (ii) Maximum Annual Debt Service on the Bonds, or (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service on the Bonds. As of the Closing Date, the Reserve Requirement is equal to $7,198,500.00.

"*Revenues*" means all Installment Payments made pursuant to the Installment Purchase Agreement and the interest or profits from the investment of money in the funds established under the Indenture (other than the Rebate Fund), subject to the provisions thereof.

"*Rule*" means Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended.

"*S&P*" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"*Securities Depositories*" means the following registered securities depositories: The Depository Trust Company, 55 Water Street, 22nd Floor, New York, New York 10041-0099, Attn. Call Notification Department, Facsimile transmission: (212) 855-7232; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a certificate of the Authority delivered to the Trustee.

"*Supplemental Indenture*" means any indenture then in full force and effect that has been duly executed and delivered by the Authority and the Trustee amendatory of the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

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

"*Written Request of the Authority*" means an instrument in writing signed by the Chairman, the Vice Chairman, the Secretary, or the Controller of the Authority, or by any other officer of the Authority duly authorized for that purpose.

"*Written Request of the City*" means an instrument in writing signed by the Treasurer of the City (or his or her designee) or the Finance Director of the City (or his or her designee), or by any other official of the City duly authorized for that purpose.

"*Written Request of the Treasurer*" means an instrument in writing signed by the Treasurer of the City (or his or her designee), or by any other official of the City duly authorized for that purpose.

*"2004 Bonds"* means the $80,000,000 in original principal amount of the City of Oxnard Financing Authority Wastewater Revenue Bonds (Redwood Trunk Sewer and Headworks Project), 2004 Series A.

*"2004 Project"* means the construction, acquisition, and improvement of certain trunk sewer facilities and a portion of the headworks project financed with the proceeds of the 2004 Bonds.

## THE INDENTURE

### Investment of Moneys in Funds

Moneys in the funds established under the Indenture shall, in accordance with a Written Request of the Treasurer, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the Treasurer to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the Treasurer, the Trustee shall invest moneys in interest bearing demand or time deposit accounts with the Trustee or in accordance with clause (15) of the definition of Permitted Investments. 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 Indenture. The obligations in which moneys in the Reserve Fund are so invested shall be invested in obligations maturing no later than five (5) years after the date of investment (exclusive of investment agreements and other Permitted Investments approved in writing by the Bond Insurer); provided no such investment shall mature later than the final maturity date of the Bonds; 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 Bonds. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under the Indenture. Notwithstanding anything in the Indenture to the contrary, the Trustee shall not be responsible for any loss from investments, sales, or transfers undertaken in accordance with the Indenture. Any interest, income, or profits from the deposits or investments of all funds (except the Rebate Fund and, to the extent required by the Indenture, the Reserve Fund) shall be transferred to the Project Fund; and (2) thereafter, to the Payment Fund for the payment of principal or interest on the Bonds on the next Interest Payment Date. For purposes of determining the amount of deposit in any fund held under the Indenture, all Permitted Investments credited to such fund shall be valued at the cost thereof. Investments shall be valued as frequently as deemed necessary by the Bond Insurer, but not less often than, on or about June 30 of each year commencing on June 30, 2015, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Except as otherwise provided in the Indenture, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

### Tax Covenants; Rebate Fund

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 interest received by the Owners is includable in gross income of such recipients under federal income tax laws. Notwithstanding any other provision of the Indenture, absent an opinion of Independent Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority shall comply

with all applicable requirements of the Code necessary to preserve such exclusion from gross income and the Authority specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority shall take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The Authority shall make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guaranty. The Authority shall make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. 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) Hedge Bonds. The Authority shall make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Authority 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 interest on the Bonds for federal income tax purposes.

(f) Miscellaneous. The Authority shall take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds and shall comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(g) Rebate Fund. The Trustee shall establish the Rebate Fund and the Authority shall comply with the requirements in the Indenture and in the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Indenture and the Tax Certificate, unless the Authority obtains an opinion of Independent Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

**The Trustee**

(a) The Trustee shall, prior to an Event of Default and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default that has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, upon thirty (30) days written notice to the Trustee, the Authority, with the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or

concurrent instruments in writing signed by the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency, or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Authority, the City, and the Bond Insurer and by giving notice of such resignation by first-class mail, postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority, with the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee acceptable to the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority, the Bond Insurer, and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the Written Request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first-class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of the Indenture shall be a bank or trust company in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, having (or be a member of a bank holding company system with a bank holding company that has) a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000, shall be subject to supervision or examination by federal or state banking authority, and shall otherwise be acceptable to the Bond Insurer. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company

shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness, or enforceability of the Revenues, the maintenance of insurance as required by the Installment Purchase Agreement, or the review of any report or certificate required to be provided under the Indenture or the Installment Purchase Agreement.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City, or any other party of any funds that the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents, or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

(j) Notwithstanding any other provision of the Indenture, in determining whether any amendment, consent, waiver, or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action, or inaction as if there were no Bond Insurance Policy.

(k) The Trustee shall notify the Bond Insurer of any failure by the Authority and the City to provide relevant notices, certificates, or other documents required by the Indenture or the Installment Purchase Agreement.

**Amendments of the Indenture**

The Indenture and the rights and obligations of the Authority, the Trustee, and the Owners, as applicable, may be amended at any time by a Supplemental Indenture, which shall become binding with the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. Each Rating Agency shall receive a notice of each amendment of the Indenture and shall receive a copy thereof at least fifteen (15) days in advance of the execution or adoption of such amendment. In addition, the Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any Supplemental Indenture. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the Owner of such Bond, (2) reduce the percentage of principal amount of Bonds owned by Owners whose consent is required for the execution of any Supplemental Indenture, (3) permit the creation by the Authority of any pledge of the Revenues as provided in the Indenture superior to or on a parity with the pledge created hereby for the benefit of the Bonds, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto. For the purpose of this section, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon the opinion of Independent Counsel, in the form and substance satisfactory to it, to the effect that such amendment or modification is authorized and permitted by the

Indenture, is enforceable against the Authority, and does not materially adversely impact the tax-exempt status of the interest on the Bonds.

The Indenture and the rights and obligations of the Authority and of the Owners, as applicable, may also be amended at any time by a Supplemental Indenture, which shall become binding upon adoption without the consent of any Owners or the Bond Insurer but with notice to the Bond Insurer, but only to the extent permitted by law and after receipt of an approving opinion of Independent Counsel and only for any one or more of the following purposes:

(a) to add to the conditions, covenants, and terms contained in the Indenture required to be observed or performed by the Authority other conditions, covenants, and terms thereafter to be observed or performed by the Authority, or to surrender any right reserved in the Indenture to or conferred in the Indenture on the Authority, and that in either case shall not adversely affect the interests of the Owners provided, that the Trustee shall not take the Bond Insurance Policy into consideration in determining whether the rights of the Owners are adversely affected by actions of the Trustee under the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing, or supplementing any defective provision contained in the Indenture or in regard to questions arising thereunder that the Authority may deem desirable or necessary and not inconsistent with the Indenture or that may be required by S&P for a rating on the Bonds, and that shall not adversely affect the interests of the Owners; or

(c) to prescribe further limitations and procedures regarding the use of the proceeds of the Bonds and the moneys held under the Indenture in order to comply with any United States Treasury Regulations and any amendments thereto or any federal legislation now pending or hereafter enacted governing the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds.

The Bond Insurer reserves the right to charge the Authority a fee for any consent or amendment to the Indenture while the Bond Insurance Policy or the Reserve Policy is outstanding, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy or the Reserve Policy.

**Disqualified Bonds**

Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture.

**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 on any Bond 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 on the Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy;

(b) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity

as therein expressed or by proceedings for redemption; provided, however, that in determining whether a payment default has occurred or whether a payment on the Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee or the Bond Insurer or to the Authority and the Trustee by the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, or if the failure stated in the notice cannot be corrected within such 30-day period, then the grace period under the Indenture shall not extend for more than sixty (60) days without the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy;

(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 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 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 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 Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, with the consent of the Bond Insurer, shall, by notice in writing to the Authority and the Bond Insurer, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. This subsection, however, is subject to the condition that if at any time after the Bonds 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 Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest on those of such Bonds as are Bonds, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Authority (other than in the payment of the Bonds 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 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 Bond Insurer immediately of such default and in the event of all other Events of Default as provided in the Indenture, the Trustee shall notify the Bond Insurer within thirty (30) days of the Trustee's actual knowledge thereof.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds insured by the Bond Insurer or the Trustee for the benefit of the Owners of such Bonds under the Indenture, including, without limitation, the right to declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, as well as the right to rescind and annul such declaration and its consequences. In such instances, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligation under the Bond Insurance Policy with respect to such Bonds shall be fully discharged. The Bond Insurer shall be entitled to notify the Authority, the Trustee, or any applicable receiver of the occurrence of an Event of Default with respect to the Bonds and request the Trustee or such receiver to intervene in judicial proceedings that affect such Bonds or the security therefor. The Trustee or such receiver shall be required to accept such notice of Event of Default from the Bond Insurer.

**Rights of Owners**

Anything in the Indenture 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 twenty-five percent (25%) in aggregate principal amount of the Bonds 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 Indenture with respect to such Bonds.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture 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 Indenture, no Owner of any of the Bonds shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as therein provided and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds 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 Indenture 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 in the Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of

the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner in the Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of the Indenture.

**Waiver of Events of Default; Effect of Waiver**

The Trustee shall waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration upon the written direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the written request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding. If any Event of Default shall have been waived as provided in the Indenture, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first-class mail, postage prepaid, to all Owners of Outstanding Bonds 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 Bond Insurer, or of any Owner of the Bonds 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 Indenture to the Trustee, the Bond 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 Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture and therein, the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants, and other obligations of the Authority to the Owners of such Bonds under the Indenture shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant hereto that are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

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

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, 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 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 of, redemption premium, if any, and interest on the

Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

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

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority 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 Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (2) there shall have been deposited with the Trustee either (A) moneys in an amount that shall be sufficient or (B) (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (iv) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then-existing criteria of S&P, or any combination thereof, or (v) any such other obligations or securities as shall be approved in writing by the Bond 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 on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority 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 Bonds and the Bond Insurer that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds, and (4) in the case of Book-Entry Bonds, the Trustee shall give notice to the Depository of the redemption of all or part of such Book-Entry Bonds on the date proceeds or other funds are deposited in escrow with respect to such Book-Entry Bonds. In connection with clause (2)(B) above, if a forward supply contract is employed in connection with the refunding of Bonds, (y) the verification report from an independent certified public accountant (as described in such clause (2)(B)) shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract and (z) the applicable escrow agreement or other authorizing document shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and such agreement or other document, the terms of such agreement or other document shall be controlling. Mandatory redemption or purchase in whole must occur no later than the earlier of the first possible tender or redemption date.

(c) As a precondition to the defeasance of the Bonds pursuant to subsection (b) above (exclusive of all cash defeasances pursuant to subsection (b)(2)(A)), the Authority shall cause to be delivered: (i) a report of an independent certified public accountant acceptable to the Bond Insurer verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification Report"); (ii) an escrow deposit agreement that shall be acceptable in form and substance to the Bond Insurer; (iii) an opinion of Independent Counsel to the effect that the Bonds are no longer Outstanding, and (iv) certificate of discharge of the Trustee with respect to the Bonds. Each such Verification Report and opinion of Independent Counsel shall be acceptable in form and substance to the Authority and shall be addressed to the Authority, the Trustee, and the Bond Insurer, and final drafts of such documents shall be provided to the Bond Insurer not less than five Business Days prior to the funding of the escrows. Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired (exclusive of all cash defeasances in connection with a current refunding (i.e., a gross funding of all amounts payable with respect to the refunded bonds on the redemption date) pursuant to subsection (b)(2)(A)) or the criteria of this subsection (c) are satisfied.

(d) After the payment of (i) all the interest of and principal on all Outstanding Bonds as provided in this section and (ii) all other amounts then due under the Indenture and under or with respect to the Reserve Policy or the Bond Insurance Policy, 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 Indenture, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant hereto which are not required for the payment of the interest and principal represented by such Bonds or any amounts due under or with respect to the Reserve Policy. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due with respect to the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Authority, and the Bonds relating to such payments made by the Bond Insurer shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Installment Purchase Agreement, but only from amounts deposited pursuant to the Indenture and from no other source.

**Unclaimed Money**

Anything contained in the Indenture to the contrary notwithstanding, the Trustee shall notify the Authority and the Bond Insurer of any money held by the Trustee in trust for the payment and discharge of any of the Bonds that has remained unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee. The Trustee shall at the Written Request of the Authority repay such money to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds.

**Provisions Relating to the Bond Insurer and the Bond Insurance Policy.**

Payment Procedures Pursuant to the Bond Insurance Policy. If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (each, a "Payment Date"), there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such

Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity, or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Owner of the Bond, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., 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 Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Bond 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 Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Owners of the Bonds referred to in the Indenture 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 Bond Insurance Policy in trust on behalf of the Owners of the Bonds 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 the Owners of the Bonds in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections in the Indenture regarding payment of Bonds. 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. Notwithstanding anything in the Indenture to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority covenants and agrees in the that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Net System Revenues and payable from such Net System Revenues on a parity with debt service due on the Bonds.

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 Bond payment date shall promptly be remitted to the Bond Insurer.

Bond Insurer as Third-Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy, or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized as being a third-party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given, or granted thereunder.

Miscellaneous Bond Insurer Provisions.

(a) Notwithstanding anything in the Indenture or in the Installment Purchase Agreement to the contrary and so long as the Bond Insurer is not then in default under the Bond Insurance Policy, the Bond Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Bonds are entitled to take pursuant to the Indenture or the Installment Purchase Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof, the Trustee and each Owner appoint the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Authority or the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation, or similar law (each, an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (each, a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas, or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(b) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Bond Insurer under the Indenture or the Installment Purchase Agreement shall survive discharge or termination of the Indenture or the Installment Purchase Agreement.

(c) The City or the Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense, or preservation of any rights or security in the Indenture or the Installment Purchase Agreement; (ii) the pursuit of any remedies under the Indenture or the Installment Purchase Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to, or related to, the Indenture or the Installment Purchase Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the Installment Purchase Agreement or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of the Indenture or the Installment Purchase Agreement.

(d) The rights granted to the Bond Insurer under the Indenture or the Installment Purchase Agreement to request, consent to, or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Bonds and such action does not evidence

any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Owners of the Bonds or any other person is required in addition to the consent of the Bond Insurer.

(e) The Bond Insurer shall be entitled to pay principal of or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Bond Insurance Policy.

(f) The Authority and the City will permit the Bond Insurer to discuss the affairs, finances, and accounts of the Authority and the City or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority and the City and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books, and records of the Authority and the City on any Business Day upon reasonable prior notice.

(g) The Trustee shall notify the Bond Insurer of any failure of the Authority or the City to provide notices, certificates, and other information under the Indenture or the Installment Purchase Agreement.

(h) Each of the Authority and the Trustee shall take such action, if any, as is necessary from time to time to preserve the priority and pledge of Net System Revenues under applicable law.

(i) No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

(j) Notwithstanding satisfaction of the other conditions to the issuance of Additional Obligations under the Installment Purchase Agreement, no such issuance may occur (i) in an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (ii) unless the Reserve Fund is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Additional Obligations, in either case unless otherwise permitted by the Bond Insurer.

(k) Notwithstanding any other provision in the Indenture or the Installment Purchase Agreement to the contrary, the term "Bonds," when used in connection with the Bond Insurance Policy or the Bond Insurer's rights, interests, duties, or obligations thereunder or under the Indenture or the Installment Purchase Agreement (exclusive of the Bond Insurer's rights, interests, duties, or obligations with respect to the Reserve Policy), shall mean and include only the "Bonds."

Notices/Information to be Given to Bond Insurer

The Bond Insurer shall be provided with the following information by the Authority, the City, or the Trustee, as the case may be:

(a) From the City, annual audited financial statements as soon as the same are available after the end of the City's fiscal year (together with a certification of the City that it is not aware of any default or Event of Default under the Indenture or the Installment Purchase Agreement), and the City's annual budget within 30 days after the approved annual budget becomes publicly available together with such other information, data, or reports as the Bond Insurer shall reasonably request from time to time;

(b) From the Trustee, notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(c) From the Trustee or the Authority, notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(d) From the Trustee, prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities, and CUSIP numbers thereof;

(e) From the Authority, notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(f) From the Authority or the City, notice of the commencement of any Insolvency Proceeding by or against the Authority or the City;

(g) From the Authority or the City, notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(h) From the Authority, a full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture or the Installment Purchase Agreement;

(i) From the Trustee, all reports, notices and correspondence to be delivered to Owners of the Bonds under the terms of the Indenture or the Installment Purchase Agreement;

(j) The Bond Insurer shall have the right to receive such additional information as it may reasonably request.

## 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 2004 Project in accordance with the provisions of the Installment Purchase Agreement. All right, title, and interest in the 2004 Project 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 Net System Revenues and from no other sources, is the aggregate amount of debt service scheduled to be paid on the Bonds, 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 Net System Revenues and from no other sources, the Purchase Price in Installment Payments to June 1, 2036, in the amounts and on the Installment Payment

Dates as set forth in the Installment Purchase Agreement. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the Bonds and Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of and interest on the Outstanding Bonds. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Payment Fund established under the Indenture, which amounts are not being held for the payment of specific Bonds, said amounts shall be credited against the Installment Payment due on such date. If all or a portion of the Bonds are no longer Outstanding as a result of redemption or defeasance of such Bonds, 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 of and interest on the Outstanding Bonds. Upon any such redemption 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 (1) 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 Net System Revenues, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement for the Bond 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 Net System Revenues, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement. The foregoing deposits by the City shall include, without limitation, the repayment of any drawings under the Reserve Policy (and all amounts owed under the Insurance Agreement).

(d) The obligation of the City to make the Installment Payments solely from Net System 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 2004 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.

(e) The City shall pay all amounts owed to the Bond Insurer under the Installment Purchase Agreement and under the Indenture when due.

**Pledge of the Net System Revenues**

All Net System Revenues are hereby pledged to the payment of the Obligations as provided in the Installment Purchase Agreement, and the Net System Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided, however, that out of the Net System 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 the Net System Revenues for the payment of the Obligations.

**Allocation of System Revenues**

(a) In order to carry out and effectuate the pledge contained in the Installment Purchase Agreement, the City has agreed and covenanted that all System Revenues shall be received by the City in trust and shall be deposited when and as received in the Wastewater Revenue Fund, which fund the City has agreed and covenanted to maintain so long as any Installment Payments remain unpaid, and all moneys in the Wastewater Revenue Fund shall be so held in trust and applied and used solely as provided in the Installment Purchase Agreement. The City shall disburse System Revenues from the Wastewater Revenue Fund to pay, in the following order of priority, (i) all Maintenance and Operation Costs of the Wastewater System, (ii) to (x) the Trustee, as assignee of the Authority, the Installment Payments as and when due under the Installment Purchase Agreement, 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 (iii) to (1) the Reserve Fund created under the Indenture, 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 Net System Revenues to make all of the payments contemplated by clause (ii) of the preceding sentence, then said payments provided shall be made, as nearly as practicable, pro rata, based upon the respective principal amounts of the Installment Payments, City Bonds, and other Contract Payments then due and payable. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clause (iii) 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 System Revenues remaining in the Wastewater Revenue Fund may from time to time be used to pay for capital expenditures for the Wastewater System or any other Wastewater System purpose, including payments on account of subordinated debt, provided that, after any such payment, there will remain in the Wastewater Revenue Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the payment of all Maintenance and Operations Costs of the Wastewater System during the next forty-five (45) days.

**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 Indenture; and

(b) the City obtains or provides a certificate or certificates prepared by a Consultant showing that:

(i) the Net System Revenues as shown by the books of the City for the twelve (12) calendar months ending prior to the incurring of such Additional Obligations shall have amounted to at least the sum of (x) one hundred percent (100%) of Debt Service for such twelve (12) calendar month period, plus (y) the amount by which the amount on deposit in the Wastewater Revenue Fund on the date prior to the first day of such twelve (12) calendar month period was less than twenty-five percent (25%) of Maximum Annual Debt Service; for purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the City, which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the Fiscal Year or period are not available;

(ii) the estimated Net System Revenues for the twelve (12) calendar months following the date of incurring such Additional Obligations will be at least equal to one hundred percent (100%) of Debt Service on all Obligations to be outstanding immediately after the incurring of such Additional Obligations; and

(iii) the amount on deposit in the Wastewater Revenue Fund on the date of incurring such Additional Obligations is at least equal to twenty-five percent (25%) of Maximum Annual Debt Service as of the date of incurring of such Additional Obligations.

(c) For purposes of the computations to be made as described in clause (ii) above, the determination of the Net System Revenues:

(i) may take into account any increases in rates and charges that relate to the Wastewater System and shall take into account any reduction in such rates and charges that will be effective prior to or at the time of incurring such proposed Additional Obligations;

(ii) may take into account an allowance for any estimated increase in such Net System Revenues from any revenue producing additions to or improvements or extensions of the Wastewater System to be made with the proceeds of such Additional Obligations or with the proceeds of Obligations previously issued, as shown by a certificate of a Consultant;

(iii) for the period contemplated by clause (ii) above, Maintenance and Operation Costs of the Wastewater System shall be deemed to be the same as for the period for which a calculation is done pursuant to clause (i) above, but adjusted, if deemed necessary by the Consultant, for any increased Maintenance and Operation Costs of the Wastewater System that are, in the judgment of the Consultant, essential to maintaining and operating the Wastewater System, including any additions or betterments thereto to be made with the proceeds of such Additional Obligations; and

(iv) in the event that an Event of Default shall have occurred under the Installment Purchase Agreement, the City shall not incur any Additional Obligations as provided in the Installment Purchase Agreement without the prior written consent of the Bond Insurer.

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 an Authorized 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 2004 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California 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 with the Installment Purchase Agreement 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 Indenture 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 Installment Purchase Agreement, 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 2004 Project by the City pursuant to, and in accordance with, and as authorized under the laws of the State of California.

***Against Encumbrances.*** The City shall not mortgage or otherwise encumber, pledge, or place any charge upon the Wastewater System or any part thereof, or upon any of the System 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 System Revenues or secured by a pledge, lien, or charge upon the System Revenues prior to or on a parity with the Obligations, other than the Obligations.

Nothing in the Installment Purchase Agreement, and particularly nothing in the preceding two paragraphs, 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 System Revenues after and subordinate to the payment from System Revenues of the principal of and interest on the Obligations, or (ii) are payable from moneys that are not System 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 Net System Revenues as provided in the Installment Purchase Agreement or as otherwise permitted under the Indenture.

***Against Sale or Other Disposition of Property.*** The City shall not sell, lease, or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of the System Revenues, except as provided in the Installment Purchase Agreement. The City shall not enter into any agreement or lease that impairs the operation of the Wastewater System or any part thereof necessary to secure adequate Net System Revenues for the

payment of the Obligations or that would otherwise impair the rights of the Authority with respect to the System Revenues or the operation of the Wastewater System. Any real or personal property that has become inoperative or that is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment that has become worn out, may be sold if such sale will not materially reduce the Net System Revenues and if the proceeds of such sale are deposited in the Wastewater Revenue Fund.

***Against Competitive Facilities.*** The City shall not, to the extent permitted by existing law, construct, acquire, maintain, or operate and shall not, to the extent permitted by existing law and within the scope of its powers, permit any other public or private agency, authority, district, or political subdivision or any person whomsoever to acquire, construct, maintain, or operate within the City any system competitive with the Wastewater System.

***Maintenance and Operation of the Wastewater System; Budgets.*** The City shall maintain and preserve the Wastewater System in good repair and working order at all times and shall operate or cause to be operated the Wastewater System in an efficient and economical manner and shall pay or cause to be paid all Maintenance and Operation Costs of the Wastewater System as they become due and payable. On or before August 1 of each Fiscal Year, commencing August 1, 2015, the City shall adopt, and, on or before three hundred (300) days after the beginning of the Fiscal Year, file with the Authority, the Bond 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.

***Amount of Rates and Charges, Operating Reserves.*** The City shall fix, prescribe, and collect fees, rates, and charges for the Wastewater System that will be at least sufficient to yield during each Fiscal Year Net System Revenues equal to the sum of (a) one hundred percent (100%) of the Debt Service for such Fiscal Year, plus (b) the amount by which the amount on deposit in the Wastewater Revenue Fund on the last day of the immediately preceding Fiscal Year was less than twenty-five percent (25%) of Maximum Annual Debt Service as of such day. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement.

***Payment of Claims.*** The City shall pay and discharge any and all lawful claims for labor, materials, or supplies that, if unpaid, might become a lien on the Net System 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.

***Compliance with Contracts.*** The City shall comply with, keep, observe, and perform all agreements, conditions, covenants, and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System to the extent that the City is a party thereto.

***Insurance.***

(a) The City shall procure and maintain or cause to be procured and maintained insurance on the Wastewater System 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 Wastewater System) as are usually covered in connection with systems similar to the Wastewater System, exclusive of earthquake and flood insurance. In the event of any damage to or destruction of the Wastewater System caused by the perils covered by such insurance or self-insurance,

the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Wastewater System. 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 Wastewater System shall be free and clear of all claims and liens unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to reconstruct, repair, or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in the Wastewater Revenue Fund and be available for other proper uses of funds deposited in the Wastewater Revenue Fund.

(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 systems similar to the Wastewater System; 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 systems similar to the Wastewater System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained in the Installment Purchase Agreement shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City shall certify in a Certificate of an Authorized City Representative to the Trustee annually on or before July 1 of each Fiscal Year that it is in compliance with the insurance requirements under the Installment Purchase Agreement, provided that the Trustee shall not be responsible for obtaining or maintaining insurance as required in the Installment Purchase Agreement. If the City has elected to satisfy any insurance requirement hereunder through self-insurance, the City shall provide to the Trustee annually on or before July 1 of each Fiscal Year a certificate of an accredited actuary or the City's Finance Director, at the option of the City, certifying in writing that such self-insurance is adequate to meet the particular requirements of the Installment Purchase Agreement.

***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 Wastewater System, which records shall be available for inspection by the Authority, the Bond 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 Bond Insurer annually within three hundred (300) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) 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. Unless included in such financial statements of the City, the City shall also prepare and file with the Authority and the Bond Insurer at the same time a calculation demonstrating compliance in such Fiscal Year with the rate covenant set forth in the Installment Purchase Agreement.

***Protection of Security and Rights of the Authority.*** The City shall preserve and protect the security of the Installment Purchase Agreement and the rights of the Authority to the Installment Payments thereunder 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 that may hereafter be lawfully imposed upon the Wastewater System or any part thereof or upon the System 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 operation of the Wastewater System or any part thereof, 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.

***Collection of Rates and Charges, No Free Service.*** The City shall have in effect at all times rules and regulations for the payment of bills for Wastewater Services. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue the service, and such premises shall not thereafter be reconnected to the service except in accordance with City operating rules and regulations governing such situations of delinquency. The City shall not permit any part of the Wastewater System or any facility thereof to be used or taken advantage of free of charge by any authority, firm, or person, or by any public agency (including the United States of America, the State of California, and any city, county, district, political subdivision, or public authority or agency of any thereof).

***Eminent Domain Proceeds.*** If all or any part of the Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement or remaining after such work has been completed shall be deposited in the Wastewater Revenue Fund and be available for other proper uses of funds deposited in the Wastewater Revenue Fund.

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

1. Private Activity. The City shall take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

2. Arbitrage. The City shall make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

3. Federal Guaranty. The City shall make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

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

5. Hedge Bonds. The City shall make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City 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 interest on the Bonds for federal income tax purposes.

6. Miscellaneous. The City shall take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the Bonds and shall comply with the covenants and requirements stated therein and incorporated by reference in the Installment Purchase Agreement.

***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.

***Operate Wastewater System.*** The City shall operate the Wastewater System in an efficient and economical manner, provided that the City may remove from service on a temporary or permanent basis such part or parts of the Wastewater System, so long as the City shall have filed with the Trustee an Engineer's Report stating that such removal will not materially adversely affect Net System Revenues. Notwithstanding the foregoing, the City may contract with one or more public or private operators to operate and maintain all or any portion of the Wastewater System; provided that said operation is under the supervision of the City and all revenue derived from the operation of the Wastewater System will be deposited in the Wastewater Revenue Fund.

**Events of Default and Remedies of the Authority**

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 Obligation 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 sixty (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 Indenture 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 twenty-five percent (25%) or more of the aggregate Obligations

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 or the unpaid payment of any other Contract or City Bond 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 Net System Revenues Upon Acceleration**

All Net System 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 Indenture.

**Other Remedies of the Authority**

The Authority shall have the right, subject to receipt of consent from the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy —

(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 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 Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon or if all Outstanding Bonds shall be deemed to have been paid at the times and in the manner stipulated in the Indenture, and if all amounts under the Reserve Policy owing to the Bond Insurer shall have been paid, 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**

The Installment Purchase Agreement may be amended in writing as may be mutually agreed by the City and the Authority, with the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding pursuant to the Indenture, 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 Bond so affected, (b) reduce the percentage of principal amount of Bonds the consent of the Owners of which is required for the execution of any amendment of the Installment Purchase Agreement, or (c) amend the provisions relating to tax covenants contained in the Installment Purchase Agreement without an unqualified opinion of Bond Counsel to the effect that such amendment does not materially adversely affect the exclusion of interest on the Bonds received by the Owners from gross income for federal income tax purposes.

The Installment Purchase 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 Bonds, or the Bond Insurer but with notice to the Bond Insurer, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Bond Counsel selected by the City and approved by the Authority to the effect that such amendment or supplement is permitted by the provisions of the Installment Purchase Agreement and is not inconsistent with the Installment Purchase Agreement and does not adversely affect the exclusion of interest on the Bonds received by the Owners thereof from gross income 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 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 Bonds;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the Installment Purchase Agreement or in regard to questions arising under the Installment Purchase Agreement, 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 Bonds; or

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

## GENERAL INFORMATION CONCERNING THE CITY OF OXNARD

***The Bonds 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 or its taxing power to the repayment of the Bonds. 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 largest city in the County, with a population estimated at 200,855 in 2013, accounting for approximately 24% of the County's population. The City has a diversified economic base composed of agriculture and related business, retail, various services, and governmental agencies.

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.

### Population

The City's population has grown from approximately 186,122 people in 2004 to approximately 200,855 in 2013. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 2004 through 2013.

**Population of**
**City, County, State, and United States**
**2004 through 2013 [(1)]**

| Year | City | County | State | United States |
|---|---|---|---|---|
| 2004 | 186,122 | 730,875 | 36,199,342 | 293,045,739 |
| 2005 | 188,941 | 753,863 | 36,676,931 | 295,753,151 |
| 2006 | 189,990 | 777,664 | 37,087,005 | 298,593,212 |
| 2007 | 192,997 | 798,784 | 37,463,609 | 301,579,895 |
| 2008 | 194,905 | 815,023 | 37,871,509 | 304,374,846 |
| 2009 | 197,067 | 827,475 | 38,255,508 | 307,006,550 |
| 2010 | 200,004 | 823,318 | 37,253,956 | 308,745,538 |
| 2011 | 199,722 | 827,874 | 37,427,946 | 311,582,564 |
| 2012 | 200,390 | 829,075 | 37,668,804 | 313,873,685 |
| 2013 | 200,855 | 836,153 | 37,984,138 | 316,128,839 |

(1) Unless otherwise noted, estimates for City, County, and State are as of January 1, and for the United States are as of July 1.

Sources: For City: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013; for State and County: California Department of Finance (Report E-4 Population Estimates for Cities, Counties and the State); for United States: United States Bureau of the Census.

## Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIIIA to the California Constitution. Article XIIIA 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 since fiscal year 2003-04.

**City of Oxnard**
**Property Tax Rates**
**Fiscal Years 2003-04 through 2012-13**

| Year Ended June 30 | Article XIIIA Basic Tax Rate | City District (Public Safety Retirement Debt) | School Districts | Water Districts | Total Tax Rates |
|---|---|---|---|---|---|
| 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 |
| 2007 | 1.00 | 0.16564 | 0.08220 | 0.03272 | 1.28056 |
| 2008 | 1.00 | 0.17864 | 0.10500 | 0.02922 | 1.31286 |
| 2009 | 1.00 | 0.19334 | 0.11160 | 0.01290 | 1.31784 |
| 2010 | 1.00 | 0.20384 | 0.11470 | 0.01290 | 1.33144 |
| 2011 | 1.00 | 0.22054 | 0.11990 | 0.01110 | 1.35154 |
| 2012 | 1.00 | 0.20544 | 0.12200 | 0.01110 | 1.33854 |
| 2013 | 1.00 | 0.20424 | 0.11980 | 0.00000 | 1.32404 |

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013.

## 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 since fiscal year 2003-04.

**City of Oxnard**
**Property Tax Levies, Collections and Delinquencies**
**Fiscal Years 2003-04 through 2012-13**

| Year Ended June 30 | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Total Collections as a Percentage of Tax Levy |
|---|---|---|---|---|---|---|
| 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 |
| 2007 | 59,401,879 | 68,429,117 | 115.20 | 129,679 | 68,558,796 | 115.42 |
| 2008 | 69,931,705 | 75,726,668 | 108.29 | 121,075 | 75,847,743 | 108.46 |
| 2009 | 69,147,624 | 76,681,392 | 110.90 | 145,945 | 76,827,337 | 111.11 |
| 2010 | 75,929,128 | 71,755,189 | 94.50 | 136,565 | 71,891,754 | 94.68 |
| 2011 | 72,434,536 | 71,118,203 | 98.18 | 105,158 | 71,223,361 | 98.33 |
| 2012 | 70,330,220 | 63,176,888 | 89.83 | 126,609 | 63,303,497 | 90.01 |
| 2013 (1) | 53,833,600 | 52,537,321 | 97.59 | 121,064 | 52,658,385 | 97.82 |

(1) The significant decrease in tax collections in fiscal year 2011-12 and the significant decrease in the tax levy in fiscal year 2012-13 were primarily due to the dissolution of the Oxnard Community Development Commission as a result of the adoption by the California Legislature of AB X1 26, which eliminated redevelopment agencies State-wide.

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013.

## Assessed Property Values

The following table details the unequalized assessed value of the property within the City for since fiscal year 2003-04.

**City of Oxnard**
**Assessed Property Values**
**Fiscal Years 2003-04 through 2013-14**

| Fiscal Year June 30 | Assessed Value |
|---|---|
| 2004 | $ 9,787,326,328 |
| 2005 | 11,058,336,869 |
| 2006 | 12,726,781,676 |
| 2007 | 14,562,928,520 |
| 2008 | 15,918,112,344 |
| 2009 | 16,158,716,867 |
| 2010 | 15,176,505,240 |
| 2011 | 15,058,226,607 |
| 2012 | 14,971,225,595 |
| 2013 | 15,198,347,582 |
| 2014 | 15,607,919,376 |

Source: County Assessor's Office.

## Principal Taxpayers

The following table lists the principal taxpayers in the City as of June 30, 2014.

**City of Oxnard**
**Principal Taxpayers**
**(As of June 30, 2014)**

| Taxpayer | Assessed Valuation | Percentage of Total Assessed Valuation |
|---|---|---|
| Procter & Gamble Paper Products | $ 318,375,847 | 2.02% |
| Essex Arbors LP | 202,081,727 | 1.28 |
| SOCM I LLC | 116,023,164 | 0.74 |
| Genon Energy West LP-Mandalay | 112,900,000 | 0.72 |
| Capri of KW Serenade LLC | 84,691,280 | 0.54 |
| Prime Peninsula LP | 84,540,000 | 0.54 |
| Haas Automation Inc. | 78,059,700 | 0.50 |
| BG Terminal California LLC | 74,726,336 | 0.47 |
| New-Indy Oxnard LLC | 69,467,684 | 0.44 |
| Duesenberg Investment Company | 68,471,332 | 0.43 |
| **Subtotal (Top 10)** | **$1,209,337,070** | **7.68** |
| **Total (All Taxpayers)** | **$15,754,748,682** | **100.00%** |

Source: City.

## Outstanding Debt

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness since fiscal year 2003-04 are set forth in the following table. See also the notes to the City's Comprehensive Annual Financial Report for fiscal year 2012-13, a copy of which is attached as Appendix C, for a description of the City's long-term liabilities.

**City of Oxnard**
**Outstanding Debt**
**(Fiscal Years 2003-04 through 2012-13)**

| | Governmental Activities | | | | Business-Type Activities | | |
|---|---|---|---|---|---|---|---|
| Year Ended June 30 | Revenue Bonds | Certificates of Participation | Tax Allocation Bonds | Capital Leases | Revenue Bonds | Capital Leases | Total Outstanding Debt |
| 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 |
| 2007 | 43,109,750 | 7,395,000 | 37,940,000 | 749,911 | 292,625,260 | 1,536,788 | 383,356,709 |
| 2008 | 41,746,367 | 34,835,000 | 37,040,000 | 493,471 | 286,428,643 | 4,603,874 | 405,147,355 |
| 2009 | 40,337,356 | 34,350,000 | 47,755,000 | 293,886 | 278,427,654 | 4,053,370 | 405,217,266 |
| 2010 | 38,877,717 | 33,600,000 | 46,475,000 | 1,436,151 | 370,257,293 | 3,632,411 | 494,278,572 |
| 2011 | 37,359,198 | 32,820,000 | 45,155,000 | 2,552,594 | 383,230,810 | 3,623,438 | 504,741,270 |
| 2012 | 35,781,802 | 32,010,000 | -- | 5,665,006 | 372,713,206 | 2,963,438 | 449,133,452 |
| 2013 | 34,146,715 | 25,335,000 | -- | 11,101,548 | 361,808,291 | 2,620,593 | 435,012,147 |

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013.

The City has entered into three interest rate swaps to hedge its variable rate bond exposure. All three interest rate swaps qualify for treatment as 'Hedging Derivative Instruments' pursuant to the

requirements of GASB Statement No. 53. The terms of the swaps are consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.

In connection with the December 2006 issuance of the City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006, the City entered into a floating-to-fixed interest rate swap with Royal Bank of Canada in the original notional amount of $24,205,000. Pursuant to such swap, the City pays a fixed rate of 3.530% and receives variable payments computed as 68% of the one-month London Interbank Offered Rate ("LIBOR"). The bonds and the related swap agreement mature on June 1, 2036, and as of June 30, 2014 the swap's notional amount of $20,285,000 matches the $20,285,000 in variable-rate bonds. The swap was entered at the same time the bonds were issued (December 2006) and terminates at the same time that the bonds mature (June 2036). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. The swap terminates by its terms on June 1, 2036. As of June 30, 2014, this swap had a negative fair value to the City of $3.63 million as a result of a decline in interest rates since execution of the swap. As of June 30, 2014, the City is not adversely exposed to counterparty credit risk due to the negative fair value of the swap.

In June 2007, the City entered into a floating-to-fixed interest rate swap with Royal Bank of Canada in the original notional amount of $13,410,000 with respect to the outstanding City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, 2003 Series B. Pursuant to such swap, the City pays a fixed rate of 4.037% and receives variable payments computed as 68% of the one-month LIBOR. The bonds and the related swap agreement mature on June 1, 2033, and as of June 30, 2014 the swap's notional amount of $10,725,000 matches the $10,725,000 in variable-rate bonds. The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. The swap terminates by its terms on June 1, 2033. As of June 30, 2014, this swap had a negative fair value to the City of $2.25 million as a result of a decline in interest rates since execution of the swap. As of June 30, 2014, the City is not adversely exposed to counterparty credit risk due to the negative fair value of the swap.

In June 2007, the City also entered into a floating-to-fixed interest rate swap with Royal Bank of Canada in the original notional amount of $23,975,000 with respect to the outstanding 2004 Series B Bonds. Pursuant to such swap, the City pays a fixed rate of 4.017% and receives variable payments computed as 68% of the one-month LIBOR. The bonds and the related swap agreement mature on June 1, 2034, and as of June 30, 2014 the swap's notional amount of $18,710,000 matches the $18,710,000 in variable-rate bonds. The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. The swap terminates by its terms on June 1, 2034. As of June 30, 2014, this swap had a negative fair value to the City of $3.67 million as a result of a decline in interest rates since execution of the swap. As of June 30, 2014, the City is not adversely exposed to counterparty credit risk due to the negative fair value of the swap.

[Remainder of Page Intentionally Left Blank]

## Direct and Overlapping Debt

The following table describes the City's direct and overlapping debt as of October 6, 2014:

### City of Oxnard
### Direct and Overlapping Debt
### (As of October 6, 2014)

2013-14 Assessed Valuation: $15,754,311,306

| OVERLAPPING TAX AND ASSESSMENT DEBT: | Total Debt 6/30/14 | % Applicable (1) | City's Share of Debt 6/30/14 |
|---|---|---|---|
| Metropolitan Water District | $132,275,000 | 0.714% | $ 944,444 |
| Ventura County Community College District | 300,628,714 | 14.595 | 43,876,761 |
| Oxnard Union High School District | 138,907,016 | 45.917 | 63,781,935 |
| Oxnard School District | 159,868,139 | 91.914 | 146,941,201 |
| Rio School District | 14,040,000 | 85.740 | 12,037,896 |
| Rio School District Community Facilities District No. 1 | 57,260,000 | 100. | 57,260,000 |
| Hueneme School District | 25,464,135 | 44.017 | 11,208,548 |
| Ocean View School District | 15,280,247 | 42.460 | 6,487,993 |
| City of Oxnard Rose Avenue/Highway 101 Assessment District No. 96-1 | 1,920,000 | 100. | 1,920,000 |
| City of Oxnard Rice Avenue/Highway 101 Assessment District No. 2001-1 | 11,420,000 | 100. | 11,420,000 |
| City of Oxnard Oxnard Boulevard/Highway 101 Assessment District No. 2000-1 | 1,915,000 | 100. | 1,915,000 |
| City of Oxnard Community Facilities District No. 1 | 8,575,000 | 100. | 8,575,000 |
| City of Oxnard Community Facilities District No. 3 | 27,870,000 | 100. | 27,870,000 |
| City of Oxnard Oxnard Boulevard Highway Interchange Community Facilities District | 7,695,000 | 100. | 7,695,000 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | $401,933,778 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Ventura County General Fund Obligations | $398,360,000 | 14.590% | $ 58,120,724 |
| Ventura County Superintendent of Schools Certificates of Participation | 11,160,000 | 14.590 | 1,628,244 |
| Oxnard Union High School District Certificates of Participation | 6,820,000 | 45.917 | 3,131,539 |
| Ocean View School District Certificates of Participation | 1,426,700 | 42.460 | 605,777 |
| Oxnard School District Certificates of Participation | 4,600,800 | 91.914 | 4,228,779 |
| Rio School District Certificates of Participation | 7,145,000 | 85.740 | 6,126,123 |
| **City of Oxnard General Fund Obligations** | **60,278,807** | **100.** | **60,278,807** |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | $134,119,993 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | $40,920,000 | 100. % | $40,920,000 |
| **TOTAL DIRECT DEBT** | | | **$60,278,807** |
| TOTAL OVERLAPPING DEBT | | | $516,694,964 |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | $576,973,771 (2) |

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt ..... 2.55%
**Total Direct Debt ($60,278,807)..... 0.38%**
Total Direct and Overlapping Debt..... 3.66%

Ratios to Redevelopment Successor Agency Incremental Valuation ($2,170,008,739):

Total Overlapping Tax Increment Debt..... 1.89%

Source: California Municipal Statistics, Inc.

## Employment and Personal Income

The following table sets forth the unemployment rate, total personal income, and per capita income in the City since fiscal year 2003-04.

**City of Oxnard**
**Employment and Personal Income**
**(Fiscal Years 2003-04 through 2013-14)**

| Fiscal Year | Unemployment Rate | Personal Income (in thousands) | Per Capita Income |
|---|---|---|---|
| 2004 | 7.8% | $2,886,966 | $15,886 |
| 2005 | 7.0 | 3,093,466 | 16,645 |
| 2006 | 6.2 | 3,261,107 | 17,376 |
| 2007 | 6.1 | 3,494,586 | 18,463 |
| 2008 | 7.4 | 3,680,019 | 19,185 |
| 2009 | 11.0 | 3,751,908 | 19,352 |
| 2010 | 14.4 | 3,707,181 | 18,829 |
| 2011 | 14.2 | 3,739,475 | 18,697 |
| 2012 | 13.0 | 3,968,123 | 19,802 |
| 2013 | 10.1 | 4,018,506 | 20,007 |
| 2014 | 9.3 (1) | Unavailable | Unavailable |

(1) Through August 2014.
Source for data through fiscal year 2012-13: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013.
Source for data for fiscal year 2013-14: unaudited financial data.

The following table sets forth the top employers in the City as of June 30, 2014.

**City of Oxnard**
**Top Employers**
**(As of June 30, 2014)**

| Employer | Industry | Number of Employees |
|---|---|---|
| St. John's Regional Medical Center | Hospital | 1,393 |
| City of Oxnard | Civic | 1,278 |
| Haas Automation, Inc. | Manufacturer | 1,100 |
| Verizon | Telephone Service | 860 |
| Wal-Mart Stores, Inc. | Retail | 750 |
| Waterway Plastics, Inc. | Manufacturer | 700 |
| Procter & Gamble Paper Products | Manufacturer | 650 |
| Boskovich Farms, Inc. | Manufacturer | 600 |
| Sysco Food Services of Ventura | Distribution | 500 |
| Workrite Uniforms Co., Inc. | Manufacturer | 405 |
| CalAmp | Manufacturer | 400 |
| Gills Onions | Manufacturer | 400 |
| Monsanto | Manufacturer | 400 |
| Raypak, Inc. | Manufacturer | 320 |
| Home Depot | Retail | 310 |

Source: City.

## Taxable Retail Sales

Consumer spending in calendar year 2012 resulted in $2,290,580,000 in taxable sales in the City, which is approximately 7.93% more than in calendar year 2011. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2008 through 2012.

**City of Oxnard**
**Taxable Retail Sales by Type of Business**
**2008 to 2012**
**(in thousands)**

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Motor Vehicles and Parts Dealers | $ 372,288 | $ 306,123 | $ 333,399 | $ 379,666 | $ 437,495 |
| Home Furnishings and Appliance Stores | 114,394 | 140,752 | 135,456 | 130,962 | 129,447 |
| Building Materials and Garden Equipment and Supplies | 93,118 | 92,975 | 91,427 | 96,614 | 118,598 |
| Food and Beverage Stores | 94,066 | 94,150 | 92,803 | 93,340 | 96,718 |
| Gasoline Stations | 223,783 | 174,508 | 205,785 | 253,645 | 262,972 |
| Clothing and Clothing Accessories Stores | 58,524 | 74,067 | 78,669 | 80,811 | 87,509 |
| General Merchandise Stores | 317,481 | 264,085 | 273,984 | 286,540 | 304,546 |
| Food Services and Drinking Places | 185,258 | 181,251 | 188,368 | 201,967 | 215,340 |
| Other Retail Group | 189,550 | 108,148 | 108,097 | 109,500 | 113,004 |
| Total Retail and Food Services | 1,648,461 | 1,436,959 | 1,507,987 | 1,633,046 | 1,765,630 |
| All Other Outlets | 517,015 | 419,475 | 425,740 | 489,175 | 524,959 |
| Total All Outlets | $2,165,477 | $1,856,434 | $1,933,728 | $2,122,220 | $2,290,589 |

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 pass through daily in 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. Union Pacific Railroad provides freight rail service through the City. The Ventura County Railroad Company connects Port Hueneme, the Ormond Beach Industrial Area, the Naval Construction Battalion Center, and surrounding industrial areas to the Union 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. An $18 million expansion of the port was completed in 1989, which included the addition of an automobile terminal and the construction of a new wharf. The port's acquisition of approximately 33 acres from the U.S. Navy in 1997 has enabled it to increase facilities for handling refrigerated containers and roll-on/roll-off cargoes. 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 and covers approximately 310 acres. The Oxnard Airport is operated by Ventura County as a general and commercial aviation airfield. The Oxnard Airport handles passenger as well as cargo services. Local bus service is provided by Gold Coast Transit, 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. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

## Education

There are 35 elementary, 8 junior high, and 5 senior high schools located in and immediately around the City, plus eight parochial and private schools. The City is served by Oxnard College, a California community college. 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 California State University campus at Channel Islands (CSUCI) opened in fall 2002, and has a current enrollment of over 3,700 students. 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 50 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 Harbor is a recreational boating marina administered by Ventura County. The City has over 30 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 River Ridge Golf Club, consisting of two 18-hole championship golf courses, the Vineyard Course and the Victoria Lakes Course. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the center of the City.

## City's Investment Policy

The following is a summary of the City's 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 that 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, and (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 Local Agency Investment Fund ("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 that 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 that 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, Chief Financial Officer, 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 from time to time 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 Chief Financial Officer. Within 30 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 the Finance Department to be incorporated in the fiscal year-end balance sheet in accordance with Rule 31 of the Government Accounting Standards Board ("GASB").

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

**City's Pension Plans**

The City contributes to the California Public Employees Retirement System ("PERS"), a multiple-employer, public employee defined benefit plan, which acts as a common investment and administrative agent for participating public entities within the State. 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, 2013, was $83,461,612; the City's total payroll was $101,510,481. PERS issues a separate comprehensive annual financial report. Copies of PERS' annual financial report may be obtained from their executive office at 400 "P" Street, Sacramento, California 95814, or at their website at http://www.calpers.ca.gov. The foregoing reference to an internet website is made for reference and

convenience only; the information contained within the website has not been reviewed by the City or the Authority and is not incorporated in this Official Statement by reference.

All City personnel are eligible to participate in PERS, becoming vested 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 as follows:

| | |
|---|---|
| Miscellaneous Employees (ranging from 1.426% for employees who retire at age 50 to 2.418% for employees who retire at age 63 or over) | 2% at age 55 |
| Police Employees | 3% at age 50 |
| Fire Employees | 3% at age 55 |

The benefits are calculated at the highest consecutive 12 months for miscellaneous employees and safety employees multiplied by a total number of years employed.

Required employee contributions to PERS are 7% of compensation for miscellaneous employees and 9% of compensation for safety employees, which the City currently pays for regular employees. Under the California Public Employees' Pension Reform Act of 2013 (PEPRA), for new employees hired on or after January 1, 2013, the required employee contributions to PERS are 6.75% of compensation for miscellaneous employees, 15% of compensation for safety Police employees, and 12.25% of compensation for safety Fire 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. The City's contributions to PERS (including the employee share) for the years ended June 30, 2013, 2012, and 2011 were $24,986,509, $24,671,878, and $22,331,816, respectively, and were equal to required contributions for each year. Contribution rates for each participating employer are determined based on the benefit structure established. Employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. The contribution rates at June 30, 2013, 2012, and 2011 were 100%, for each year, of annual covered payroll for police, fire, and miscellaneous employees. The contribution requirements of plan members and the City are established and may be amended by PERS. For additional information, see "APPENDIX C – City of Oxnard Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013."

Currently, a significant portion of the contribution requirements for police and fire are funded with voter-approved property tax override. The maximum property tax rate is $0.076637 per $100 of assessed values within the City (except a portion of land annexed to the City in 1969). The estimated contribution amount for Fiscal Year 2013-14 for public safety employees is approximately $15.3 million and the property tax override is expected to generate approximately $12.7 million.

The funded status of each plan as of June 30, 2013, on an actuarial value of assets basis is as follows (dollar amounts in thousands):

| | Market Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| Police | $200,724 | $273,804 | $73,080 | 73.3% | $23,986 | 304.7% |
| Fire [1] | 89,124 | 124,531 | 35,406 | 71.6 | 9,742 | 363.4 |
| Miscellaneous | 276,208 | 361,628 | 85,420 | 76.4 | 49,381 | 173.0 |

(1) The amounts for Fire reflect the City's share of the PERS fire risk pool, which includes multiple fire agencies as well as the City's fire employees. The amounts for Fire reflected in the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2013, included in Appendix C reflect total risk pool valuations and liabilities.

Source: PERS June 30, 2013, actuarial valuations. The information in this table has been updated from the information set forth in the Preliminary Official Statement.

The actuarial studies referenced above incorporate recent changes in actuarial methods and assumptions. On April 17, 2013, the PERS Board of Administration approved new actuarial policies aimed to fully fund the pension system's obligations within 30 years. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. PERS announced that, based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25% improvement in funded status over a 30-year-period. The new amortization schedule will be used to set contribution rates for public agency employers in the State beginning in the 2015-16 fiscal year. This delay is intended to allow the impact of the changes to be built into the projection of employer contribution rates and afford employers with additional time to adjust to the changes. These changes will also result in setting the actuarial value of assets equal to the market value of assets, thus eliminating the "smoothing" previously used for calculating the actuarial value of assets through June 30, 2012.

According to PERS, the new policies will result in an increased likelihood of higher peak employer contribution levels in the future but not significantly increase average contribution levels. The median employer contribution rate over the next four years is expected to be higher. In the long-term, however, higher funded levels may result in lower employer contributions. Local government's contracts with PERS are unique to each municipality.

In the PERS' June 30, 2013 actuarial valuations, PERS used the new actuarial methods for the calculation of the projected contribution rates. The projected rates for each plan as of June 30, 2013, the most recent actuarial valuation, are as follows:

| | New Rate | Projected Future Employer Contribution Rates | | | | |
|---|---|---|---|---|---|---|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Police | 40.514% | 43.1% | 44.8% | 46.5% | 49.0% | 47.3% |
| Fire | 20.230 | 21.3 | 21.3 | 21.3 | 21.3 | 21.3 |
| Miscellaneous | 15.907 | 17.1 | 18.0 | 18.9 | 19.9 | 19.7 |

Source: PERS June 30, 2013, actuarial valuations. The information in this table has been updated from the information set forth in the Preliminary Official Statement.

The City cannot anticipate accuracy of the projections above or to what extent the contribution requirements of the City will increase in future years.

***Public Agency Retirement System Retirement Enhancement Plan.*** The City established a Public Agency Retirement System Retirement Enhancement Plan ("PARS") effective January 1, 2003, for selected groups 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. PARS is a defined benefit 401(a) tax-qualified multiple agency trust. PARS 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. For employees meeting the eligibility requirements, the plan provides a benefit equal to the "3% at 60" plan factor (formula is a static 3% at age 60 and older), less the PERS "2% at 55" plan factors for all years of City service plus any military service purchased through PERS (prior to July I, 2003) while an employee of the City.

Eligibility for an immediate benefit is defined as reaching age 50, completing five years of service, and retiring concurrently from both the City and PERS 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.

Employees and the City contribute a total of 8% of eligible employees' gross wages. Current employee and city contributions by employee groups are as follows:

| | **City Contributions** | **Employee Contributions** |
|---|---|---|
| IUOE | 2.7% | 5.3% |
| SEIU | 3.5 | 4.5 |
| Management and Confidential | 3.0 | 5.0 |

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, 2013, was 7.80% of eligible employee gross wages. The City's payroll for employees covered by PARS for the year ended June 30, 2013, was $38,357,176. 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, or at their website at http://www.pars.org. *The foregoing reference to an internet website is made for reference and convenience only; the information contained within the website has not been reviewed by the City or the Authority and is not incorporated in this Official Statement by reference.* .

For fiscal year 2012-13, the City's annual pension cost ("APC") of $4,169,425, for PARS was equal to the City's required actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial assumptions and retained the entry age actuarial cost method.

As of June 30, 2011, the most recent actuarial valuation date, the plan was 36% funded. The actuarial accrued liability for benefits was $71,388,000, and the actuarial value of assets was $32,859,000, resulting in an unfunded actuarial accrued liability (UAAL) of $38,529,000. The covered payroll (annual payroll of active employees covered by the plan) was $40,414,000, and the ratio of the UAAL to the covered payroll was 95.3%.

***Early Retirement Incentive Plan.*** The City adopted a supplemental retirement plan to 48 eligible employees; this plan is administered by Phase II Systems, PARS Trust Administrator. The level of benefit

is 7% of the employee's final base pay, payable through the employee's lifetime, with an option of payment for five to ten years, at the employee's election.

***Post-Employment Health Care Benefit.*** The City provides post-employment benefits for retired employees. Employees who retire from the City and receive a PERS pension are eligible for post-employment medical benefits. Retirees can enroll in any of the available PERS medical plans. This benefit continues for the life of the retiree and surviving spouse. Benefit provisions for PERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.). PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 "P" Street, Sacramento, California 95814, or at their website at http://www.calpers.ca.gov. *The foregoing reference to an internet website is made for reference and convenience only; the information contained within the website has not been reviewed by the City or the Authority and is not incorporated in this Official Statement by reference...*

The City contributes the minimum amount allowed under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The City's required monthly contribution for calendar year 2013 was $115.00. The required contribution is based on pay-as-you-go financing requirements. Retirees must contribute any premium amounts in excess of the City contribution.

In fiscal year 2013-14, the City's annual OPEB (Other Post Employment Benefit) cost of $1,522,202 was higher than the actual contribution. As of July 1, 2013, the unfunded actuarial accrued liability of the plan was $16,060,096.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

# APPENDIX C

# CITY OF OXNARD
# COMPREHENSIVE ANNUAL FINANCIAL REPORT
# FISCAL YEAR ENDED JUNE 30, 2013

[THIS PAGE INTENTIONALLY LEFT BLANK]

# COMPREHENSIVE ANNUAL FINANCIAL REPORT
# Fiscal Year Ended June 30, 2013

Prepared by
Finance Department
James Cameron
Chief Financial Officer

*Comprehensive Annual Financial Report*
*For the Fiscal Year Ended June 30, 2013*
*Table of Contents*

**PAGE**

## INTRODUCTORY SECTION


Letter of Transmittal ..... i
GFOA Certificate of Achievement for Excellence in Financial Reporting ..... viii
List of Principal Officials ..... ix
City of Oxnard Organizational Chart ..... x


## FINANCIAL SECTION


Independent Auditors' Report ..... 1

Management's Discussion and Analysis ..... 5

**Basic Financial Statements:**

***Government-Wide Financial Statements:***
Statement of Net Position ..... 19
Statement of Activities ..... 20

***Fund Financial Statements:***
Governmental Funds:
Balance Sheet ..... 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ..... 22
Statement of Revenues, Expenditures and Changes in Fund Balances ..... 23
Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities ..... 24
Proprietary Funds:
Statement of Net Position ..... 26
Statement of Revenues, Expenses and Changes in Fund Net Position ..... 28
Statement of Cash Flows ..... 30
Fiduciary Funds:
Statement of Fiduciary Net Position ..... 34
Statement of Changes in Fiduciary Net Position ..... 35

***Notes to the Basic Financial Statements:***
I. Summary of Significant Accounting Policies ..... 36
II. Detailed Notes on All Funds .....
A. Cash and Investments ..... 49
B. Receivables and Payables ..... 54
C. Interfund Receivables and Payables ..... 55

D. Interfund Transfers ..... 55
E. Capital Assets ..... 56
F. Long-Term Liabilities ..... 57
III. Defined Benefit Pension Plans and Other Post Employment Benefits
A. Defined Benefit Pension Plan ..... 75
B. Public Agency Retirement System Retirement Enhancement Plan ..... 78
C. Early Retirement Incentive Plan ..... 80
D. Postemployment Health Care Benefits ..... 80
IV. Risk Management
A. General Liability ..... 82
B. Worker's Compensation ..... 83
V. Other Information
A. Commitments and Contingencies ..... 84
B. Other ..... 84
C. Notes to the Financial Statements – Successor Agency ..... 86

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress Pension Plan (PERS and PARS) ..... 93
Schedule of Funding Progress for OPEB Plan ..... 94

Schedules of Revenues and Expenditures, Budget and Actual:
***General Fund:***
Budgetary Comparison Schedule ..... 95

***Major Special Revenue Funds:***
Budgetary Comparison Schedule
State and Federal Grants ..... 96

SUPPLEMENTARY DATA (COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES)

***Non-Major Governmental Funds:***
Combining Balance Sheet ..... 98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 100

***Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual***
Development Fees Fund ..... 102
CDBG and HUD Grants Fund ..... 103
Public Safety Retirement Fund ..... 104
Debt Service Fund ..... 105
Capital Outlay Funds ..... 106
Housing Successor ..... 107
State Gas Tax ..... 108
Traffic Safety ..... 109
Transportation Development ..... 110
Maintenance Assessment District ..... 111

***Internal Service Funds:***

Combining Statement of Net Position ……..114
Combining Statement of Revenues, Expenses and Changes in Net Position …….….115
Combining Statement of Cash Flows...…….….116

***Fiduciary Funds:***

Statement of Changes in Fiduciary Net Assets…….…….117

**STATISTICAL SECTION (Unaudited)**

Schedule I - Net Position by Component ..... …120
Schedule II - Changes in Net Assets ..... 122
Schedule III - Fund Balances of Governmental Funds ..... 126
Schedule IV - Changes in Fund Balances of Governmental Funds……..……..128
Schedule V - Governmental Activities Tax Revenue by Source ..... 130
Schedule VI - Assessed Value and Estimated Actual Value of Taxable Property ..... 131
Schedule VII - Direct and Overlapping Property Tax Rates ..... 132
Schedule VIII- Principal Property Taxpayers ..... 133
Schedule IX - Property Tax Levies and Collections ..... 134
Schedule X - Ratio of Outstanding Debt by Type ..... 135
Schedule XI - Direct and Overlapping Governmental Activities Debt ..... 136
Schedule XII - Legal Debt Margin Information ..... 137
Schedule XIII - Ratio Pledged Revenue Coverage ..... 138
Schedule XIV - Demographic and Economic Statistics ..... 140
Schedule XV - Full-Time Equivalent City Government Employees by Function ..... 141
Schedule XVI - Operating Indicators by Function ..... 142
Schedule XVII-Capital Assets by Function ..... 143

# INTRODUCTORY SECTION

OXNARD
CALIFORNIA

300 West Third Street, Oxnard, CA 93030

December 30, 2013

To the Honorable Mayor, Members of the City Council,
and Residents of the City of Oxnard, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Oxnard, California (City) for the fiscal year ended June 30, 2013. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

White Nelson Diehl Evans LLP, a firm of licensed certified public accountants, has issued an unqualified opinion on the City's financial statements for the year ended June 30, 2013. The independent auditor's report is located on page 1 in the financial section of this report. White Nelson Diehl Evans LLP also performed the federally mandated "Single Audit", the results of which are presented under separate cover.

Following the independent auditor's report is management's discussion and analysis (MD&A), which provides an overview and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

**Profile of the City of Oxnard**

The City, incorporated in 1903, is located in western Ventura County (County) on the shores of the Pacific Ocean. The City is approximately 65 miles northwest of the City of

Los Angeles. Oxnard is the financial hub and the largest city in the County, with a population of 200,855 in 2013, representing 24 percent of the County's population.

The City operates under the Council-Manager form of government. The City Council, elected at large on a non-partisan basis, consists of the mayor, directly elected for a two-year term, and four council members, elected for four-year staggered terms. The City Treasurer and City Clerk are also elected for four-year terms. The City Manager is appointed by the City Council for the administration of City affairs, including appointment of the heads of various departments, day-to-day operations, and implementation of the City Council policies. The City Attorney is also appointed by and reports directly to the City Council. Additionally, the City Council members, in separate session, serve as the governing boards of the City of Oxnard Financing Authority, Oxnard Community Development Commission (Redevelopment Agency), and with two tenant members as the Oxnard Housing Authority.

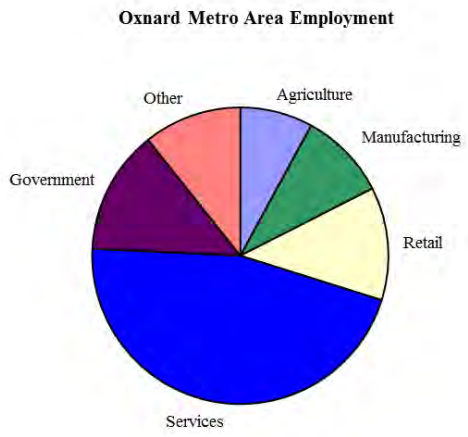
The City provides a full range of municipal services from a variety of funding sources. Services funded from general fund sources include police and fire protection, parks and recreational activities, library services, and cultural events. In addition, the City funds the construction and maintenance of streets, parks, and other public buildings. The City operates municipal water and wastewater treatment systems, refuse collection and a solid waste transfer and recycling 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 Housing Authority and the City of Oxnard Financing Authority.

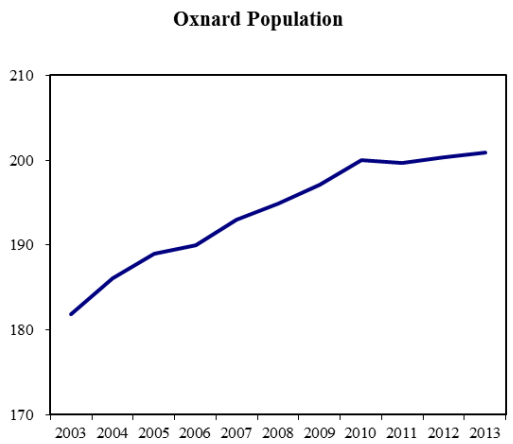
The Oxnard Community Development Commission (CDC), previously a component unit of the City has been dissolved pursuant to California State Assembly Bill AB 1X 26 as modified by AB 1484, effective February 1, 2012. Activities of the CDC are reported as part of fiduciary funds, including all assets and liabilities. The exception is the housing set aside fund, which continue to be reported in the City's financial statements under a separate successor agency.

The annual budget, adopted by resolution of the City Council, serves as the foundation for the City's financial planning and control. The City Council approves operating and capital appropriations at the fund and department levels. Budgetary control is maintained at the department level and the department head may transfer resources within a department. While the City Manager may approve the transfer of funds between departments, special approval by the Council is required for adjustments to fund budgets. Although the budget must be adopted annually, the Council approves a balanced two-year operating budget and capital improvement plan. As part of the annual budget resolution, the Council reauthorizes appropriations for continuing projects and activities.

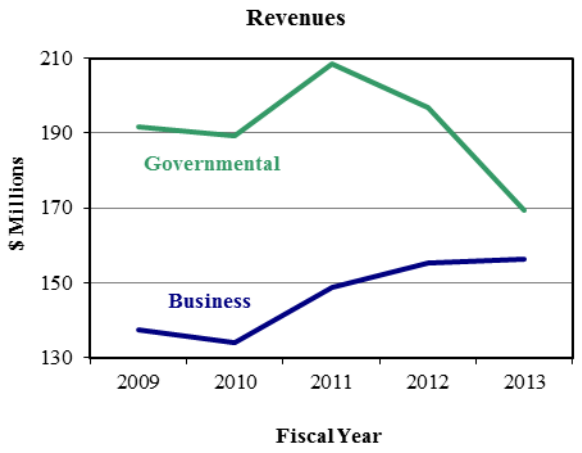
## Local Economy

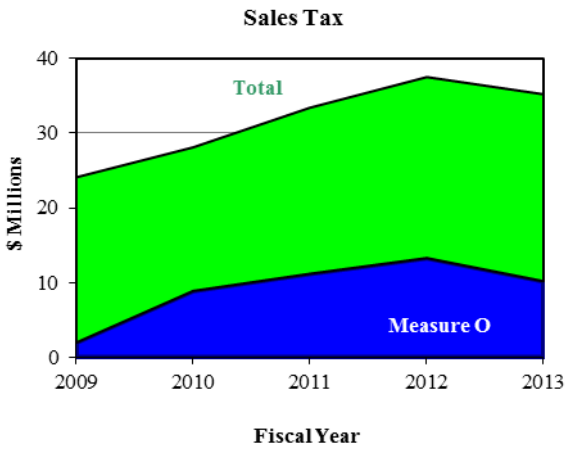
The City of Oxnard enjoys a diversified economic base composed of agriculture and related businesses, retail, various services, and governmental agencies. The services group provides the largest source of employment with agriculture providing an important source of employment in the City of Oxnard. While population growth in Oxnard has flattened over the last two years, growth has averaged just over 1% over the last ten years as a result of employment opportunities and low housing costs relative to other regions of the State. Unemployment continues to be a concern, however, there has been significant improvement in the last fiscal year, averaging 10.1% compared to 14.2% two years ago. Ventura County's unemployment rate declined from 9.5% a year ago to 7.8% as of August 2013. Employment in the metro area increased 1.4% as of August compared to a year ago. Increased employment in hospitality and leisure as well as trade transportation and utilities were partially offset by minor reductions in manufacturing and financial activities. Construction and educational and health services also showed modest gains.




While business activities experienced moderate revenue growth in 2013, governmental revenues decreased due to the change in accounting for CDC to a fiduciary fund. In addition, grant reimbursements were lower as projects were completed. Even with moderate economic growth, general fund revenues were flat except for a decrease in Measure O ½ cent sales tax revenues caused by a timing issue at the State. Base property taxes were relatively flat even though valuations have begun to increase slightly. Redistribution of redevelopment tax increment provided a modest increase overall. Developer related fees decreased as several development projects were initiated last fiscal year. Business activity revenues increased due to modest rate adjustments.




## Long-term Financial Planning

The City has various long-term planning initiatives to support the financial management of City resources. As part of the biennial budget process, the City prepares a five-year financial forecast and presents a five-year capital program. Last year the City Council adopted the update to the general plan through 2030 and the various utilities have begun updates to long-term master plans. These activities help the City anticipate and plan for future financial trends.

Because it is difficult to fully anticipate dramatic changes in the national and local economies, the Council has set a general fund unassigned fund balance goal of 18% of the general fund's operating expenditures. The City ended the fiscal year at 10% or $11.6 million. While the Council appropriate $0.8 million from fund balance, the remaining decrease from the prior year was due to changes in accounting treatment of certain items related to receivables.

## Major Initiatives

In November of 2008, the voters of Oxnard approved a ½ cent sales tax increase (Measure O). Fiscal year 2013 was the fourth full year of collecting the sales tax, which began in April of 2009. While this is a general purpose tax, the City's policy is to use this additional revenue to improve services to the community by adding and improving City facilities and programs. This initiative includes a citizen oversight committee and requires that revenues and the projects and programs funded from the ½ cent sales tax be audited and reported annually to the community. The ½ cent sales tax will require reauthorization by the voters in 2028.

GASB standards require that these funds be reported as a part of the General Fund; however, revenues and uses of the Measure O ½ cent sales tax are accounted for as a sub-fund within the General Fund. The following pages provide a summary of the financial status of this fund and a table listing the project and program funding approved by Council.

# City of Oxnard
## Measure O 1/2 Cent Sales Tax
### Balance Sheet
### June 30, 2013

| | |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 13,031,068 |
| Due from other government | 2,087,600 |
| Total assets | **$ 15,118,668** |
| **LIABILITIES AND FUND BALANCES** | |
| Liabilities: | |
| Accounts Payable | 210,305 |
| Other Liabilties | 250,240 |
| Total liabilities | 460,545 |
| Fund balances | 14,658,123 |
| Total fund balances | 14,658,123 |
| Total liabilities and fund balances | **$ 15,118,668** |

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

| | For the Year Ended: | |
|---|---|---|
| | **June 30 2013** | **June 30 2012** |
| **REVENUES** | | |
| Taxes | $ 10,091,602 | $ 13,268,841 |
| Investment/Interest Earnings | 93,796 | 187,282 |
| Net Decrease in Fair Value of Investments | (152,522) | - |
| Total revenues | 10,032,876 | 13,456,123 |
| **EXPENDITURES** | | |
| Parks & Open Space | 2,214,229 | 8,643,539 |
| Traffic & Road Improvements | 5,621,197 | 977,669 |
| Public Safety & Gang Prevention/Intervention | 4,796,143 | 2,605,211 |
| Recreation & Youth Programming | 768,037 | 608,673 |
| Other Community Improvements | 68,930 | - |
| Total expenditures | 13,468,536 | 12,835,091 |
| Excess of revenues over (under) expenditures | (3,435,660) | 621,032 |
| Net change in fund balances | (3,435,660) | 621,032 |
| Fund balances, July (adjusted for FY 2012) | 18,093,783 | 17,472,751 |
| Fund balances, June 30 | **$ 14,658,123** | **$ 18,093,783** |

# Measure "O" 1/2 Cent Sales Tax
# City Council Approved Projects

| | |
|---|---|
| **Public Safety & Gang Prevention/Intervention** | |
| Alliance Safety Blueprint - Youth Development | 200,000 |
| TAGRS Graffiti Software System | 100,000 |
| Fire Station Asphalt Replacement (Stn. 1, 2 & 4) | 305,000 |
| City Corps Townkeeper Program | 1,800,000 |
| Enhanced Community Policing | 6,620,850 |
| Police & Fire CAD/RMS | 3,400,000 |
| Fire Training Academy - Station 8 | 2,059,669 |
| Fire Ladder Truck | 1,100,000 |
| **Traffic & Road Improvements** | |
| Alley Reconstruction | 2,000,000 |
| ITS | 3,700,000 |
| Roadway Repair | 6,662,000 |
| Del Norte Blvd Improvements | 1,600,000 |
| Tierra Vista Neighborhood | 2,000,000 |
| **Parks & Open Space** | |
| Campus Park Phase I | 380,000 |
| Campus Park Phase II | 470,000 |
| College Park Project - Phase IC | 14,286,400 |
| Del Sol Park Walking Track | 215,000 |
| East Village Park | 2,694,000 |
| Sports Park Project | 150,000 |
| Durley Park Renovations | 830,000 |
| SW Community Park Parking Lot (Boys & Girls Club) | 30,000 |
| Lemonwood Park Environmental | 15,000 |
| **Recreation, Youth, and Senior Programming** | |
| PAL Youth Services | 600,000 |
| Preschool to You Program Enhancement | 575,000 |
| Community Based Organization Contributions | 600,000 |
| Community Center Park West - Snack Bar Demolition & Reconstruction | 410,000 |
| New Senior Center/Upgrades and Programming | 200,000 |
| Youth Center | 100,000 |
| Oxnard Tennis Center Courts Resurfacing | 74,900 |
| South Oxnard Center Floor Replacement | 61,990 |
| Day at the Park - Special Needs | 22,000 |
| Homework Center at Main Library | 45,000 |
| Library - WiFi | 62,000 |
| Senior Nutrition Program Enhancement | 60,000 |
| Mobile Activity Center Services | 45,000 |
| **Other Community Improvements** | |
| Farm Museum | 50,000 |
| Spanish Language Interpretation of Council Meetings | 100,000 |
| **Total Projects/Programs** | **53,623,809** |

In addition Council has approved Fire Station 8 at College park as a Design-Build Finance at a cost of $12,435,000 plus $2,100,000 for apparatus and other related project costs.

**Single Audit**

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, are subject to the audit requirements of the Federal Office of Management and Budget (OMB) Circular A-133. This includes tests of compliance with federal laws and regulations. The results of the single audit performed by White Nelson Diehl Evans LLP are available under separate cover.

**Awards and Acknowledgments**

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 (CAFR) for the fiscal year ended June 30, 2012. This was the 24th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR, whose content conforms to program standards. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City believes the current CAFR continues to conform to the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to Marichu Maramba and to all members of the department as well as staff from other departments who contributed to the preparation of this annual financial report. We would also like to acknowledge the Mayor and Council Members, the City Manager's staff, and department directors for their consistent support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Karen R. Burnham
Interim City Manager

James Cameron
Chief Financial Officer

Government Finance Officers Association

# 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, 2012**

Executive Director/CEO

# City of Oxnard, California

## CITY COUNCIL

CARMEN RAMIREZ
Mayor Pro Tem

TIM FLYNN
Mayor

BRYAN A. MACDONALD
Councilman

DORINA PADILLA
Councilmember

BERT E. PERELLO
Councilmember

KAREN BURNHAM
Interim City Manager

# City of Oxnard
# Organization Chart

## Residents

| | City Council | |
|---|---|---|
| **City Treasurer**<br>Danie Navas<br>**Customer Service**<br>(Eden Alomeri)<br>Business Licensing<br>Utility Billing | Tim Flynn, Mayor<br>Carmen Ramirez, Mayor Pro Tem<br>Bryan A. MacDonald, Councilman<br>Dorina Padilla, Councilmember<br>Bert E. Perello, Councilmember | **City Clerk**<br>Daniel Martinez<br>Elections<br>Information Resources |
| **City Attorney**<br>Alan Holmberg<br>Debt Collection<br>Legal Assistance<br>Special Litigation | **City Manager**<br>Karen Burnham<br>(Interim)<br>**Assistant City Manager**<br>(Vacant) | **CDC / Successor Agency** |

| Police | Fire | Housing | Finance | City Manager | Human Resources | Development Services | Library | Public Works |
|---|---|---|---|---|---|---|---|---|
| Jeri Williams | James A. Williams II | Bill Wilkins | Jim Cameron | Karen Burnham<br>(Interim) | Michelle Tellez | Matt Winegar | Barbara Murray | Rob Roshanian (Acting) |
| **Administrative Services**<br>(Jason Benites)<br>Emergency Communications<br>Professional Standards<br>Support Services<br>**Field Operations**<br>(Scott Whitney)<br>Code Compliance<br>Community Patrol<br>**Investigative Services**<br>(Vacant)<br>Investigative Services<br>Special Services | **Disaster Preparedness**<br>(Vacant)<br>**Emergency Services**<br>(Darwin Base)<br>(Chris Donabedian)<br>**Fire Prevention**<br>(Gary Sugich)<br>**CUPA**<br>(Miguel Trujillo) | **Administrative Services**<br>(Carrie Sabatini)<br>**Affordable Housing**<br>(Karl Lawson)<br>**Housing Assistance**<br>(Will Reed)<br>**Capital Fund Asset Management**<br>(Juan Jimenez)<br>**Grants Management**<br>(Norma Owens)<br>Grants Assistance | **Budget and Grants Management**<br>(Beth Vo)<br>Budget<br>Grants Management<br>**Financial Resources**<br>(Mike More)<br>Debt & Property Management<br>Liability Management<br>**General Accounting**<br>(Marichu Maramba)<br>Accounting<br>Accounts Payable<br>Payroll<br>**Purchasing**<br>(Bruce Dandy)<br>Mail Service<br>Purchasing | **Deputy City Manager**<br>(Grace Magistrale Hoffman)<br>**Deputy City Manager**<br>(Martin Erickson)<br>Cable Television<br>Community Relations<br>Neighborhood Services<br>Public Information<br>Special Projects<br>Legislative Affairs | Employee Benefits<br>Employee Training<br>Human Resources<br>Labor Negotiations<br>Safety & Wellness<br>Workers' Compensation | Development Support<br>Transportation Planning & Services<br>**Building and Engineering**<br>(Vacant)<br>Building and Engineering<br>**Planning**<br>(Sue Martin)<br>Planning & Environmental Services | Circulation Services<br>Branch Services<br>Community Outreach<br>Public Services<br>Support Services | **Administration**<br>**Construction and Design Services**<br>(Lou Balderrama)<br>Construction Services<br>Design<br>Street Maintenance & Repair<br>Traffic Signs & Markings<br>**Water**<br>(Anthony Emmert)<br>**Wastewater**<br>(Anthony Emmert)<br>**Environmental Resources**<br>(Todd Housley) |

| City Manager | | |
|---|---|---|
| Divisions | | |
| **Recreation & Community Services**<br>(Vacant)<br>Recreation Services<br>Senior/Special Population Services<br>South Oxnard Center<br>Special Events<br>Youth Development<br>**Performing Arts And Convention Center** | **General Services**<br>(Michael Henderson)<br>Facilities Maintenance<br>Landscape Assessment & Graffiti Removal<br>Park/Facility Development<br>Parks Maintenance<br>River Ridge Golf Course<br>Street Lighting<br>Fleet Services | **Information Systems**<br>(Grace Magistrale Hoffman)<br>Citywide Network Support<br>Document Publishing Services<br>Geographic Information Systems<br>Help Desk<br>Municipal Software Support<br>Telecommunications Support |

# FINANCIAL SECTION

OXNARD
CALIFORNIA

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
City of Oxnard, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oxnard Housing Authority Enterprise Fund, a major fund, which represents 3.3 percent, 5.1 percent, and 15.8 percent, respectively, of the assets, net position and revenues of the City's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oxnard Housing Authority Enterprise Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

*Offices located in Orange and San Diego Counties*

**Auditors' Responsibility (Continued)**

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

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, 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, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Matters (Continued)**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and individual fund schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 30, 2013

This page left blank intentionally

# MANAGEMENT DISCUSSION AND ANALYSIS

OXNARD
CALIFORNIA

## Management's Discussion and Analysis

This section of the City of Oxnard's annual financial report presents management's discussion and analysis of the financial performance of the City for the fiscal year ended June 30, 2013. Please read this information in conjunction with the transmittal letter, which can be found in the introductory section of this report (pages i to v), and the City's financial statements, beginning on page 19.

### Financial Highlights

- The assets of the City exceeded its liabilities by $1.8 billion (net position) at the close of the fiscal year. In the previous year, the net position of the City was also $1.8 billion.
- As of the close of the fiscal year, the City's governmental activities reported a net position of $1.46 billion, the same as the prior fiscal year.
- At the end of the fiscal year, the unassigned fund balance of the General Fund was $11.4 million, which is 10% of the general fund's operating expenditures excluding Measure O expenditures.
- The City's total debt (excluding compensated absences) decreased by $14.1 million during the current fiscal year primarily in business-type activities ($11.3 million). Total debt in governmental funds was reduced $2.8 million.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, this report contains other supplementary and statistical information.

**Government-wide financial statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector business. The statement of net position includes all of the City's assets and liabilities as well as deferred outflows and inflows with the difference reported as net position. Over time, increases or decreases in the City's net position serves as a useful indicator of whether the financial health of the City is improving or deteriorating. Fiscal year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid. The statement of activities summarizes the basis for the change in net position.

The two government-wide financial statements distinguish between activities that are primarily supported by taxes and intergovernmental revenues (governmental activities) and business type activities that are intended to recover all or a significant part of their costs.

- *Governmental activities* include most of the City's basic services, such as general government, public safety, public works, parks, recreation, and library services. Property and sales taxes, franchise fees, user fees, interest income, and State and Federal grants finance these activities.

- *Business-type activities* consist of the City's water and wastewater systems, environmental resources, housing services, and the operations of the Performing Arts and Convention Center and River Ridge Golf Course. The City charges fees to customers to recover the cost of these services.

The government-wide financial statements can be found on pages 19 through 20.

**Fund financial statements.** A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to meet legal requirements and enhance management of financial resources. The City's funds have been divided into three categories:

- *Governmental funds.* As with the governmental activities reported in the government wide financial statements, most of the City's basic services are reported in governmental funds. Governmental fund statements use the modified accrual basis of accounting and focus on the flow of financial resources to and from those funds and the balances of spendable resources that are available at year-end. As a result, governmental funds provide a short-term view that can be used to evaluate near-term requirements for financial resources. Because governmental fund statements do not encompass the long-term focus of the government-wide statements, a reconciliation of these statements is included following the governmental funds statements. The basic governmental fund financial statements begin on page 21.

- *Proprietary funds.* The City maintains two types of proprietary funds to report services for which customer fees are intended to finance the costs of operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds report activities that provide supplies and services for the City's programs and services. Internal service funds include the City's self-insurance, utility customer services, information services, facilities maintenance and equipment maintenance services. While these internal service funds are combined into a single presentation for the proprietary funds financial statements, they are allocated to the appropriate function in the government-wide financial statements. The major funds of the enterprise funds are presented separately in the proprietary funds financial statements. Proprietary funds financial statements use similar accounting methods and focus, both long-term and short-term, as the government-wide statements. The basic proprietary fund financial statements begin on page 26.

- *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 method of accounting for these funds is similar to that of proprietary funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's government-wide financial statements because they do not support the City's own programs and operations. The basic fiduciary fund financial statements begin on page 34.

**Notes to the financial statements.** The notes provide additional information to the government-wide and fund financial statements that are important in fully understanding the data presented in the financial statements. The notes to the financial statements begin on page 36.

## Government-wide Financial Analysis

As shown in the following table, the City of Oxnard's assets exceeded liabilities by $1.8 billion at the close of the fiscal year.

**Summary of Net Position**
**($thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Current assets | $ 131,845 | $ 141,855 | $ 97,317 | $ 103,951 | $ 229,162 | $ 245,806 |
| Capital assets (net of accumulated depreciation) | 1,472,765 | 1,459,342 | 615,643 | 612,146 | 2,088,408 | 2,071,488 |
| Properties held for resale | 105 | 105 | - | - | 105 | 105 |
| Other assets | 145 | 9,402 | 261 | 7,058 | 406 | 16,460 |
| Total assets | 1,604,860 | 1,610,704 | 713,221 | 723,155 | 2,318,081 | 2,333,859 |
| Deferred outflows of resources | 5,920 | - | 3,912 | - | 9,832 | - |
| **Total assets and deferred outflows of resources** | **1,610,780** | **1,610,704** | **717,133** | **723,155** | **2,327,913** | **2,333,859** |
| Current liabilities | 55,639 | 45,660 | 21,574 | 18,149 | 77,213 | 63,809 |
| Non-current liabilities | 96,820 | 101,398 | 359,087 | 372,394 | 455,907 | 473,792 |
| **Total liabilities** | **152,459** | **147,058** | **380,661** | **390,543** | **533,120** | **537,601** |
| **Net position** | | | | | | |
| Net Investment in Capital Assets | 1,407,061 | 1,386,190 | 285,475 | 264,693 | 1,692,536 | 1,650,883 |
| Restricted | 28,720 | 18,707 | 16,578 | 17,603 | 45,298 | 36,310 |
| Unrestricted | 22,540 | 58,749 | 34,419 | 50,316 | 56,959 | 109,065 |
| **Net position** | **$ 1,458,321** | **$ 1,463,646** | **$ 336,472** | **$ 332,612** | **$ 1,794,793** | **$ 1,796,258** |

Note: Adjusted FY 12 classification of current & non-current liabilities.

Total assets decreased $15.8 million, including the transfer of the adjustment for interest rate swaps to Deferred Outflow of Resources from Other Assets. Cash and investments decreased $17.9 million as amounts accumulated in previous years were expended on capital projects. Capital assets (net of depreciation) increased $16.9 million.

A significant portion of the City's net position (94%) reflects its investment in capital assets net of accumulated depreciation, less any related debt outstanding used to acquire those assets. Governmental Activities increased $20.9 million and Business-Type Activities increased $20.8 million. Because capital assets are tied up in land, buildings, equipment, and other infrastructure that supports the services provided to citizens, these amounts are not available for future spending. The remaining net position is made up of restricted (3%) and unrestricted (3%) categories.

See independent auditors' report.

The net position of the City decreased $1.5 million after prior period adjustments; however, Governmental Activities decreased $5.3 million. The following table presents a summary of the changes in the City's net position for the year ended June 30, 2013.

**Summary of Changes in Net Position**
**($thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Program revenues: | | | | | | |
| Charges for services | $ 25,434 | $ 34,605 | $ 134,404 | $ 132,282 | $ 159,838 | $ 166,887 |
| Operating grants and contributions | 27,406 | 30,155 | 18,595 | 18,727 | 46,001 | 48,882 |
| Capital grants and contributions | 8,314 | 16,598 | 967 | 1,002 | 9,281 | 17,600 |
| General revenues: | | | | | | |
| Taxes | 103,286 | 114,133 | - | - | 103,286 | 114,133 |
| Interest on investments | (21) | 1,354 | 2,445 | 3,169 | 2,424 | 4,523 |
| Sale of capital assets | 119 | 58 | - | - | 119 | 58 |
| **Total revenues** | **164,538** | **196,903** | **156,411** | **155,180** | **320,949** | **352,083** |
| Expenses: | | | | | | |
| General government | 18,129 | 18,681 | - | - | 18,129 | 18,681 |
| Public safety | 103,079 | 98,603 | - | - | 103,079 | 98,603 |
| Transportation | 10,332 | 11,031 | - | - | 10,332 | 11,031 |
| Community development | 21,162 | 33,705 | - | - | 21,162 | 33,705 |
| Culture and leisure | 19,335 | 18,859 | - | - | 19,335 | 18,859 |
| Libraries | 4,917 | 5,203 | - | - | 4,917 | 5,203 |
| Interest on long-term debt | 2,973 | 3,533 | - | - | 2,973 | 3,533 |
| Water | - | - | 44,763 | 37,910 | 44,763 | 37,910 |
| Wastewater | - | - | 34,397 | 29,078 | 34,397 | 29,078 |
| Environmental Resource | - | - | 40,601 | 41,582 | 40,601 | 41,582 |
| Performing Arts and Convention Center | - | - | 1,534 | 1,587 | 1,534 | 1,587 |
| Oxnard Housing Authority | - | - | 25,397 | 24,399 | 25,397 | 24,399 |
| Municipal Golf Course | - | - | 6,150 | 6,049 | 6,150 | 6,049 |
| **Total expenses** | **179,927** | **189,615** | **152,842** | **140,605** | **332,769** | **330,220** |
| Change in Net Assets before Transfers | (15,389) | 7,288 | 3,569 | 14,575 | (11,820) | 21,863 |
| Transfers | (2,166) | (2,184) | 2,166 | 2,184 | - | - |
| Extraordinary loss | - | (65,066) | - | - | - | (65,066) |
| Contributions to other government | - | (15) | - | - | - | (15) |
| **Changes in net assets** | **(17,555)** | **(59,977)** | **5,735** | **16,759** | **(11,820)** | **(43,218)** |
| Net Position - July 1 | 1,463,646 | 1,525,815 | 332,611 | 327,274 | 1,796,257 | 1,853,089 |
| Prior Period Adjustment | 12,230 | (2,192) | (1,874) | (11,421) | 10,356 | (13,613) |
| **Net Position - June 30** | **$ 1,458,321** | **$ 1,463,646** | **$ 336,472** | **$ 332,612** | **$ 1,794,793** | **$ 1,796,258** |

Governmental revenue reductions of $32.4 million included $11.6 million previously collected by the Community Development Commission (CDC) during the first six months of fiscal year 2012. The remainder of the decrease was primarily grants and development related fees and permits. At the same time, governmental expenses decrease $9.7 million again primarily due to

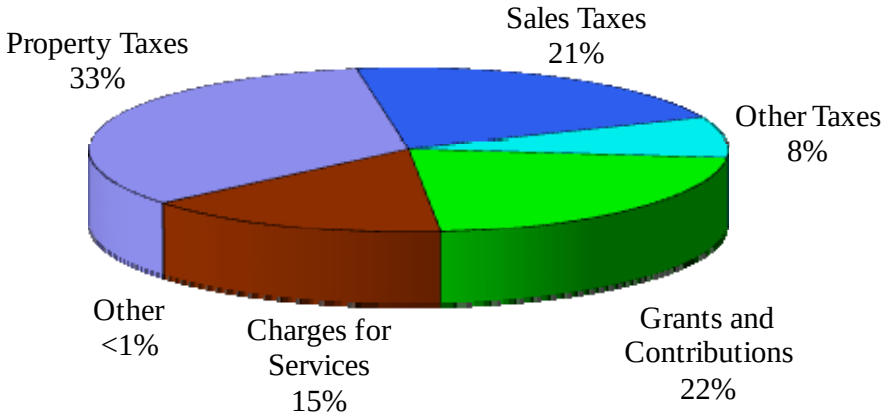
See independent auditors' report.

the dissolution of the CDC. Prior period adjustments included the recognition of loans to the former Community Development Commission as well as amounts owed by the Housing Authority related to workers compensation to Governmental Activities.

**Governmental Activities.** The net position of governmental activities decreased by $5.3 million during the fiscal year as reductions in revenues were partially offset by reduced expenditures and prior period adjustments. In addition, the following changes occurred:

- Taxes, which make up the largest source of governmental revenues at 62%, decreased $10.8 million largely due to the dissolution of the CDC. Sales taxes decreased $2.3 million due to a timing issue at the State for the Measure O ½ cent sales tax that resulted in a higher accrual to the prior fiscal year. Business licenses decreased $1.6 million due to a timing change in collections which result in an increase to prior year collections by the same amount.
- Charges for services, which include various building permits and other development related fees as well as user fees make up 15% of governmental revenues. Decreases of $9.2 million included $7 million from development related fees and permits. Miscellaneous charges for services decreased $2 million due to a one-time reimbursement in the prior year.
- Grants and contributions for both capital and operating purposes make up 22% of revenues with other minor revenues making up less than 1%. Grants decreased $11 million primarily due to the completion of major grant funded projects.

**Revenues**

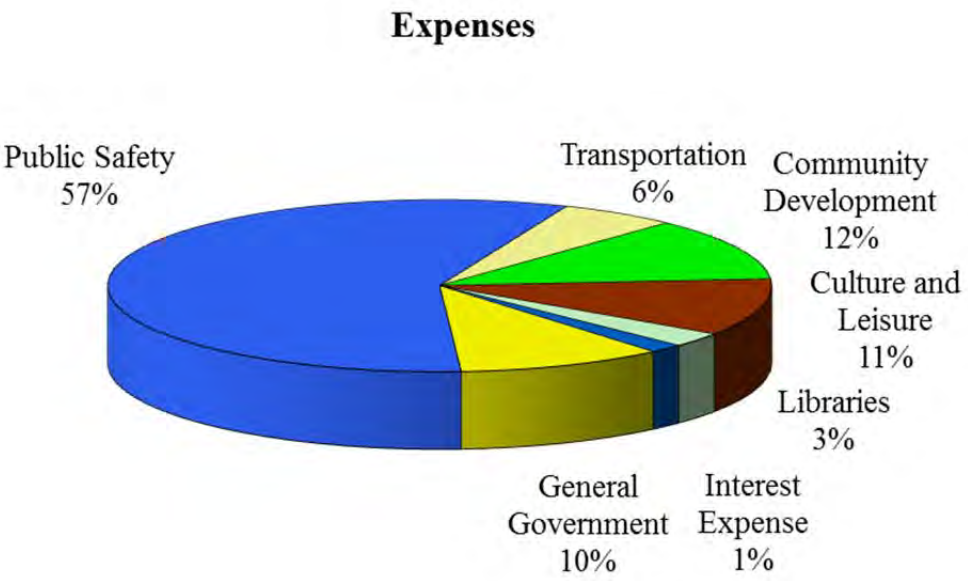



Of the $179.9 million in total governmental expenses, 89% supports programs that provide direct services to the community.

- At 57%, Public Safety, which includes Police and Fire, receives the largest share of governmental revenues, increasing $4.5 million due to higher personnel costs and grant funding.
- Other service programs include Community Development (excluding CDC) at 12%, Culture and Leisure at 11%, Transportation at 6%, and Library at 3%. Community Development decreased $12.5 million primarily related to the dissolution of the CDC.
- The remaining 11% includes General Government, which decreased $0.5 million and Interest Expenses, which decreased $0.6 million.

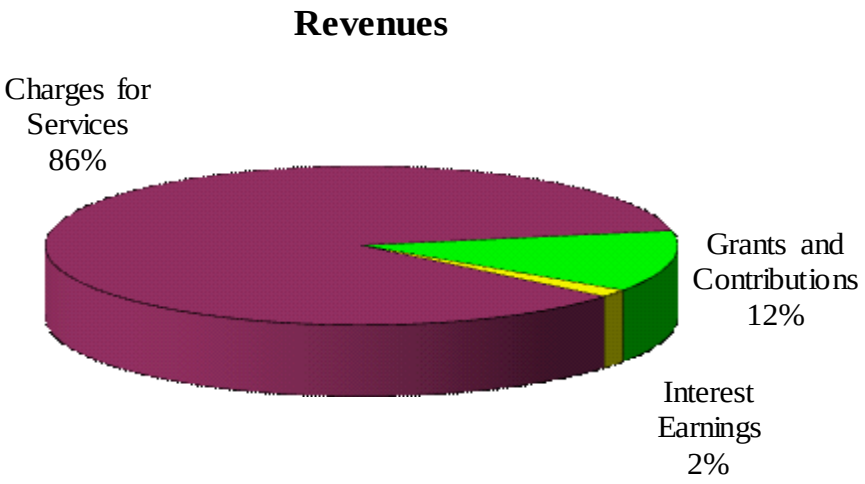
See independent auditors' report.

Total expenses increased $9.7 million.




**Business-type Activities.** Business-type activities increased the City's net position by $3.9 million after a $1.9 million reduction for prior period adjustments.

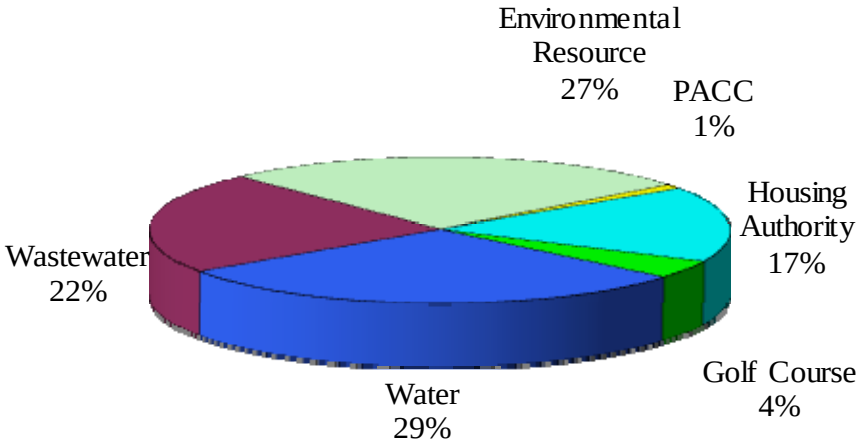
- Charges for services, which make up 86% of business-type revenues, increased $2.1 million. Higher revenues from rate payers were partially offset by lower developer related fees in Waste Water and lower recycling revenues in Environmental Resources.
- Other revenues including Grants and interest earning were down $0.9 million.




- Business-type activity expenses increased $12.2 million. Water acquisition costs increased approximately $3 million while depreciation expenses increased $5 million for the various

utility funds. Housing expenditures increased $1 million due primarily to emergency repairs and maintenance in various housing complexes.

**Expenses**




**Financial Analysis of the Government's Funds**

As discussed earlier, the City uses fund accounting to comply with finance-related legal requirements; however, governmental funds use a modified accrual basis of accounting, while proprietary funds generally follow full accrual. Major funds are reported separately.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows and outflows and balances of spendable resources. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of $82.1 million, a decrease of $15.4 million from the prior year. The following table summarizes the government funds balance sheet.

See independent auditors' report.

**Governmental Funds Balance Sheet Summary**
**($ thousands)**

| | General Fund | | Other Governmental | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Assets | $ 43,569 | $ 41,714 | 83,561 | 102,192 | $ 127,130 | $ 143,906 |
| **Liabilities and Fund Balance** | | | | | | |
| Liabilities | 11,354 | 7,954 | 33,703 | 38,455 | 45,057 | 46,409 |
| Fund Balances | | | | | | |
| Nonspendable | 4,714 | - | 3,305 | - | 8,019 | - |
| Restricted | 1,483 | - | 27,237 | 18,707 | 28,720 | 18,707 |
| Assigned | 14,658 | 18,094 | 4,457 | 51,416 | 19,115 | 69,510 |
| Unassigned | 11,360 | 15,666 | 14,859 | (6,386) | 26,219 | 9,280 |
| Total fund balances | 32,215 | 33,760 | 49,858 | 63,737 | 82,073 | 97,497 |
| **Total Liabilities and Fund Balance** | **$ 43,569** | **$ 41,714** | **$ 83,561** | **$ 102,192** | **$ 127,130** | **$ 143,906** |

The fund balance of the combined governmental funds is made up of the following:

- $8.0 million of non-spendable balances related to loans made to the former CDC and Housing Successor loans for low-moderate income housing projects.
- $28.7 million is restricted primarily for public safety retiree medical funds ($5.4 million), developments ($16.2 million) and repayment of debt ($5.6 million).
- $19.1 million is assigned for Measure O programming ($14.7 million), capital projects ($4.4 million), and the remainder for other purposes related to developer fees.
- $26.2 million is unassigned including $11.4 million in the general fund.

The major governmental funds are the General Fund and State and Federal Grant Fund.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, the fund balance of the General Fund was $32.2 million. The unassigned fund balance of the General Fund was $11.4 million, which is 10% of general fund operating expenditures (excluding Measure O activities).

The following table summarizes the revenues, expenditures and changes in fund balances for governmental funds.

See independent auditors' report.

## Statement of Revenues, Expenditures and Changes in Fund Balances
## ($thousands)

| | General Fund | | Other Governmental | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Revenues** | | | | | | |
| Taxes | $ 89,360 | $ 90,974 | $ 13,926 | $ 23,159 | $ 103,286 | $ 114,133 |
| Other Revenues | 27,612 | 29,126 | 38,121 | 49,009 | 65,733 | 78,135 |
| **Total revenues** | **116,972** | **120,100** | **52,047** | **72,168** | **169,019** | **192,268** |
| **Expenditures** | | | | | | |
| Current | 108,495 | 104,678 | 45,242 | 46,330 | 153,737 | 151,008 |
| Capital outlay | 7,199 | 9,818 | 26,698 | 37,050 | 33,897 | 46,868 |
| Debt service | - | - | 12,635 | 8,425 | 12,635 | 8,425 |
| **Total expenditures** | **115,694** | **114,496** | **84,575** | **91,805** | **200,269** | **206,301** |
| Excess of revenues over (under) expenditures | **1,278** | **5,604** | **(32,528)** | **(19,637)** | **(31,250)** | **(14,033)** |
| **Other Financing Sources (Uses)** | | | | | | |
| Proceeds from sale of bonds | - | - | 6,851 | 3,680 | 6,851 | 3,680 |
| Net Transfers | (5,292) | (4,965) | 3,126 | 2,781 | (2,166) | (2,184) |
| **Total other financing sources (uses)** | **(5,292)** | **(4,965)** | **9,977** | **6,461** | **4,685** | **1,496** |
| **Special Items** | - | - | - | (48,876) | - | **(48,876)** |
| **Net change in fund balances** | **(4,014)** | **639** | **(22,551)** | **(62,052)** | **(26,565)** | **(61,413)** |
| Fund balances, July 1 | 33,760 | 33,121 | 63,737 | 125,789 | 97,497 | 158,910 |
| Prior period adjustment | 2,469 | - | 8,672 | - | 11,141 | - |
| **Fund balances, June 30** | **$ 32,215** | **$ 33,760** | **$ 49,858** | **$ 63,737** | **$ 82,073** | **$ 97,497** |

General fund operating revenues exceeded expenditures by $1.3 million. Total operating revenues decreased $3.1 million due to a timing issue at the State for the Measure O ½ cent sales tax that resulted in a higher accrual to the prior fiscal year. General fund expenditures reflected a net increase of $1.2 million, half of which was related to Measure O projects.

- Taxes decreased $1.6 million; however, net of the $3.2 million decrease in the Measure O ½ cent sales tax, taxes increased $1.6 million. These increases reflected a local economy in a modest recovery. Increases include $1.2 million in property taxes in part due to distribution of RPTTF funds, $0.8 million in sales taxes (excluding Measure O). Other taxes had a combined increase of $1 million with the exception of business license fees which decreased $1.6 million due to a timing change in collections. Other revenues decreased $1.6 million due to prior year one-time reimbursements.
- Excluding an $0.6 million increase in the expenditure of Measure O funds, primarily in capital outlays, general fund expenditures increased $0.6 million as the City continued its efforts to control costs.

See independent auditors' report.

- Net transfers decreased $0.3 million primarily the result of a modest increase in transfers to the debt service fund.

For other governmental funds, revenues decreased $20.1 million as follows:

- $11.6 million decrease for revenue previously collected by the Community Development Commission (CDC) during the first six months of fiscal year 2012,
- $7 million decrease in Development fees due to reduced activity compared to a strong year in 2012,
- $1.5 million in grant receipts and other non-major funds.

Other Governmental fund expenditures decreased $7.2 million due to lower grant expenditures ($7.5 million) and CDC-SA expenditures during the first six months of FY 2012 which were partially offset by increases in the use of Developer Fees on eligible projects.

Fund balances decreased $15.0 million primarily due to the use of developer fees collected in prior years as well as the capital outlay fund on eligible projects.

**Proprietary Funds.** The City's proprietary funds use the same focus and basis of accounting as the government-wide financial statements. Proprietary fund statements provide additional detail not found in the government-wide statements. The City's enterprise utilities consist of Water, Wastewater, and Environmental Resources. Cultural and recreation activities include the River Ridge Golf Course and the Performing Arts and Convention Center (PACC). The Oxnard Housing Authority is also included in this category.

The enterprise utilities ended the fiscal year with combined unrestricted net position of $34.1 million, a decrease of $12.4 million. The net position increased $7.2 million due to improved revenues combined with limited growth in the cost of providing services less $0.8 million for a prior period adjustment.

- Enterprise utilities operating revenues increased $2.1 million. Higher revenues from rate payers were partially offset by lower developer related fees in Waste Water and lower recycling revenues in Environmental Resources as well as lower grant receipts and interest earnings.
- Enterprise utilities operating expenses increased $5.7 million including $3 million in water acquisition costs and $2.1 million in payments to wastewater for desalter discharges.

The net position of cultural and recreational activities continued to decline. While the PACC experienced a moderate decline, the golf course fund decreased $0.7 million as the growth in contractual and utility costs continued to grow, while revenues continued to be impacted by a highly competitive environment.

The net position of the Housing Authority decreased $1.7 million. Housing expenditures increased $1 million due primarily to emergency repairs and maintenance in various housing complexes. In addition a prior period adjustment of $1.1 million was made for worker's compensation requirements.

Internal service fund balances decreased $2.3 million due to a jump in insurance related costs and payments partially offset by the $1.1 million prior period adjustment to workers compensation.

**General Fund Budgetary Highlights**

Revenues were $2.9 million lower than budget and expenditures were $8.1 million under final budget amounts as indicated in the following table.

**General Fund Budgetary Summary**
**($thousands)**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 88,912 | $ 88,912 | $ 89,360 | $ 448 |
| Other Revenues | 30,973 | 30,973 | 27,613 | (3,360) |
| **Total revenues** | **119,885** | **119,885** | **116,973** | **(2,912)** |
| **Expenditures** | | | | |
| Current | 108,707 | 111,888 | 108,495 | (3,393) |
| Capital outlay | 775 | 11,867 | 7,199 | (4,668) |
| **Total expenditures** | **109,482** | **123,755** | **115,694** | **(8,061)** |
| Excess of revenues over (under) expenditures | 10,403 | (3,870) | 1,279 | 5,149 |
| **Other Financing Sources (Uses)** | | | | |
| Net Transfers | (5,392) | (5,493) | (5,292) | 201 |
| **Total other financing sources (uses)** | **(5,392)** | **(5,493)** | **(5,292)** | **201** |
| **Net change in fund balances** | **$ 5,011** | **$ (9,363)** | **$ (4,013)** | **$ 5,350** |

Revenue budgets were not adjusted during the fiscal year. Measure O ½ cent sales tax revenues were lower by $0.9 million due to a timing issue at the State. Excluding Measure O, taxes were $1.3 million higher than budget, primarily due to the distribution of RPTTF revenues in excess of budget. Other revenues were lower due to charges for services primarily in support of projects as well as development related fees and interest earnings.

General Fund appropriations were increased $14.3 million from the original budget of $109.5 million (excluding transfers) and actual expenditures were $8.1 million lower than the final budget. The change in budget was from the appropriation of Measure O projects not completed in the prior year. Actual expenditure variances from final budgets were primarily related to Measure O projects and programs that crossed fiscal years and not expended in 2013.

## Capital Assets and Debt Administration

**Capital assets.** The City's investments in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2013, were $1.5 billion and $0.6 billion

respectively. Governmental capital assets increased $13.4 million due to continuing construction of major infrastructure projects such as the Rice-101 interchange. Business-type assets increased $3.5 million, primarily related to the GREAT program projects such as the Advanced Water Purification Facility and Recycled Water Backbone. More detailed information about the City's capital assets activity is presented in Note II-E to the financial statements, beginning on page 56.

**Capital Assets**
**Net of Accumulated Depreciation**
**($thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | $ 988,371 | $ 988,370 | $ 47,730 | $ 47,730 | $ 1,036,101 | $ 1,036,100 |
| Buildings | 66,095 | 68,039 | 34,721 | 36,120 | 100,816 | 104,159 |
| Other improvements | 75,686 | 78,015 | 22,482 | 22,952 | 98,168 | 100,967 |
| Machinery and equipment | 7,211 | 7,548 | 2,117 | 2,508 | 9,328 | 10,056 |
| Infrastructure | 232,242 | 246,131 | 374,001 | 386,413 | 606,243 | 632,544 |
| Construction in progress | 103,160 | 71,239 | 134,591 | 116,422 | 237,751 | 187,661 |
| **Total** | **$1,472,765** | **$1,459,342** | **$ 615,642** | **$ 612,145** | **$2,088,407** | **$2,071,487** |

**Long-term debt.** The City uses a variety of revenue bonds and lease indebtedness to finance various capital acquisitions. As of June 30, 2013, the City's long-term debt outstanding was $434.3 million, a decrease of $14.1 million. Of this total, $70.3 million was in governmental activities and $364 million was in business-type activities. More detailed information about the City's long-term liabilities is presented in Note II-F to the financial statements, beginning on page 57. The following provides a breakdown of the City's outstanding indebtedness adjusted for unamortized premiums, discounts and gains or losses on refundings (excludes compensated absences):

**Outstanding Debt**
**($thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenue Bonds | 34,147 | 35,782 | 361,374 | 372,359 | 395,521 | 408,141 |
| Capital Leases | 11,101 | 5,665 | 2,621 | 2,963 | 13,722 | 8,628 |
| Certificates of Participation | 25,081 | 31,705 | - | - | 25,081 | 31,705 |
| **Total** | **$ 70,329** | **$ 73,152** | **$363,995** | **$ 375,322** | **$ 434,324** | **$ 448,474** |

Revenue bonds are used to finance projects for public parking, civic center, water, wastewater, environmental resources, and public housing. Debt service on these issues is paid from the revenues of the appropriate enterprise funds, the general fund, and other governmental funds. Water are rated "A+"; however Wastewater revenue bonds were recently downgraded to

“BBB+” and Solid Waste revenue bonds to “A-“ by S&P, while the other revenue bonds are “A” rated.

The total outstanding debt is limited by statute to 15% of assessed valuation, or $2.32 billion.

**Economic Factors and Next Year’s Budgets and Rates**

Oxnard’s diverse economy continues to support moderate growth in City revenues. The unemployment rate continues to trend down below 11% compared to just below 12% a year ago. In addition, housing prices continue to recover, which should support stable if not higher property tax revenues. Federal budget issues continue to be a concern and sequestration has and will continue to impact certain federal revenue streams as well as the economy as a whole.

The fiscal year 2014 budget was developed based on modest economic growth. Taxes were budgeted based on FY 2013 trends. In FY 2013, City Council approved utility rate increases to address maintenance needs and to improve the financial viability of the wastewater fund as a first step to improving bond ratings. Dissolution of the CDC-SA continues to be a challenge and the general fund budget included funding to cover administration costs in excess of amounts allowed by the State Department of Finance (DOF). The DOF issued its final findings on the Low-Moderate Income House Fund and Other Funds due diligence reviews as well as the certificate of completion that allow the CDC-SA to develop the Long Range Property Management Plan.

**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 additional financial information, contact the Office of the Chief Financial Officer at 300 West Third Street, Oxnard, California, 93030.

This page left blank intentionally

# BASIC FINANCIAL STATEMENTS

OXNARD
CALIFORNIA

**City of Oxnard, California**
**STATEMENT OF NET POSITION**
**June 30, 2013**

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** |
| **Assets** | | | |
| Cash and cash equivalents | $ 75,192,836 | $ 47,387,815 | $ 122,580,651 |
| Investments with fiscal agents | 7,321,887 | 33,372,151 | 40,694,038 |
| Accounts and other receivables (net of allowance for uncollectibles) | 24,105,173 | 19,645,716 | 43,750,889 |
| Notes receivable | 2,700,000 | 1,216,810 | 3,916,810 |
| Internal balances | 4,305,091 | (4,305,091) | - |
| Due from other government | 8,688,772 | - | 8,688,772 |
| Due from Successor Agency | 9,531,095 | - | 9,531,095 |
| Properties held for resale | 104,736 | - | 104,736 |
| Other assets | 145,597 | 261,359 | 406,956 |
| Capital assets not being depreciated: | | | |
| Land | 988,370,375 | 47,730,214 | 1,036,100,589 |
| Construction in progress | 103,160,331 | 134,590,658 | 237,750,989 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings | 66,094,968 | 34,721,087 | 100,816,055 |
| Other improvements | 75,685,936 | 22,482,376 | 98,168,312 |
| Machinery and equipment | 7,211,259 | 2,117,069 | 9,328,328 |
| Infrastructure | 232,241,735 | 374,001,240 | 606,242,975 |
| Total assets | 1,604,859,791 | 713,221,404 | 2,318,081,195 |
| **Deferred outflow of resources** | | | |
| Derivatives instrument-swap agreement | 5,919,638 | 3,912,168 | 9,831,806 |
| Total deferred outflow of resources | 5,919,638 | 3,912,168 | 9,831,806 |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Accounts payable | 13,773,847 | 5,277,040 | 19,050,887 |
| Other liabilities | 9,425,700 | 2,956,091 | 12,381,791 |
| Unearned revenues | 11,989,040 | - | 11,989,040 |
| Self insurance claims - due within one year | 6,548,080 | - | 6,548,080 |
| Compensated absences payable - current | 9,319,000 | 1,407,268 | 10,726,268 |
| Bonds and capital leases | 3,759,050 | 11,933,879 | 15,692,929 |
| Early retirement incentive payable | 824,485 | - | 824,485 |
| **Noncurrent liabilities:** | | | |
| Interest rate swap liability | 5,919,638 | 3,912,168 | 9,831,806 |
| Notes payable | - | 269,710 | 269,710 |
| Self insurance claims | 8,119,713 | - | 8,119,713 |
| Compensated absences payable | 8,376,451 | 1,343,229 | 9,719,680 |
| Post employment retirement payable | 6,647,207 | 1,501,269 | 8,148,476 |
| Early retirement incentive payable | 1,186,582 | - | 1,186,582 |
| Bonds and capital leases | 66,570,241 | 352,060,656 | 418,630,897 |
| Total liabilities | 152,459,034 | 380,661,310 | 533,120,344 |
| **Net position** | | | |
| Net investment in capital assets | 1,407,060,810 | 285,475,430 | 1,692,536,240 |
| Restricted for: | | | |
| Debt service | 5,368,684 | 16,059,396 | 21,428,080 |
| Housing | - | 518,502 | 518,502 |
| Public safety retirement | 5,640,104 | - | 5,640,104 |
| Developments | 16,228,731 | - | 16,228,731 |
| Other purposes | 1,482,872 | - | 1,482,872 |
| Unrestricted | 22,539,194 | 34,418,934 | 56,958,128 |
| Total net position | $ 1,458,320,395 | $ 336,472,262 | $ 1,794,792,657 |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Activities**
**For the Year Ended June 30, 2013**

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets Primary Government | | |
|---|---|---|---|---|---|---|---|
| **FUNCTIONS/PROGRAMS** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** |
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 18,129,124 | $ 8,408,578 | $ 16,091,552 | $ 2,059,058 | $ 8,430,064 | $ - | $ 8,430,064 |
| Public safety | 103,079,427 | 4,460,425 | 2,271,484 | 1,473,706 | (94,873,812) | - | (94,873,812) |
| Transportation | 10,331,822 | 3,152,660 | 4,692,651 | 4,750,994 | 2,264,483 | - | 2,264,483 |
| Community development | 21,162,624 | 4,316,880 | 4,350,737 | - | (12,495,007) | - | (12,495,007) |
| Culture and leisure | 19,334,566 | 4,667,879 | - | 30,000 | (14,636,687) | - | (14,636,687) |
| Libraries | 4,916,628 | 427,152 | - | - | (4,489,476) | - | (4,489,476) |
| Interest on long-term debt | 2,973,016 | - | - | - | (2,973,016) | - | (2,973,016) |
| Total governmental activities | 179,927,207 | 25,433,574 | 27,406,424 | 8,313,758 | (118,773,451) | - | (118,773,451) |
| **Business-type activities:** | | | | | | | |
| Water | 44,762,850 | 51,056,102 | - | - | - | 6,293,252 | 6,293,252 |
| Wastewater | 34,396,819 | 30,998,260 | - | - | - | (3,398,559) | (3,398,559) |
| Environmental resource | 40,601,250 | 42,535,271 | - | - | - | 1,934,021 | 1,934,021 |
| Performing arts and convention center | 1,534,353 | 483,778 | - | - | - | (1,050,575) | (1,050,575) |
| Oxnard Housing Authority | 25,397,453 | 5,173,132 | 18,595,158 | 966,935 | - | (662,228) | (662,228) |
| Municipal golf course | 6,150,325 | 4,157,668 | - | - | - | (1,992,657) | (1,992,657) |
| **Total business-type activities** | **152,843,050** | **134,404,211** | **18,595,158** | **966,935** | **-** | **1,123,254** | **1,123,254** |
| **Total primary government** | **332,770,257** | **159,837,785** | **46,001,582** | **9,280,693** | **(118,773,451)** | **1,123,254** | **(117,650,197)** |
| | **General revenues:** | | | | | | |
| | Taxes: | | | | | | |
| | Property tax | | | | 55,148,254 | - | 55,148,254 |
| | Sales tax | | | | 35,156,013 | - | 35,156,013 |
| | Transient occupancy tax | | | | 3,826,954 | - | 3,826,954 |
| | Franchise tax | | | | 3,842,351 | - | 3,842,351 |
| | Deed transfer tax | | | | 628,780 | - | 628,780 |
| | Business license tax | | | | 4,562,692 | - | 4,562,692 |
| | Penalties and interest | | | | 121,064 | - | 121,064 |
| | Interest on investments | | | | (21,216) | 2,445,183 | 2,423,967 |
| | Sale of capital assets | | | | 119,184 | - | 119,184 |
| | Transfers | | | | (2,166,145) | 2,166,145 | - |
| | **Total general revenues and transfers** | | | | 101,217,931 | 4,611,328 | 105,829,259 |
| | Change in net assets | | | | (17,555,520) | 5,734,582 | (11,820,938) |
| | **Net position - July 1** | | | | **1,463,646,173** | **332,611,235** | **1,796,257,408** |
| | **Prior period adjustment** | | | | **12,229,742** | **(1,873,555)** | **10,356,187** |
| | **Net position - June 30** | | | | **$ 1,458,320,395** | **$ 336,472,262** | **$ 1,794,792,657** |

See independent auditors' report and notes to financial statements.

**City of Oxnard,California**
**Balance Sheet**
**Governmental Funds**
**June 30, 2013**

| | General | State & Federal Grants | Non Major | Total Governmental |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 15,092,682 | $ - | $ 44,107,892 | $ 59,200,574 |
| Investments with fiscal agents | - | - | 7,321,887 | 7,321,887 |
| Accounts and other receivables | 2,265,165 | 16,057,064 | 5,752,882 | 24,075,111 |
| Notes receivable | - | - | 2,700,000 | 2,700,000 |
| Due from other funds | 10,141,052 | - | 5,254,727 | 15,395,779 |
| Due from Successor Agency | 7,624,876 | - | 1,906,219 | 9,531,095 |
| Due from other government | 8,332,752 | - | 356,020 | 8,688,772 |
| Properties held for resale | - | - | 104,736 | 104,736 |
| Other assets | 112,697 | - | - | 112,697 |
| **Total assets** | **$ 43,569,224** | **$ 16,057,064** | **$ 67,504,363** | **$ 127,130,651** |
| | | | | |
| **LIABILITIES** | | | | |
| Liabilities: | | | | |
| Accounts payable | 4,152,943 | 6,472,356 | 2,342,371 | 12,967,670 |
| Other liabilities | 3,813,978 | 45,806 | 735,306 | 4,595,090 |
| Due to other funds | - | 12,081,819 | 177,350 | 12,259,169 |
| Deferred revenues | 3,387,258 | 3,270,102 | 8,577,981 | 15,235,341 |
| Total liabilities | 11,354,179 | 21,870,083 | 11,833,008 | 45,057,270 |
| | | | | |
| Fund balances | | | | |
| **Nonspendable:** | | | | |
| Property held for resale | - | - | 104,736 | 104,736 |
| Prepayments | 112,697 | - | - | 112,697 |
| Long-term receivable | 4,601,506 | - | 3,200,377 | 7,801,883 |
| **Restricted for:** | | | | |
| Debt service | - | - | 5,368,684 | 5,368,684 |
| Other purposes | 1,482,872 | - | - | 1,482,872 |
| Developments | - | - | 16,228,731 | 16,228,731 |
| Public safety retirement | - | - | 5,640,104 | 5,640,104 |
| **Assigned to:** | | | | |
| Capital projects | - | - | 4,456,543 | 4,456,543 |
| Measure "O" service enhancement | 14,658,123 | - | - | 14,658,123 |
| **Unassigned:** | 11,359,847 | (5,813,019) | 20,672,180 | 26,219,008 |
| **Total fund balances** | **32,215,045** | **(5,813,019)** | **55,671,355** | **82,073,381** |
| **Total liabilities and fund balances** | **$ 43,569,224** | **$ 16,057,064** | **$ 67,504,363** | **$ 127,130,651** |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**
**June 30, 2013**

| | | |
|---|---|---|
| Fund balances of governmental funds | $ | 82,073,381 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets of $1,842,397,154 net of accumulated depreciation of ($372,601,004) are not financial resources and, therefore, are not reported in the funds. | | 1,469,796,150 |
| Long term liabilities, claims and compensated absences have not been included in the governmental fund activity: | | |
| Long-term liabilities of $70,509,643 net of unamortized discount ($253,972) | | (70,255,671) |
| Self insurance claims | | (14,667,793) |
| Compensated absences | | (16,729,639) |
| Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds | | (566,649) |
| Other post employment liability, other long term liability, not due and payable in the current period | | (8,156,087) |
| Grants receivable that were not received within the availability period were recorded as deferred revenue in the governmental funds | | 3,246,301 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, facilities and equipment maintenance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets | | 13,580,402 |
| **Net Position of governmental activities** | **$** | **1,458,320,395** |

See independent auditors' report and notes to financial statements.

**City of Oxnard**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2013**

| | General | State & Federal Grants | Non Major | Total Governmental |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 89,360,382 | $ - | $ 13,925,726 | $ 103,286,108 |
| Licenses and permits | 1,862,813 | - | 839,489 | 2,702,302 |
| Intergovernmental | 13,127,768 | 15,950,090 | 9,662,759 | 38,740,617 |
| Growth and development fees | - | - | 1,828,294 | 1,828,294 |
| Charges for services | 8,710,647 | - | 464,665 | 9,175,312 |
| Fines and forfeitures | 487,297 | 196,546 | 293,255 | 977,098 |
| Interest on investments | 15,104 | 16,057 | (52,377) | (21,216) |
| Special assessments | - | - | 7,971,903 | 7,971,903 |
| Rental income | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | 3,408,890 | 284,837 | 665,370 | 4,359,097 |
| **Total revenues** | **116,972,901** | **16,447,530** | **35,599,084** | **169,019,515** |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 10,114,846 | 1,758 | 322,348 | 10,438,952 |
| Public safety | 68,591,284 | 3,144,071 | 19,455,318 | 91,190,673 |
| Transportation | 4,032,023 | 35 | 5,627,205 | 9,659,263 |
| Community Development | 9,079,931 | 3,237,289 | 8,016,371 | 20,333,591 |
| Culture and leisure | 12,371,602 | 206,529 | 5,201,802 | 17,779,933 |
| Library Services | 4,305,466 | 29,525 | - | 4,334,991 |
| Capital outlay | 7,198,960 | 9,418,671 | 17,279,581 | 33,897,212 |
| Debt service: | | | | |
| Principal | - | - | 3,451,261 | 3,451,261 |
| Bond issuance cost | - | - | 45,002 | 45,002 |
| Interest and fiscal charges | - | - | 2,941,600 | 2,941,600 |
| **Total expenditures** | **115,694,112** | **16,037,878** | **62,340,488** | **194,072,478** |
| Excess of revenues over (under) expenditures | 1,278,789 | 409,652 | (26,741,404) | (25,052,963) |
| **OTHER FINANCING SOURCES(USES)** | | | | |
| Issuance of debt | - | - | 6,802,986 | 6,802,986 |
| Bond premium | - | - | 48,238 | 48,238 |
| Payment to refunded debt escrow agent | - | - | (6,197,285) | (6,197,285) |
| Transfers in | 132,580 | 100,885 | 5,635,663 | 5,869,128 |
| Transfers out | (5,424,980) | - | (2,610,293) | (8,035,273) |
| **Total other financing sources (uses)** | **(5,292,400)** | **100,885** | **3,679,309** | **(1,512,206)** |
| Net change in fund balances | (4,013,611) | 510,537 | (23,062,095) | (26,565,169) |
| Fund balances, July 1 | 33,760,051 | (6,386,154) | 70,123,392 | 97,497,289 |
| Prior period adjustment | 2,468,605 | 62,598 | 8,610,058 | 11,141,261 |
| **Fund balances, June 30** | **$ 32,215,045** | **$ (5,813,019)** | **$ 55,671,355** | **$ 82,073,381** |

See independent auditors' report and notes to financial statements.

**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, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | $ | (26,565,169) |
| 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 $33,897,212 exceeded depreciation expense ($20,253,507) in the current period. | | 13,643,705 |
| In the statement of activities, the loss on disposal of assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed $289,328 net of accumulated depreciation ($266,321) | | (23,007) |
| Some expenses reported in the statement of activities do not require the use of financial resources and are not reported as expenditures in governmental funds. These include the decrease in accrued interest $16,141 net increase in compensated absences ($91,623) and other post employment benefits ($227,526). | | (303,008) |
| The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of $9,648,546 exceeded bond proceeds of ($6,802,986) and bond discount ($50,793). | | 2,794,767 |
| Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | (4,458,676) |
| Net expenditures of internal service funds of $3,417,516 is reported with governmental activities, $773,384 allocated to business-type activities. | | (2,644,132) |
| **Change in net position of governmental activities (page 20)** | **$** | **(17,555,520)** |

See independent auditors' report and notes to financial statements.

This page left blank intentionally

**City of Oxnard, California**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2013**

| | Water | Wastewater | Environmental Resource | Performing Arts and Convention Center |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 28,090,143 | $ 8,965,061 | $ 3,273,496 | $ 35,000 |
| Cash with fiscal agent | 29,974,480 | 8,744 | 2,570,905 | - |
| Accounts and other receivable (net of allow for unc) | 8,750,996 | 4,677,538 | 6,037,722 | 1,374 |
| Due from other funds | 87,178 | - | 64,943 | - |
| Notes receivable | - | - | - | - |
| Other assets | - | - | 99,662 | - |
| Total currents assets | 66,902,797 | 13,651,343 | 12,046,728 | 36,374 |
| Noncurrent assets: | | | | |
| Notes receivable | - | 1,198,800 | - | - |
| Advances to other funds | 10,461,204 | - | - | - |
| Capital assets: | | | | |
| Land | 3,883,110 | 3,145,160 | 3,851,164 | - |
| Buildings | 14,517,008 | 6,582,587 | 22,859,740 | - |
| Improvements | - | - | - | - |
| Machinery and equipment | 3,103,446 | 18,322,504 | 21,564,790 | 15,370 |
| Construction in progress | 129,757,815 | 403,142 | 3,295,487 | - |
| Infrastructure | 185,179,466 | 345,910,640 | 3,586,781 | 42,615 |
| Less accumulated depreciation | (65,178,273) | (124,794,590) | (29,631,151) | (21,473) |
| Total capital assets (net of accum depr) | 271,262,572 | 249,569,443 | 25,526,811 | 36,512 |
| Total noncurrent assets | 281,723,776 | 250,768,243 | 25,526,811 | 36,512 |
| Total assets | 348,626,573 | 264,419,586 | 37,573,539 | 72,886 |
| **Deferred outflow of resources** | | | | |
| Derivatives instrument-swap agreement | - | 3,912,168 | - | - |
| Total deferred outflow of resources | - | 3,912,168 | - | - |
| **Liabilities** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable | 5,269,527 | 794,778 | 2,393,777 | 102,775 |
| Other liabilities | 1,632,264 | 705,857 | 374,048 | 4,743 |
| Due to other funds | - | - | - | 1,614,009 |
| Compensated absences payable - current | 295,000 | 493,000 | 535,000 | 50,000 |
| Self insurance claims - due within one year | - | - | - | - |
| Revenue bonds and capital leases payable-current | 3,858,360 | 3,891,902 | 2,681,395 | - |
| Total current liabilities | 11,055,151 | 5,885,537 | 5,984,220 | 1,771,527 |
| Noncurrent liabilities: | | | | |
| Interest rate swap liability | - | 3,912,168 | - | - |
| Revenue bonds, net of current portion and discount | 191,877,170 | 127,881,217 | 4,070,784 | - |
| Compensated absences payable | 269,900 | 140,397 | 313,947 | 51,115 |
| Advances from other funds | - | 1,671,260 | 7,441,667 | - |
| Notes payable | - | - | - | - |
| Self insurance claims | - | - | - | - |
| Capital leases payable | 69,868 | 313,547 | 1,710,521 | - |
| Deferred revenue | - | - | - | - |
| Post employment retirement payable | 269,957 | 436,025 | 440,324 | 12,786 |
| Total noncurrent liabilities | 192,486,895 | 134,354,614 | 13,977,243 | 63,901 |
| Total liabilities | 203,542,046 | 140,240,151 | 19,961,463 | 1,835,428 |
| **Net Position** | | | | |
| Net investment in capital assets | 103,820,986 | 117,482,777 | 19,294,373 | 36,512 |
| Restricted for housing | - | - | - | - |
| Restricted for debt service | 13,928,796 | - | 2,130,600 | - |
| Unrestricted | 27,334,745 | 10,608,826 | (3,812,897) | (1,799,054) |
| **Total net position** | **$ 145,084,527** | **$ 128,091,603** | **$ 17,612,076** | **$ (1,762,542)** |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2013**

| Oxnard Housing Authority | Municipal Golf Course | Totals Current Year | Governmental Activities- Internal Service Funds | |
|---|---|---|---|---|
| | | | | **Assets** |
| | | | | Current assets: |
| $ 7,024,115 | $ - | $ 47,387,815 | $ 15,992,262 | Cash and cash equivalents |
| 818,020 | 2 | 33,372,151 | - | Cash with fiscal agent |
| 178,086 | - | 19,645,716 | 30,062 | Accounts and other receivable (net of allow for unc) |
| | - | 152,121 | - | Due from other funds |
| 18,010 | - | 18,010 | - | Notes receivable |
| 161,697 | - | 261,359 | 32,900 | Other assets |
| 8,199,928 | 2 | 100,837,172 | 16,055,224 | Total currents assets |
| | | | | Noncurrent assets: |
| | - | 1,198,800 | - | Notes receivable |
| | - | 10,461,204 | 1,168,481 | Advances to other funds |
| | | | | Capital assets: |
| 8,920,208 | 27,930,572 | 47,730,214 | 595,500 | Land |
| 42,647,696 | 3,926,962 | 90,533,993 | - | Buildings |
| - | 25,461,641 | 25,461,641 | - | Improvements |
| 1,946,263 | 13,950 | 44,966,323 | 3,643,354 | Machinery and equipment |
| 296,140 | 838,074 | 134,590,658 | 1,740,406 | Construction in progress |
| - | - | 534,719,502 | - | Infrastructure |
| (38,024,701) | (4,709,499) | (262,359,687) | (3,010,806) | Less accumulated depreciation |
| 15,785,606 | 53,461,700 | 615,642,644 | 2,968,454 | Total capital assets (net of accum depr) |
| 15,785,606 | 53,461,700 | 627,302,648 | 4,136,935 | Total noncurrent assets |
| 23,985,534 | 53,461,702 | 728,139,820 | 20,192,159 | Total assets |
| | | | | **Deferred outflow of resources** |
| - | - | 3,912,168 | - | Derivatives instrument-swap agreement |
| - | - | 3,912,168 | - | Total deferred outflow of resources |
| | | | | **Liabilities** |
| | | | | **Current liabilities:** |
| 443,308 | 4,655 | 9,008,820 | 806,177 | Accounts payable |
| 181,421 | 57,758 | 2,956,091 | 209,746 | Other liabilities |
| - | 1,674,722 | 3,288,731 | - | Due to other funds |
| 34,268 | - | 1,407,268 | 649,000 | Compensated absences payable - current |
| - | - | - | 6,548,080 | Self insurance claims - due within one year |
| 270,000 | 1,232,222 | 11,933,879 | 28,808 | Revenue bonds and capital leases payable-current |
| 928,997 | 2,969,357 | 28,594,789 | 8,241,811 | Total current liabilities |
| | | | | Noncurrent liabilities: |
| - | - | 3,912,168 | - | Interest rate swap liability |
| 3,495,000 | 22,642,549 | 349,966,720 | - | Revenue bonds, net of current portion and discount |
| 567,870 | - | 1,343,229 | 316,812 | Compensated absences payable |
| 1,168,481 | 1,348,277 | 11,629,685 | - | Advances from other funds |
| 269,710 | - | 269,710 | - | Notes payable |
| - | - | - | 8,119,713 | Self insurance claims |
| - | - | 2,093,936 | 44,812 | Capital leases payable |
| - | - | - | - | Deferred revenue |
| 342,177 | - | 1,501,269 | 502,187 | Post employment retirement payable |
| 5,843,238 | 23,990,826 | 370,716,717 | 8,983,524 | Total noncurrent liabilities |
| 6,772,235 | 26,960,183 | 399,311,506 | 17,225,335 | Total liabilities |
| | | | | **Net Position** |
| 15,253,853 | 29,586,929 | 285,475,430 | 2,894,834 | Net investment in capital assets |
| 518,502 | - | 518,502 | - | Restricted for housing |
| - | - | 16,059,396 | - | Restricted for debt service |
| 1,440,944 | (3,085,410) | 30,687,154 | 71,990 | Unrestricted |
| **$ 17,213,299** | **$ 26,501,519** | **$ 332,740,482** | **$ 2,966,824** | **Total net position** |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | 3,731,780 | | |
| Net position of business-type activities | | **$ 336,472,262** | | |

**City of Oxnard, California**
**Statement of Revenues, Expenses and Changes in Net Position**
**Proprietary Funds**
**For Fiscal Year Ended June 30, 2013**

| | Water | WasteWater | Environmental Resource | Performing Arts & Convention Center |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Charges for services | $ 49,714,083 | $ 28,729,237 | $ 42,229,122 | $ 465,734 |
| Connection Fees | 1,187,998 | 1,572,676 | 48,472 | - |
| Miscellaneous and reimbursements | 154,021 | 696,347 | 257,677 | 18,044 |
| **Total operating revenues** | **51,056,102** | **30,998,260** | **42,535,271** | **483,778** |
| Operating expenses: | | | | |
| Salaries and wages | 4,525,892 | 6,193,837 | 6,969,210 | 1,054,956 |
| Contractual services | 816,995 | 1,036,397 | 15,617,695 | 128,783 |
| Operating supplies | 22,828,694 | 1,807,367 | 535,283 | 361 |
| Utilities | 2,489,873 | 5,940,405 | 6,695,330 | 139,509 |
| Depreciation & amortization | 4,637,036 | 8,462,344 | 1,239,483 | 2,275 |
| General and administrative | 5,059,435 | 3,464,702 | 3,769,539 | 180,518 |
| Repairs and maintenance | 376,037 | 320,750 | 4,648,562 | 18,380 |
| Claims expenses | - | - | - | - |
| **Total operating expenses** | **40,733,962** | **27,225,802** | **39,475,102** | **1,524,782** |
| Operating income (loss) | 10,322,140 | 3,772,458 | 3,060,169 | (1,041,004) |
| Nonoperating revenues (expenses): | | | | |
| Intergovernmental | - | - | - | - |
| Interest on investments | 2,250,295 | 47,455 | 133,323 | - |
| Interest expense | (3,879,201) | (6,950,929) | (722,881) | (9,571) |
| Net nonoperating revenues (expenses) | (1,628,906) | (6,903,474) | (589,558) | (9,571) |
| Income (loss) before contributions and transfers | 8,693,234 | (3,131,016) | 2,470,611 | (1,050,575) |
| Capital contributions | - | - | - | - |
| Transfers in | - | - | - | 905,160 |
| Transfers out | - | - | (62,360) | - |
| Changes in net position | 8,693,234 | (3,131,016) | 2,408,251 | (145,415) |
| Net position - July 1 | 136,391,293 | 132,007,693 | 15,203,825 | (1,617,127) |
| Prior period adjustment | - | (785,074) | - | - |
| **Net position - June 30** | **$ 145,084,527** | **$ 128,091,603** | **$ 17,612,076** | **$ (1,762,542)** |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Revenues, Expenses and Changes in Net Position**
**Proprietary Funds**
**For Fiscal Year Ended June 30, 2013**

| Oxnard Housing Authority | Municipal Golf Course | Totals Current Year | Governmental Activities- Internal Service Fund | |
|---|---|---|---|---|
| | | | | Operating revenues: |
| $ 4,514,615 | $ 4,128,427 | $ 129,781,218 | $ 26,647,221 | Charges for services |
| - | - | 2,809,146 | - | Connection Fees |
| 658,517 | 29,241 | 1,813,847 | 192,116 | Miscellaneous and reimbursements |
| **5,173,132** | **4,157,668** | **134,404,211** | **26,839,337** | **Total operating revenues** |
| | | | | Operating expenses: |
| 3,128,031 | 66,261 | 21,938,187 | 8,851,060 | Salaries and wages |
| 49,912 | 3,986,485 | 21,636,267 | 990,035 | Contractual services |
| 16,362,445 | - | 41,534,150 | 5,258,501 | Operating supplies |
| 915,330 | 2,189 | 16,182,636 | 1,551,116 | Utilities |
| 1,191,149 | 590,588 | 16,122,875 | 260,740 | Depreciation & amortization |
| 1,528,447 | 192,973 | 14,195,614 | 2,730,323 | General and administrative |
| 2,044,089 | 33,945 | 7,441,763 | 1,399,617 | Repairs and maintenance |
| | - | - | 9,112,538 | Claims expenses |
| **25,219,403** | **4,872,441** | **139,051,492** | **30,153,930** | **Total operating expenses** |
| (20,046,271) | (714,773) | (4,647,281) | (3,314,593) | Operating income (loss) |
| | | | | Nonoperating revenues (expenses): |
| 18,595,158 | - | 18,595,158 | - | Intergovernmental |
| 14,107 | 3 | 2,445,183 | (100,226) | Interest on investments |
| (178,050) | (1,277,542) | (13,018,174) | (2,697) | Interest expense |
| 18,431,215 | (1,277,539) | 8,022,167 | (102,923) | Net nonoperating revenues (expenses) |
| (1,615,056) | (1,992,312) | 3,374,886 | (3,417,516) | Income (loss) before contributions and transfers |
| 966,935 | - | 966,935 | - | Capital contributions |
| | 1,323,345 | 2,228,505 | - | Transfers in |
| | - | (62,360) | - | Transfers out |
| (648,121) | (668,967) | 6,507,966 | (3,417,516) | Changes in net position |
| 18,949,901 | 27,170,486 | | 5,295,859 | Net position - July 1 |
| (1,088,481) | - | | 1,088,481 | Prior period adjustment |
| **$ 17,213,299** | **$ 26,501,519** | | **$ 2,966,824** | **Net position - June 30** |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | (773,384) | | |
| Change in net position of business-type activities | | **$ 5,734,582** | | |

**City of Oxnard, California**
**Statement of Cash Flows**
**Proprietary Funds**
**For Fiscal Year Ended 2013**

| | Water | Wastewater | Environmental Resource | Performing Arts and Convention Center |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Receipts from customers and users | 48,874,157 | 30,390,742 | 42,331,025 | 484,740 |
| Payments to suppliers | (29,686,463) | (12,413,743) | (30,965,030) | (417,917) |
| Payments to employees | (4,538,389) | (6,162,184) | (6,860,552) | (1,056,575) |
| Cash paid to claimants | - | - | - | - |
| **Net cash provided(used) by operating activities** | **14,649,305** | **11,814,815** | **4,505,443** | **(989,752)** |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Due to other funds | - | - | - | 94,163 |
| Due from other funds | (105) | - | (79) | - |
| Advances to other funds | 393,922 | - | - | - |
| Advances from other funds | - | (799,301) | (942,898) | - |
| Received from grants | - | - | - | - |
| Transfer from other funds | - | - | - | 905,160 |
| Transfer to other funds | - | - | (62,360) | - |
| **Net cash provided (used) by capital and related financing activities** | **393,817** | **(799,301)** | **(1,005,337)** | **999,323** |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Purchases of capital assets | (10,445,098) | (478,267) | (295,724) | - |
| Received from grants | - | - | - | - |
| Principal paid on long-term debt | (3,479,490) | (3,709,555) | (2,729,777) | - |
| Interest and issuance cost paid on long-term debt | (10,524,675) | (6,882,148) | (763,442) | (9,571) |
| Proceeds from issuance of long-term debt | - | 318,059 | - | - |
| **Net cash used in capital and related financing activities** | **(24,449,263)** | **(10,751,911)** | **(3,788,943)** | **(9,571)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest on investments | 2,250,295 | 47,455 | 133,323 | - |
| **Net cash provided by investing activities** | **2,250,295** | **47,455** | **133,323** | **-** |
| Net increase (decrease) in cash and cash equivalents | (7,155,846) | 311,058 | (155,514) | - |
| **Cash and cash equivalents, July 1** | 65,220,469 | 8,662,747 | 5,999,915 | 35,000 |
| **Cash and cash equivalents, June 30** | $ 58,064,623 | $ 8,973,805 | $ 5,844,401 | $ 35,000 |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Cash Flows**
**Proprietary Funds**
**For Fiscal Year Ended 2013**

| Oxnard Housing Authority | Municipal Golf Course | Total | Governmental Activities- Internal Service Funds | |
|---|---|---|---|---|
| | | | | **CASH FLOW FROM OPERATING ACTIVITIES** |
| 5,341,764 | 4,157,668 | 131,580,096 | 26,879,735 | Receipts from customers and users |
| (19,348,040) | (4,215,866) | (97,047,059) | (11,525,731) | Payments to suppliers |
| (4,596,332) | (66,261) | (23,280,293) | (8,765,280) | Payments to employees |
| - | - | - | (6,382,445) | Cash paid to claimants |
| **(18,602,608)** | **(124,459)** | **11,252,744** | **206,279** | **Net cash provided(used) by operating activities** |
| | | | | **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** |
| - | 1,284,200 | 1,378,363 | - | Due to other funds |
| - | - | (184) | - | Due from other funds |
| - | - | 393,922 | - | Advances to other funds |
| - | - | (1,742,199) | - | Advances from other funds |
| 87,087 | - | 87,087 | - | Received from grants |
| - | 1,323,345 | 2,228,505 | - | Transfer from other funds |
| - | - | (62,360) | - | Transfer to other funds |
| **87,087** | **2,607,545** | **2,283,134** | **-** | **Net cash provided (used) by capital and related financing activities** |
| | | | | **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** |
| (992,223) | (51,439) | (12,262,751) | (62,940) | Purchases of capital assets |
| 19,412,305 | - | 19,412,305 | - | Received from grants |
| (260,000) | (1,164,913) | (11,343,735) | (27,984) | Principal paid on long-term debt |
| (180,456) | (1,266,737) | (19,627,029) | (2,697) | Interest and issuance cost paid on long-term debt |
| - | - | 318,059 | - | Proceeds from issuance of long-term debt |
| **17,979,626** | **(2,483,089)** | **(23,503,151)** | **(93,621)** | **Net cash used in capital and related financing activities** |
| | | | | **CASH FLOWS FROM INVESTING ACTIVITIES** |
| 14,108 | 3 | 2,445,184 | (100,226) | Interest on investments |
| **14,108** | **3** | **2,445,184** | **(100,226)** | **Net cash provided by investing activities** |
| (521,787) | - | (7,522,089) | 12,432 | Net increase (decrease) in cash and cash equivalents |
| 8,363,922 | 2 | 88,282,055 | 15,979,830 | **Cash and cash equivalents, July 1** |
| $ 7,842,135 | $ 2 | $ 80,759,966 | $ 15,992,262 | **Cash and cash equivalents, June 30** |

**City of Oxnard, California**
**Statement of Cash Flows**
**Proprietary Funds**
**For Fiscal Year Ended 2013**

| | Water | Wastewater | Environmental Resource | Performing Arts and Convention Center |
|---|---|---|---|---|
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | |
| **Operating income (loss)** | 10,322,140 | 3,772,458 | 3,060,169 | (1,041,004) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 4,637,036 | 8,462,344 | 1,239,483 | 2,275 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable and due from other funds | (2,181,945) | (607,518) | (204,246) | 962 |
| (Increase) decrease in other assets | - | - | - | - |
| Increase (decrease) in accounts payable | 1,884,571 | 155,878 | 301,379 | 49,634 |
| Increase (decrease) in other liabilities | - | - | - | - |
| Increase (decrease) in compensated absences & OPEB | (12,497) | 31,653 | 108,658 | (1,619) |
| Increase (decrease) in self-insurance liabilities | - | - | - | - |
| **Net cash provided by (used) in operating activities** | 14,649,305 | 11,814,815 | 4,505,443 | (989,752) |

See independent auditos' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Cash Flows**
**Proprietary Funds**
**For Fiscal Year Ended 2013**

| Oxnard Housing Authority | Municipal Golf Course | Total | Governmental Activities-Internal Service Funds | |
|---|---|---|---|---|
| | | | | **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** |
| (20,046,271) | (714,773) | (4,647,281) | (3,314,593) | **Operating income (loss)** |
| | | | | Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |
| 1,191,150 | 590,588 | 16,122,876 | 260,740 | Depreciation and amortization |
| | | | | Changes in assets and liabilities: |
| 182,560 | - | (2,810,187) | 40,398 | (Increase) decrease in accounts receivable and due from other funds |
| 73,080 | - | 73,080 | - | (Increase) decrease in other assets |
| 116,725 | (274) | 2,507,913 | 403,861 | Increase (decrease) in accounts payable |
| - | - | - | - | Increase (decrease) in other liabilities |
| (119,852) | - | 6,343 | 85,780 | Increase (decrease) in compensated absences & OPEB |
| - | - | - | 2,730,093 | Increase (decrease) in self-insurance liabilities |
| (18,602,608) | (124,459) | 11,252,744 | 206,279 | **Net cash provided by (used) in operating activities** |

**City of Oxnard, California**
**Statement of Fiduciary Net Position**
**June 30, 2013**

| | Oxnard Community Development Commission Successor Agency Private Purpose Trust Fund | Agency Fund |
|---|---|---|
| **ASSETS:** | | |
| Cash and cash equivalents | $ 4,135,667 | $ 4,949,353 |
| Investment with fiscal agents | 10,937,313 | 15,102,049 |
| Accounts and other receivables | 625,107 | - |
| Notes receivable, net of uncollectible | 639,884 | - |
| Properties held for resale | 6,963,050 | - |
| Other Assets | 1,004,149 | - |
| **Capital Assets:** | | |
| Land | 1,221,289 | - |
| Construction in progress | 15,491,722 | - |
| Building (net of depreciation) | 459,601 | - |
| Improvements other than building (net of depreciation) | 38,516,214 | - |
| Equipment and machinery (net of depreciation) | 699 | - |
| **Total assets** | **79,994,695** | **$ 20,051,402** |
| **LIABILITIES;** | | |
| Accounts payable | 1,578,893 | $ 20,051,402 |
| Due to City of Oxnard | 9,531,095 | |
| Due to other governments | 1,557,689 | - |
| **Long-term debt:** | | |
| Due within one year | 1,460,000 | - |
| Due in more than one year | 40,920,000 | - |
| **Total liabilities** | **55,047,677** | **$ 20,051,402** |
| **NET POSITION:** | | |
| **Held in trust for Successor Agency** | **$ 24,947,018** | |

See independent auditors' report and notes to financial statements.

**City of Oxnard, California**
**Statement of Changes in Fiduciary Net Position**
**For the Period ended June 30, 2013**

| | | Oxnard Community Development Successor Agency Private Purpose Trust Fund |
|---|---|---|
| **ADDITIONS:** | | |
| Taxes | $ | 17,747,916 |
| Interest | | 291,469 |
| Rental income | | 62,664 |
| Miscellaneous | | 173,293 |
| **Total additions** | **$** | **18,275,342** |
| **DEDUCTIONS:** | | |
| **Administrative Costs:** | | |
| Salaries and wages | | 697,554 |
| Assessment district payment | | 141,136 |
| Distribution to County of Ventura | | 15,724,978 |
| Other administrative costs | | 916,023 |
| Professional services | | 568,438 |
| Depreciation | | 1,704,501 |
| **Capital Outlay:** | | |
| Project improvements | | 16,568,759 |
| **Debt service:** | | |
| Interest and fiscal charges | | 2,902,108 |
| **Total deductions** | | **39,223,497** |
| **Change in net position** | | **(20,948,155)** |
| Net position - July 1, 2012 | | 60,454,719 |
| Prior period adjustment | | (14,559,546) |
| **Net position - June 30, 2013** | **$** | **24,947,018** |

See independent auditors' report and notes to financial statements.

# I. 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 an elected Mayor and four Council members. 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 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. City staff perform all accounting and administrative functions of the Authority. The debt service of the Authority is included in the Golf Course Enterprise Fund, Environmental Resources Enterprise Fund, Water Enterprise Fund, Wastewater Enterprise Fund, and Debt Service Fund.

Housing Authority of the City of Oxnard. The Housing Authority of the City of Oxnard (the Housing Authority) was established in April, 1945 by ordinance of the City Council. The Housing 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 Housing Authority 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. The City Council and two tenant representatives serve as the governing board of the Housing Authority. The Housing Authority's operations have been included in the City's business-type activities in the accompanying government-wide financial statements. The Housing Authority prepares separate financial statements, which can be obtained from the Housing Authority's Financial Services Division.

## B. New Pronouncement

**GASB Statement No. 63** – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This Statement is for periods beginning after December 15, 2011. The City implements this Statement for its fiscal year 2012-2013 financial statements.

## C. 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 Position and a Statement of Activities. These statements present financial information for the City as a whole, while distinguishing between governmental and business-type activities. Fiduciary activities of the City are not included in these statements.

Most 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 user fees and charges financially support these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, wastewater, environmental resources, housing, the River Ridge Golf Course, and the Performing Arts and Convention Center (PACC). These activities generally recover the cost of providing services from customer fees and

charges; however, the Golf fund and the PACC have been subsidized by the General fund.

Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. 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.

The statement of activities demonstrates the degree to which expenses, both direct and indirect, of a given function or segment is 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 and capital grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities. 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 Position, 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 as part of the fund financial statements.

**Fund Financial Statements**

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.

### *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. Non-major governmental funds are combined for presentation in governmental fund statements. The following funds have been determined 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 legally required to be accounted for in another fund.
- State and Federal Grants Fund: This fund accounts for expenditures of grants from state and federal agencies.

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 presents 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 with the exception of sales tax which is based on the California Board of Equalization reporting period through June of the fiscal year for which payment is received in September. Property tax, sales tax, intergovernmental revenues and other taxes are accrued as appropriate. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The availability period for revenue recognition for Grants receivable is one year after the year-end. 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major fund. 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. The following enterprise funds have been determined to be the City's major proprietary funds:

- Water Fund: This fund is used to account for all activities of the City's water production, treatment and distribution 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.
- Environmental Resources 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 housing assistance, such as the 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

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 proprietary funds principal ongoing operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

***Internal Service Funds***

Internal service funds account for services to other departments on a cost-recovery basis. Internal service funds include workers' compensation, public liability and property damage, utility customer services, information systems, facilities maintenance, and fleet services. Internal service funds are reported in total on the proprietary funds statements.

### *Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a Statement of Net Position. The City's fiduciary funds consist of private purpose trust fund and an agency fund. A private purpose trust fund is as follows:

- Oxnard Community Development Commission Successor Agency Private Purpose Trust Fund: This fund accounts for the assets and activities of the former redevelopment agency pursuant to AB 1X 26.

The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds are as follows:

- Artworks Fund: This fund is used to account for donations from private parties to pay for Carnegie Art Museum artwork related expenditures.
- 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, 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 property tax bills and the money collected is used to pay off the annual debt service requirements.
- Oxnard Downtown Management District Fund: This fund accounts for property tax collected within the downtown area for downtown improvements and revitalizations.

## D. Cash and Investments

### Cash and Cash Equivalents

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

### Investment Policy

The City's investment policy is intended to provide guidelines for the prudent investment of City funds, and to outline the policies for maximizing the efficiency of the City's cash management system. The policy of the City 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**

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.

LAIF is part of the State's Pooled Money Investment Account (PMIA), which was established in 1953. Oversight of PMIA is 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.

Direct oversight for LAIF is provided 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.

**Investment Income**

Investment 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 average month-end cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related fund. Income from non-pooled investments is recorded in the appropriate fund based on the specific investments held by the trustee of the fund. Changes in the fair value of investments are recognized in Investment income at the end of each year.

**E. Utility Revenue**

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

## 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. 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 |

GASB 34 requires states, local governments, and other public agencies to annually report the net value of all capital assets, including infrastructure assets, consistent with 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 significantly 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." Infrastructure assets have been included in compliance with GASB 34 using the basic approach methodology. Land is valued at original cost without depreciation.

## G. Risk Management

The City provides general liability and workers' compensation insurance under self-insurance programs with an annual limit per occurrence of $1 million for each program. Excess insurance in the layer of $1 million to $25 million is purchased for general liability and $200 million per year for workers' compensation. The City contracts with outside service agencies to assist in the administration of 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 internal service funds.

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 BICEP, five cities share the cost of

insuring 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 policies. The purpose of this JPA is to jointly fund 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 adjustment and legal defense service. BICEP is governed by a five-member board of directors representing each member city. Each member is appointed and serves at the pleasure of the member city council.

The agreement with BICEP may be terminated with advanced notice 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 Statement 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.

The accrual for compensated absences was reported as follows as of June 30, 2013:

| | Governmental Activities | Business Type | Total |
|---|---|---|---|
| Beginning Balance | $ 17,592,431 | $ 2,824,005 | $ 20,416,436 |
| Additions | 9,334,808 | 1,674,407 | 11,009,215 |
| Payments | (9,231,788) | (1,747,915) | (10,979,703) |
| Ending Balance | 17,695,451 | 2,750,497 | 20,445,948 |
| **Current Portions** | **$ 9,319,000** | **$ 1,407,268** | **$ 10,726,268** |

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

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

| | |
|---|---|
| Valuation Date | March 1 |
| Property Tax Year | 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.

**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 XIIIA 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 July 1 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, 2013, the City has recorded property taxes receivable of $862,950, which is included in due from other governments in the accompanying balance sheet.

**Tax Lien Dates**

All lien dates attach annually on January 1 preceding the fiscal year for which the taxes are levied. 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.

**K. Budgets and Budgetary Accounting**

The City develops and presents a two-year budget to the City Council, including a capital improvement plan. Annual operating and capital improvement expenditures are adopted by resolution. This resolution constitutes the authorized expenditures for the fiscal year. The second year of the two-year budget is updated and adopted for that year. 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).

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.

Budgeted expenditures may be reallocated within a fund by the City Manager and within a department by the department director.

## L. Encumbrances

Appropriations in governmental fund types are encumbered upon issuance of purchase orders for goods and/or services. Even though unencumbered appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered. As of June 30, 2013, the following outstanding significant governmental fund encumbrances are not reflected in the committed or assigned fund balances nor require the use of existing fund resources. Proprietary funds include all significant outstanding encumbrances.

| **Governmental Funds** | | **Proprietary Funds** | |
|---|---|---|---|
| General fund* | $ 2,581,115 | Water funds | $ 4,608,927 |
| State and federal grants | 2,461,510 | Wastewater funds | 1,161,763 |
| Other non-major funds | 6,303,859 | Enviromental resources funds | 738,769 |
| **Total governmental funds** | **$ 11,346,484** | Golf course funds | 23,625 |
| | | Internal service funds | 283,087 |
| | | **Total proprietary funds** | **$ 6,816,171** |

* Includes $1,932,115 of Measure "O" encumbrances.

## M. Fund Equity

The accompanying financial statements report the components of fund balances for governmental funds consistent with GASB 54.

*Nonspendable fund balance* – this includes amounts that cannot be spent because they are either not spendable in form (such as prepaid items) or legally or contractually required to be maintained intact (such as endowments).

*Restricted fund balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed fund balance* – this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. Commitments may be changed or removed by the City by a resolution.

*Assigned fund balance* – this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council delegated, per Resolution No. 14,102, the Chief Financial Officer to assign fund balance. Use of this component would be based on related Council documents that identifies an intent to use funds for a specific purpose that was not part of the formal resolution or ordinance of the Council.

*Unassigned fund balance* – this includes all amounts not included in other classifications.

In the government-wide financial statements, net position of the City includes the following categories:

*Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This resulting category presents the remaining City net position and this measure of equity is unrestricted, legally or otherwise.

The accounting policies of the City consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. When an expenditure is incurred for purpose for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the adjustment to fair value for the derivative swap agreement reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category under GASB 63.

## O. Prior Period Adjustments

At July 1, 2012 the City's due from other agency, grants receivable, deferred revenue and other advances balances were restated to correct errors in recording. The restatement consisted of the following:

| **Net Assets - Governmental Activities** | | |
|---|---|---|
| To book principal balance of CCRP's (former redevelopment agency) loan to General Fund dated March 15, 1994 | $ | 3,433,467 |
| To book principal balance of former redevelopment agency's loan to General Fund for R-108 Downtown Project, loan originated in 1966 | | 304,572 |
| To correct grants receivable balance | | (307,485) |
| To correct deferred revenue balance | | 251,026 |
| To recognize 2006 Tax Allocation Bond revenue earned | | 495,108 |
| To record receivable from Housing Authority for workers compensation claims | | 1,088,481 |
| To transfer cash back from Successor agency to Housing Successor | | 6,964,573 |
| **Total** | **$** | **12,229,742** |

| **Net Assets -Business-type Activities** | | |
|---|---|---|
| To close out advances to other agency that was booked during accounting system conversion | $ | (839,716) |
| To close out due to other government that was booked during accounting system conversion | | 54,642 |
| To record Housing Authority's payable to the City for Workers Compensation related claims | | (1,088,481) |
| **Total** | **$** | **(1,873,555)** |

# II. Detailed Notes on All Funds

## A. Cash and Investments

The City's cash and cash equivalents and investments consist of the following at June 30, 2013:

| | | |
|---|---|---|
| Petty Cash | $ | 53,375 |
| Deposits | | 28,650,400 |
| Investments | | 102,961,896 |
| Cash and cash equivalents | | 131,665,671 |
| Cash and Investments with Fiscal Agents | | 66,733,400 |
| | $ | 198,399,071 |

See independent auditors' report.

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Grand Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 75,192,836 | $ 47,387,815 | $ 9,085,020 | $ 131,665,671 |
| Cash with fiscal agents | 7,321,887 | 33,372,151 | 26,039,362 | 66,733,400 |
| **Total** | **$ 82,514,723** | **$ 80,759,966** | **$ 35,124,382** | **$ 198,399,071** |

**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, 2013, the City has a bank balance of $29,420,131 (carrying amount of $28,317,173); of the bank balance, $250,000 was insured and the balance was secured by collateral held by the City's agent in the agent's name. Deposits held by the Housing Authority are also insured or secured by collateral held by the Housing Authority's agent in the agent's name. The Housing Authority book balance as of June 30, 2013 was $1,562,377 (carrying value of $1,562,377). In addition, the Performing Arts & Convention Center retained a bank balance of $66,940 (carrying value of $35,000).

**Authorized Investments**

The City's investments are managed by the City Treasurer, fiscal agents (Bond trustees acting in accordance with bond covenants), and authorized representatives of the Housing Authority. Investments managed by the City Treasurer and the Housing Authority are invested in accordance with the City's investment policies. Investments managed by bond trustees are invested in accordance by provisions of the respective bond agreements.

The City's investments by investments manager are as follows:

| | |
|---|---|
| City Treasurer | $ 97,500,408 |
| Fiscal Agents (Bond trustees for the City and its component units) | 65,915,380 |
| Other Agency (includes fiscal agents) | 6,279,508 |
| **Total Investments** | **$ 169,695,296** |

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,

See independent auditors' report.

and trust and agency funds which are invested in accordance with the City's investment policy. Allowable investments are detailed in the following table.

| Investment Types Authorized by Section 53601 | 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 | N/A | 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 | N/A | 30% | None | Aa/AA- |
| Certificate of Deposits (CDs) | Yes | N/A | 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 |
| LAIF | Yes | N/A | None | None | None |

The Housing Authority's investment policy and related disclosures regarding its investments at June 30, 2013, is more fully disclosed in the financial statements for the Housing Authority, which may be obtained from the Housing Authority's Financial Services Division.

Investments with fiscal agents are investments held by the bond trustee on behalf of the City or its component units. The City 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. Several of the major differences are as follows:

- Allowance of investments in guaranteed investment contracts
- Allowance of investment maturities in excess of five 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. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of short-term and longer-term investments with maturities that provide the cash flow and liquidity needed for operations or debt service requirements.

Information about the sensitivity of the fair value of the City's investments (including investments held by bond trustees) to market interest rate fluctuation is provided by the following table that shows the distribution of the City's investments by maturity:

| | Investment Maturities (in Years) | | | |
|---|---|---|---|---|
| | **Less than 1** | **1-5** | **More than 5** | **Total** |
| Federal Agency Securities | $ 4,018,660 | $ 64,422,027 | $ - | $ 68,440,687 |
| Corporate Bonds | - | 8,060,540 | - | 8,060,540 |
| LAIF | 25,655,079 | - | - | 25,655,079 |
| Municipal Bonds | 1,000,000 | - | - | 1,000,000 |
| Held by trustee: | | | | |
| Investment Agreement | - | 2,130,600 | 3,028,150 | 5,158,750 |
| LAIF | 2,370,352 | - | - | 2,370,352 |
| Money Market Fund | 59,010,707 | - | - | 59,010,707 |
| **Total Investments** | **$ 92,054,798** | **$ 74,613,167** | **$ 3,028,150** | 169,696,115 |
| Accrued discount | | | | (819) |
| Total investments (net of accrued discount) | | | | 169,695,296 |
| Cash in banks and on hand | | | | 28,703,775 |
| **Total Cash and Investments** | | | | **$ 198,399,071** |

The investment agreements listed above are GICs held by fiscal agents (bond trustees) and are restricted for construction projects and debt service requirements. The maturities of a GIC are normally pegged to the maturities of the related debt; in the event the City refunds or prepay its debt before the maturity, GICs are redeemed at par.

### *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments that are not rated include LAIF and GICs. Although GICs are not rated, the City has only entered into GICs with institutions that carry a high credit rating. In addition, in the event of a downgrade of the GIC provide below certain thresholds, the GIC provider is required to collateralize the GIC obligation with U.S. debt obligations.

Presented below are the actual ratings from Standard & Poor's for each investment type as of June 30, 2013:

| **Investment Type** | **AAA** | **AA+** | **AA** | **A+** | **Total** |
|---|---|---|---|---|---|
| Federal agency securities | $ - | $ 68,440,687 | $ - | $ - | $ 68,440,687 |
| Los Angeles Municipal Bonds | - | - | - | 1,000,000 | 1,000,000 |
| Corporate bonds (GECC) | - | 2,086,820 | - | - | 2,086,820 |
| Corporate bonds (Walmart) | - | - | 2,038,820 | - | 2,038,820 |
| Corporate bonds (Disney) | - | - | 1,939,000 | - | 1,939,000 |
| Corporate bonds (GECC BE) | - | 1,995,900 | - | - | 1,995,900 |
| Money Market Fund | 59,010,707 | - | - | - | 59,010,707 |
| **Totals** | **$ 59,010,707** | **$ 72,523,407** | **$ 3,977,820** | **$ 1,000,000** | 136,511,934 |
| Not rated: | | | | | |
| LAIF | | | | | 28,025,431 |
| GIC | | | | | 5,158,750 |
| **Total Investments** | | | | | **169,696,115** |
| Less accrued discount | | | | | (819) |
| Total investments (net of accrued discount) | | | | | 169,695,296 |
| Cash in banks and on hand | | | | | 28,703,775 |
| **Total cash and investments** | | | | | **$ 198,399,071** |

See independent auditors' report.

***Concentration of Credit Risk***

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5 percent or more of total entity-wide investments are as follows at June 30, 2013:

| Issuer | Type of Investments | Amounts |
|---|---|---|
| Federal National Mortgage Association | Federal Agency Securities | $ 19,826,380 |
| Federal Home Loan Bank | Federal Agency Securities | $ 21,872,900 |
| Federal Farm Credit Bank | Federal Agency Securities | $ 18,860,167 |

***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. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure of custodial credit risk for deposits or investments, other than the provisions for deposits in the California Government Code that require that financial institutions secure deposits made by state local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having value of 150% of the secured public deposits.

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

***Interest rate swap***

The City has entered into 3 floating-to-fixed interest rate swaps with a notional amount of $51,670,000. The City pays the counterparty a fixed amount of 3.53 percent and 4.037 percent and receives variable payments computed as 68 percent of the 1-month London Interbank Offered Rate (LIBOR). At June 30, 2013, this interest rate swap had a fair value of a negative $9,831,806. Other applicable risks (credit risk, basis risk and termination risk) associated with these derivative instruments are described in note F.

**B. Receivables and Payables**

Accounts receivables and other receivables as of June 30, 2013 included in the accompanying Statement of Net Position primarily consist of the following:

| Accounts Receivables | Governmental Activities | Business-Type Activities |
|---|---|---|
| Utilities Receivable | $ 15,235 | $ 15,261,856 |
| Grants receivable | 16,254,981 | - |
| Accounts Receivable Billed and Accrued | 2,541,697 | 4,739,350 |
| Other Receivables | 5,892,862 | - |
| Sub-Total | 24,704,775 | 20,001,206 |
| Allowance for Uncollectible Receivables | (599,602) | (355,490) |
| Total | $ 24,105,173 | $ 19,645,716 |

Accounts payable and other liabilities as of June 30, 2013 reported on the Statement of Net Position primarily consist of the following:

| Accounts Payable and Other Liabilities | Governmental Activities | Business-Type Activities |
|---|---|---|
| Accounts Payable (due to vendors) | $ 13,773,847 | $ 5,277,040 |
| Other liabilities: | | |
| Accrued Payroll | 2,912,137 | 449,092 |
| Other Accrued Expenses | 252,650 | 58,493 |
| Other Payables | 6,260,913 | 2,448,506 |
| Total Other liabilities | 9,425,700 | 2,956,091 |
| Total | $ 23,199,547 | $ 8,233,131 |

Governmental funds record deferred revenue for revenues that are not yet earned as of year-end and grant drawdowns prior to meeting eligibility requirements. At June 30, 2013, deferred/unearned revenues are comprised of the following:

| | |
|---|---|
| General Fund - interest on Successor Agency's loan | $ 3,023,370 |
| General Fund - reimbursement received in advance & A/R Billed | 363,888 |
| Housing Successor | 755,842 |
| HUD & CDBG | 5,403,031 |
| State & federal grants | 3,270,102 |
| Transportation development act | 2,419,108 |
| **Total** | **$ 15,235,341** |

Of this total, $3,246,301 consists of deferred revenue not received within the availability period and unearned revenues recorded in the amount of $11,989,040.

## C. Interfund Receivables and Payables

Total interfund receivables and payables at June 30, 2013, 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:

| | Interfund Receivable | Interfund Payable | Interfund Balance |
|---|---|---|---|
| **Governmental Activities:** | | | |
| General Fund | $ 10,141,052 | - | $ 10,141,052 |
| State and Federal Grants | - | 12,081,819 | (12,081,819) |
| Non-Major Governmental Funds | 5,254,727 | 177,350 | 5,077,377 |
| Internal Service Fund | 1,168,481 | - | 1,168,481 |
| **Total governmental activities** | **$ 16,564,260** | **$ 12,259,169** | **$ 4,305,091** |
| | | | |
| **Business type Activities:** | | | |
| Water | 10,548,382 | - | 10,548,382 |
| Wastewater | - | 1,671,260 | (1,671,260) |
| Environmental Resource | 64,943 | 7,441,667 | (7,376,724) |
| PACC | - | 1,614,009 | (1,614,009) |
| Oxnard Housing Authority | - | 1,168,481 | (1,168,481) |
| Municipal Golf Course | - | 3,022,999 | (3,022,999) |
| **Total business type activities** | **10,613,325** | **14,918,416** | **(4,305,091)** |
| **Total** | **$ 27,177,585** | **$ 27,177,585** | **$ -** |

The interfund balances at June 30, 2013 are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2013 are expected to be repaid within one year except Environmental Resources, Wastewater loans and Golf from Water and Oxnard Housing Authority from Worker's Compensation-Internal Service Fund.

## D. Interfund Transfers

Interfund transfers generally fall within one of the following categories:

- debt service payments made from a debt service fund but funded from an operating fund,
- program support that generally reflects subsidies and allocations between funds.

The net transfers of $2,166,145 from governmental activities to business-type activities in the Statement of Activities primarily relates to operational subsidy from the General Fund to the Performing Arts and to Municipal Golf Course Fund for debt service payment. There were no transfers during Fiscal Year 2012-2013 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

The following transfers in and out are reflected in the Fund Financial Statements for the year ended June 30, 2013:

| | Description | Transfers In | Transfers Out | Net Transfers |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| General Fund | Program support | $ 132,580 | $ 1,306,045 | $ (1,173,465) |
| General Fund | Debt service | - | 4,118,935 | (4,118,935) |
| Non-Major Governmental Funds | Debt service | 5,335,663 | 2,514,713 | 2,820,950 |
| Non-Major Governmental Funds | Program support | 300,000 | 95,580 | 204,420 |
| State & Federal Grant | Program support | 100,885 | - | 100,885 |
| **Total governmental activities** | | **5,869,128** | **8,035,273** | **(2,166,145)** |
| **Business type Activities:** | | | | |
| Environmental Resource | Program support | - | 37,000 | (37,000) |
| Environmental Resource | Debt service | - | 25,360 | (25,360) |
| Performing Arts and Convention Center | Program support | 905,160 | - | 905,160 |
| Golf Course | Debt service | 1,323,345 | - | 1,323,345 |
| **Total business type activities** | | **2,228,505** | **62,360** | **2,166,145** |
| **Total government-wide statements** | | **$ 8,097,633** | **$ 8,097,633** | **$ -** |

## E. Capital Assets

Changes in the City's capital assets for the year ended June 30, 2013 consisted of the following:

| | BALANCE JULY 1, 2012 | INCREASES | DECREASES | BALANCE JUNE 30, 2013 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 988,370,375 | $ - | $ - | $ 988,370,375 |
| Construction in progress | 71,238,956 | 33,945,102 | (2,023,727) | 103,160,331 |
| **Total capital assets, not being depreciated** | **1,059,609,331** | **33,945,102** | **(2,023,727)** | **1,091,530,706** |
| Capital assets, being depreciated: | | | | |
| Buildings | 92,805,338 | - | - | 92,805,338 |
| Improvements other than buildings | 94,192,287 | - | - | 94,192,287 |
| Equipment and machinery | 43,945,215 | 2,038,777 | (289,328) | 45,694,664 |
| Infrastructure | 524,153,419 | - | - | 524,153,419 |
| **Total capital assets, being depreciated** | **755,096,259** | **2,038,777** | **(289,328)** | **756,845,708** |
| Less: Accumulated depreciation | | | | |
| Buildings | (24,766,759) | (1,943,611) | - | (26,710,370) |
| Improvements other than buildings | (16,177,519) | (2,328,832) | - | (18,506,351) |
| Equipment and machinery | (36,396,907) | (2,352,819) | 266,321 | (38,483,405) |
| Infrastructure | (278,022,699) | (13,888,985) | - | (291,911,684) |
| **Total accumulated depreciation** | **(355,363,884)** | **(20,514,247)** | **266,321** | **(375,611,810)** |
| **Total capital assets, being depreciated, net** | **399,732,375** | **(18,475,470)** | **(23,007)** | **381,233,898** |
| **Governmental activities capital assets, net** | **$ 1,459,341,706** | **$ 15,469,632** | **$ (2,046,734)** | **$ 1,472,764,604** |

| **Business-type Activities** | BALANCE JULY 1, 2012 | INCREASES | DECREASES | BALANCE JUNE 30, 2013 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 47,730,214 | $ - | $ - | $ 47,730,214 |
| Construction in progress | 116,422,303 | 19,337,242 | (1,168,887) | 134,590,658 |
| **Total capital assets, not being depreciated** | **164,152,517** | **19,337,242** | **(1,168,887)** | **182,320,872** |
| Capital assets, being depreciated: | | | | |
| Buildings | 89,897,013 | 636,980 | - | 90,533,993 |
| Municipal Golf Course improvements | 25,430,098 | 31,543 | - | 25,461,641 |
| Equipment and machinery | 44,286,522 | 772,765 | (92,964) | 44,966,323 |
| Infrastructure | 534,719,502 | - | - | 534,719,502 |
| **Total capital assets, being depreciated** | **694,333,135** | **1,441,288** | **(92,964)** | **695,681,459** |
| Less: Accumulated depreciation | | | | |
| Buildings | (53,776,760) | (2,036,146) | - | (55,812,906) |
| Golf improvements | (2,477,936) | (501,329) | - | (2,979,265) |
| Equipment and machinery | (41,779,003) | (1,163,215) | 92,964 | (42,849,254) |
| Infrastructure | (148,306,008) | (12,412,254) | - | (160,718,262) |
| **Total accumulated depreciation** | **(246,339,707)** | **(16,112,944)** | **92,964** | **(262,359,687)** |
| **Total capital assets, being depreciated, net** | **447,993,428** | **(14,671,656)** | **-** | **433,321,772** |
| **Business-type activities capital assets, net** | **612,145,945** | **4,665,586** | **(1,168,887)** | **615,642,644** |
| **Total** | **$ 2,071,487,651** | **$ 20,135,218** | **$ (3,215,621)** | **$ 2,088,407,248** |

See independent auditors' report.

For the year ended June 30, 2013 depreciation expense on capital assets was charged as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| Legislative | $ 61,510 |
| Administration and support | 5,851,843 |
| Public safety | 9,454,175 |
| Transportation (Highways and streets) | 407,845 |
| Community development | 722,706 |
| Culture and leisure | 1,351,982 |
| Libraries | 528,677 |
| Capital improvement projects, including depreciation of general infrastructure assets | 1,874,769 |
| Capital assets held by the City's internal service fund | 260,740 |
| **Total governmental activities depreciation expense** | $ 20,514,247 |

| | |
|---|---|
| **Business-type Activities:** | |
| Water | $ 4,637,036 |
| Wastewater | 8,462,344 |
| Environmental Resources | 1,239,483 |
| Performing Arts and Convention Center | 2,275 |
| Oxnard Housing Authority | 1,181,218 |
| Municipal Golf Course | 590,588 |
| **Total business-type activities depreciation expense** | $ 16,112,944 |

## F. Long-term Liabilities

The following is a summary of changes in long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities. The following table present balances and activity for the City's fiscal year ended June 30, 2013.

| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Due within one year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Revenue Bonds: | | | | | |
| Lease revenue refunding bonds, series 2003 A | $ 2,786,802 | $ - | $ 660,087 | $ 2,126,715 | $ 682,776 |
| Variable rate demand lease revenue, series 2003 B | 11,550,000 | - | 405,000 | 11,145,000 | 420,000 |
| Variable rate demand lease revenue bonds, series 2006 | 21,445,000 | - | 570,000 | 20,875,000 | 590,000 |
| 1999 Certificate of participation | 6,120,000 | - | 6,120,000 | - | - |
| Capital Leases: | | | | | |
| 2009 CIP lease purchase, draw #1 | 753,218 | - | 86,312 | 666,906 | 90,300 |
| 2009 CIP lease purchase, draw #2 | 16,736 | - | 6,521 | 10,215 | 6,751 |
| 2009 CIP lease purchase, draw #3 | 35,199 | - | 13,710 | 21,489 | 14,199 |
| 2009 CIP lease purchase, draw #6 | 213,366 | - | 68,600 | 144,766 | 71,092 |
| 2009 CIP lease purchase, draw #7 | 103,810 | - | 28,524 | 75,286 | 29,469 |
| 2009 CIP lease purchase, draw #8 | 27,833 | - | 7,653 | 20,180 | 7,889 |
| 2009 CIP lease purchase, draw #10 | 899,252 | - | 89,072 | 810,180 | 94,495 |
| 2009 CIP lease purchase, draw #11 | 101,604 | - | 27,984 | 73,620 | 28,808 |
| 2009 CIP lease purchase, draw #12 | 67,888 | - | 16,239 | 51,649 | 16,778 |
| 2009 CIP lease purchase, draw #13 | 3,038,977 | - | 553,978 | 2,484,999 | 571,577 |
| 2009 CIP lease purchase, draw #14 | 347,008 | - | 103,814 | 243,194 | 75,449 |
| 2009 CIP lease purchase, draw #15 | 17,441 | - | 2,996 | 14,445 | 3,051 |
| 2009 CIP lease purchase, draw #16 | 42,674 | - | 7,315 | 35,359 | 7,481 |
| 2009 CIP lease purchase, draw #17 | - | 132,149 | 12,388 | 119,761 | 25,323 |
| 2009 CIP lease purchase, draw #19 | - | 1,099,999 | - | 1,099,999 | 147,919 |
| 2012 Lease Purchase | - | 5,570,838 | 341,338 | 5,229,500 | 295,693 |
| Gas tax revenue certificate of participation | 25,890,000 | - | 555,000 | 25,335,000 | 580,000 |
| Compensated absences | 17,592,431 | 9,334,808 | 9,231,788 | 17,695,451 | 9,319,000 |
| Unamortized discounts | (304,766) | - | (50,794) | (253,972) | - |
| **Total Governmental Activities** | **90,744,473** | **16,137,794** | **18,857,525** | **88,024,742** | **13,078,050** |

See independent auditors' report.

| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Due within one year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| **Water fund** | | | | | |
| Water revenue refunding bonds, series 2004 | $ 40,085,000 | $ - | $ 1,095,000 | $ 38,990,000 | $ 1,150,000 |
| Water revenue project bonds, series 2006 | 51,310,000 | - | 920,002 | 50,389,998 | 965,000 |
| Water revenue project bonds, series 2010A | 15,240,000 | - | 1,255,000 | 13,985,000 | 1,300,000 |
| Water revenue project bonds, series 2010B | 83,670,000 | - | - | 83,670,000 | - |
| Water revenue refunding bonds, series 2012 | 9,345,000 | - | 390,000 | 8,955,000 | 400,000 |
| 2009 CIP lease purchase, draw #4 | 25,263 | - | 7,984 | 17,279 | 8,417 |
| 2009 CIP lease purchase, draw #5 | 42,197 | - | 13,350 | 28,847 | 14,060 |
| 2009 CIP lease purchase, draw #8 | 51,934 | - | 14,278 | 37,656 | 14,719 |
| 2009 CIP lease purchase, draw #9 | 35,405 | - | 5,959 | 29,446 | 6,164 |
| Add: Unamortized bond premium | 2,972,889 | - | 232,403 | 2,740,486 | - |
| Less: Unamortized loss on refunding | (2,357,837) | - | (130,991) | (2,226,846) | - |
| Unamortized discounts | (843,398) | - | (31,930) | (811,468) | - |
| Sub Total | 199,576,453 | - | 3,771,055 | 195,805,398 | 3,858,360 |
| Compensated absences | 612,200 | 267,259 | 314,559 | 564,900 | 295,000 |
| **Total Water fund** | **$ 200,188,653** | **$ 267,259** | **$ 4,085,614** | **$ 196,370,298** | **$ 4,153,360** |
| **Wastewater fund** | | | | | |
| Wastewater revenue refunding bonds, series 2003 | $ 23,675,000 | $ - | $ 2,470,000 | $ 21,205,000 | $ 2,595,000 |
| Wastewater revenue bonds, series 2004A | 80,000,000 | - | - | 80,000,000 | - |
| Wastewater revenue bonds, series 2004B | 20,565,000 | - | 915,000 | 19,650,000 | 940,000 |
| Wastewater revenue bonds, series 2006 | 11,180,000 | - | 270,000 | 10,910,000 | 280,000 |
| 2009 CIP lease purchase, draw #7 | 93,087 | - | 25,578 | 67,509 | 26,425 |
| 2009 CIP lease purchase, draw #12 | 33,859 | - | 8,100 | 25,759 | 8,368 |
| 2009 CIP lease purchase, draw #18 | | 318,059 | 20,878 | 297,181 | 42,109 |
| Less: Unamortized discounts | (137,565) | - | (68,782) | (68,783) | - |
| Sub Total | 135,409,381 | 318,059 | 3,640,774 | 132,086,666 | 3,891,902 |
| Compensated absences | 667,938 | 524,654 | 559,195 | 633,397 | 493,000 |
| **Total Wastewater fund** | **$ 136,077,319** | **$ 842,713** | **$ 4,199,969** | **$ 132,720,063** | **$ 4,384,902** |
| **Environmental resources fund** | | | | | |
| Solid waste revenue refunding bonds, series 2005 | $ 8,330,000 | $ - | $ 2,165,000 | $ 6,165,000 | $ 2,275,000 |
| Capital Lease | | | | | |
| Del Norte Blvd. improvement | 42,094 | - | 42,094 | - | - |
| Fifth and Del Norte improvement | 132,303 | - | 132,303 | - | - |
| Lease purchase trash containers | 2,227,484 | - | 334,365 | 1,893,119 | 348,317 |
| 2009 CIP lease purchase, draw #5 | 26,523 | - | 8,392 | 18,131 | 8,838 |
| 2009 CIP lease purchase, draw #9 | 183,135 | - | 30,816 | 152,319 | 31,876 |
| 2009 CIP lease purchase, draw #12 | 70,154 | - | 16,807 | 53,347 | 17,364 |
| Add : Unamortized bond premium | 312,039 | - | 104,014 | 208,025 | - |
| Less: Unamortized discounts | (40,862) | - | (13,621) | (27,241) | - |
| Sub Total | 11,282,870 | 0 | 2,820,170 | 8,462,700 | 2,681,395 |
| Compensated absences | 802,388 | 548,451 | 501,892 | 848,947 | 535,000 |
| **Total Environmental resources fund** | **$ 12,085,258** | **$ 548,451** | **$ 3,322,062** | **$ 9,311,647** | **$ 3,216,395** |
| **Performing arts and convention center fund (PACC)** | | | | | |
| Compensated absences | $ 102,734 | $ 48,855 | $ 50,474 | $ 101,115 | $ 50,000 |
| **Total PACC** | **$ 102,734** | **$ 48,855** | **$ 50,474** | **$ 101,115** | **$ 50,000** |
| **Oxnard housing authority fund** | | | | | |
| 2004 Capital Fund Revenue Bonds | $ 4,025,000 | $ - | $ 260,000 | $ 3,765,000 | $ 270,000 |
| Compensated Absences | 638,745 | 285,188 | 321,795 | 602,138 | 34,268 |
| **Total Oxnard housing authority fund** | **$ 4,663,745** | **$ 285,188** | **$ 581,795** | **$ 4,367,138** | **$ 304,268** |
| **Municipal golf course fund** | | | | | |
| Revenue Refunding Bonds Series 2003 | $ 3,968,206 | $ - | $ 939,913 | $ 3,028,293 | $ 972,222 |
| Lease Revenue Refunding Bonds Series 2011 | 21,320,000 | - | 225,000 | 21,095,000 | 260,000 |
| Less: Unamortized discounts | (259,327) | - | (10,805) | (248,522) | |
| **Total Municipal golf course fund** | **$ 25,028,879** | **$ -** | **$ 1,154,108** | **$ 23,874,771** | **$ 1,232,222** |
| **Total Business-Type Activites** | **$ 378,146,588** | **$ 1,992,466** | **$ 13,394,022** | **$ 366,745,032** | **$ 13,341,147** |
| **Total** | **$ 468,891,061** | **$ 18,130,260** | **$ 32,251,547** | **$ 454,769,774** | **$ 26,419,197** |

Internal Service Funds 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, 2013 are as follows:

See independent auditors' report.

| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Due within one year |
|---|---|---|---|---|---|
| **Internal service funds:** | | | | | |
| Compensated absences | $ 954,415 | $ 623,396 | $ 611,999 | $ 965,812 | $ 649,000 |
| 2009 CIP lease purchase, draw #11 | 101,604 | - | 27,984 | 73,620 | 28,808 |
| **Total** | **$ 1,056,019** | **$ 623,396** | **$ 639,983** | **$ 1,039,432** | **$ 677,808** |

## Description of Long-term Debt

### *Lease Revenue Refunding Bonds, Series 2003A.*

Lease Revenue Refunding Bonds, Series 2003A were issued on May 22, 2003 in the amount of $18,640,000. These are thirteen-year bonds maturing in various amounts through June 1, 2016, with a net interest cost of 3.5904 percent. The bonds were issued to refinance the outstanding Lease Revenue Refunding Bonds Series 1993, 1988 Civic Center Library bonds, 1986 River Ridge Golf Course bonds, land acquisition bonds, 1966 Auditorium Authority bonds, and 1972 parking authority bonds, and to prepay the Zions 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 total balance outstanding as of June 30, 2013 is $5,155,008, of which $2,126,715 is recorded within governmental activities and $3,028,293 is recorded within business-type activities in the accompanying statement of net position. . The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the bonds at June 1, 2016.

### *Variable Rate Demand Lease Revenue Bonds, Series 2003B*

Variable Rate Demand Lease Revenue Bonds, Series 2003B in the amount of $14,750,000 were issued on December 1, 2003, maturing in various amounts through June 1, 2033. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. These bonds were issued to finance the Downtown Parking Structure and a new Library. The City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada. The swap agreement terminates by its term on June 1, 2033. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. Union Bank renewed the letter of credit through August 26, 2016 on July 17, 2013. The balance outstanding as of June 30, 2013 is $11,145,000. The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the bonds at June 1, 2033.

### *Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006*

Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 were issued on December 1, 2006 in the amount of $24,205,000 to finance the acquisition, construction, and improvement of certain public facilities constituting the

Civic Center Phase 2 Project. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. The City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada (the "Swap Provider") consisting of an International Swap Dealers Association, Inc. (ISDA) Master Agreement, dated December 1, 2006, including related schedule, Credit Support Annex, and Confirmation pertaining to the "Swap Agreement." The Swap Agreement terminates by its term on June 1, 2036. As of March 3, 2007, the swap rate was 3.53 percent. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. Union Bank renewed the letter of credit through August 26, 2016 on July 17, 2013. The outstanding balance as of June 30, 2013 is $20,875,000. The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the bonds at June 1, 2036.

***Gas Tax Revenue Certificates of Participation (2007 Street Improvement Program)***

Gas Tax Revenue Certificates of Participation were issued on December 18, 2007 in the amount of $27,675,000. Proceeds from the sale of the certificates are to be used to reconstruct various streets throughout the City. The certificates are secured solely by gas tax revenues received from the State of California. Yields on the certificates range from 2.97 percent to 4.87 percent with a final maturity of September 1, 2037. The outstanding balance as of June 30, 2013 is $25,335,000. The installment payments that secure these bonds constitute obligations of the City's gas tax special revenue fund. Such obligation exists through the maturity date of the bonds at September 1, 2037.

***2012 Lease/Purchase Agreement***

On August 1, 2012, the City entered into a Lease Purchase Agreement with Capital One Public Funding, LLC in the amount of $5,570,838, for the purpose of refinancing 1999 Certificate of Participation, with interest rate of 3.54% and final maturity date on June 1, 2028. The refunding resulted in an overall cash flow savings of $ 658,975 and economic gain of $566,623, percentage savings of 9.3%. The outstanding balance as of June 30, 2013 is $5,229,500. These lease payments constitute obligations of the City's general fund. Such obligation exists through the maturity date of the lease at June 1, 2028.

***Water Revenue Project Bonds, Series 2004***

The City has pledged all net water system revenues and all amount on deposit in the Revenue fund to the payment of the 2004 Installment Payments and the 2001 Installment Payments. These bonds were issued on February 1, 2004 in the amount of $47,895,000. Net Water System revenue mean all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the Water System less the Maintenance and Operation Costs. These bonds carry a net interest cost of 4.67 percent and mature 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, 2013 is $38,990,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's water fund. Such obligation exists through the maturity date of the bonds at June 30, 2034.

***Water Revenue Project Bonds, Series 2006***

The City has pledged all net water system revenues and all amount on deposit in the Revenue Fund for the payment of Water Revenue Project Bonds, Series 2006 and the outstanding Parity Obligations. Parity Obligations as described on these bonds are 2004 Installment Payments and 2001 Installment Payments. These bonds were issued on April 20, 2006 in the amount of $54,600,000. These bonds carry a net interest cost of 4.805 percent and mature 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 the GREAT Program. The balance outstanding as of June 30, 2013 is $50,389,998. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's water fund. Such obligation exists through the maturity date of the bonds at June 1, 2036.

***Water Revenue Project Bonds, Series 2010A***

The City has pledged all net water revenues and all amount on deposit in the Revenue Fund for the payment of the 2010 Installment Payments and the outstanding Parity Obligations. Parity Obligations as described on these bonds are 2006 Installment Payments, 2004 Installment Payments and 2012 Installment Payments. These bonds were issued on February 11, 2010 in the amount of $16,455,000. These bonds carry a net interest cost of 3.3729 percent and mature on June 1, 2022. The proceeds from the sale of the bonds will be used to finance a portion of the cost of certain capital improvements related to the GREAT program. The balance outstanding as of June 30, 2013 is $13,985,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's water fund. Such obligation exists through the maturity date of the bonds at June 1, 2022.

***Water Revenue Project Bonds, Series 2010B***

The City has pledged all net water revenues and all amount on deposit in the Revenue Fund for the payment of the 2010 Installment Payments and the outstanding Parity Obligations. Parity Obligations as described on these bonds are 2006 Installment Payments, 2004 Installment Payments and 2012 Installment Payments. These bonds were issued on February 11, 2010 in the amount of $83,670,000. These bonds, issued as

Federally Taxable Build America Bonds under the American Recovery and Reinvestment Act of 2008, carry a net interest cost of 4.5287 percent and mature on June 1, 2040. The City receives an interest subsidy directly from the United States Treasury equal to 35 percent of each interest payment. The proceeds from the sale of the bonds will be used to finance a portion of the cost of certain capital improvements related to the GREAT program. The balance outstanding as of June 30, 2013 is $83,670,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's water fund. Such obligation exists through the maturity date of the bonds at June 1, 2040.

***Water Revenue Refunding Bonds, Series 2012***

The City has pledged all net water revenues and all amount on deposit in the Revenue Fund for the payment of the 2012 Installment Payments and the outstanding Parity Obligations. Parity Obligations as described on these bonds are 2010 Installment Payments, 2006 Installment Payments and 2004 Installment Payments. These bonds were issued on April 4, 2012 in the amount of $9,345,000. These bonds carry a net interest cost of 3.6196 percent and mature on June 1, 2022. A portion of the proceeds were used to advance refund all the outstanding principal amount of $9,725,000 of the Water Revenue Refunding Bonds Series 2001. This refunding resulted in an economic gain of $1,093,681 (difference between the present value of the old bonds and the present value of the new bonds) and a cash flow savings of $1,446,323. The balance outstanding as of June 30, 2013 is $8,955,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's water fund. Such obligation exists through the maturity date of the bonds at June 1, 2022.

***Wastewater Revenue Refunding Bonds, Series 2003***

The City has pledged net system revenues, which means System Revenue less the Maintenance and Operations of the Wastewater System for the payment of Wastewater Revenue Refunding Bonds, Series 2003 issued on April 1, 2003 in the amount of $43,785,000. These are seventeen-year bonds maturing in various amounts through June 1, 2020 with a net interest cost of 4.183 percent. The bonds were issued to refinance Wastewater Revenue Refunding Bonds, Series 1993, 1986 Wastewater Treatment Plant Expansion Bonds, 1985 Wastewater Treatment Plant Expansion Land Bonds, and 1977 Oxnard Port Hueneme Regional Wastewater Treatment Authority bonds. This 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. The outstanding balance as of June 30, 2013 is $21,205,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's wastewater fund. Such obligation exists through the maturity date of the bonds at June 1, 2020.

***Wastewater Revenue Bonds, Series 2004A***

Wastewater Revenue Bonds, Series 2004A were issued on June 22, 2004 in the amount of $80,000,000. These bonds carry a net interest cost of 5.149 percent and mature 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, 2013 is $80,000,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's wastewater fund. Such obligation exists through the maturity date of the bonds at June 30, 2034.

***Wastewater Revenue Bonds, Series 2004B***

Variable Rate Demand Wastewater Revenue Bonds, Series 2004B were issued on November 1, 2004 in the amount of $23,975,000 and mature on June 1, 2034. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index. 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 City entered into an interest rate exchange agreement with respect to the bonds with Royal Bank of Canada. The swap agreement terminates by its term on June 1, 2034. On August 26, 2008, the bonds were remarketed with the issuance of an irrevocable, direct-pay letter of credit by Union Bank of California, N.A. Union Bank renewed the letter of credit through August 26, 2016 on July 17, 2013. The balance outstanding as of June 30, 2013 is $19,650,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's wastewater fund. Such obligation exists through the maturity date of the bonds at June 1, 2034.

***Wastewater Revenue Bonds, Series 2006***

Wastewater Revenue Bonds, Series 2006 were issued on April 27, 2006 in the amount of $12,575,000. These bonds carry a net interest cost of 4.788 percent and mature 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") 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, 2013 is $10,910,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's wastewater fund. Such obligation exists through the maturity date of the bonds at June 1, 2036.

***Solid Waste Revenue Refunding Bonds, Series 2005***

Solid Waste Revenue Refunding Bonds, Series 2005 were issued on April 15, 2005 in the amount of $20,955,000. These bonds carry a net interest cost of 4.25 percent and mature in various amounts on May 1, 2016. The proceeds of the bonds were used to refund the Solid Waste Revenue Bonds, Series 1995 and to purchase various Solid

Waste equipment such as commercial front-end loader trucks, green waste collection, refuse tractors, trailers, compactors, pickup trucks and others. The 1995 bonds were issued to finance the construction of the Del Norte Regional Recycling and Transfer Station. The refunding of the 1995 Bonds provided a net present value savings of $1,200,000. The outstanding balance as of June 30, 2013 is $6,165,000. The installment payments on these bonds are secured by a first priority lien on the Net System Revenues (as defined in the trust indenture) of the City's environmental resources fund. Such obligation exists through the maturity date of the bonds at May 1, 2016.

***Debt with Pledged Revenue***

The City has pledged all net water system revenues and all amounts on deposit in the Revenue Fund for the payment of the bond installment payments and the outstanding Parity Obligations. The water net system revenues will not be used for any other purpose while any of the installment payments remain unpaid, provided, however, that out of the net water system revenues, there may be apportioned such sums for such purposes as permitted by the Installment Purchase Agreements. Principal and interest paid for the current year and net water revenue were $14,004,165 and $17,209,471, respectively.

The City has pledged all net wastewater system revenues and all amounts on deposit in the Revenue Fund for the payment of the bond installment payments and the outstanding Parity Obligations. The wastewater net system revenues will not be used for any other purpose while any of the installment payments remain unpaid, provided, however, that out of the net wastewater system revenues, there may be apportioned such sums for such purposes as permitted by the Installment Purchase Agreements. Principal and interest paid for the current year and net wastewater revenue were $10,591,703 and $12,282,257, respectively.

The City has pledged all net solidwaste system revenues and all amounts on deposit in the Revenue Fund for the payment of the bond installment payments. The solidwaste net system revenues will not be used for any other purpose while any of the installment payments remain unpaid, provided, however, that out of the net solidwaste system revenues, there may be apportioned such sums for such purposes as permitted by the Installment Purchase Agreements. Principal and interest paid for the current year and net solidwaste revenue were $3,493,219 and $4,432,975, respectively.

***Golf Course Lease Revenue Refunding Bonds, Series 2011***

Golf Course Lease Revenue Refunding Bonds, Series 2011 were issued on June 9, 2011 in the amount of $21,580,000. These bonds carry a net interest cost of 5.47 percent and mature on June 1, 2036. The proceeds of the bonds were used to pay the principal of and interest on the Bond Anticipation Notes, Series 2010. The outstanding balance as of June 30, 2013 is $21,095,000. The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the bonds at June 1, 2036.

### *Housing Authority 2004 Capital Fund Revenue Bonds*

The Affordable Housing Agency issued Affordable Housing Agency Certificates of Participation, Series 2004 (Oxnard's Santa Clara Projects) on April 26, 2004 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, 2013 is $3,765,000.

### *Capital Lease Obligations*

On April 23, 2008, the City entered into a Lease Purchase Agreement with Upton & Oliver Funding Corporation for the purpose of acquiring trash containers, costing $3,436,273, associated with the conversion to a three-cart residential container service. The lease purchase carries an interest rate of 4.13 percent, with a final maturity of April 23, 2018. The outstanding balance as of June 30, 2013 is $1,893,119. The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the bonds at April 23, 2018.

On September 1, 2009, the City entered into a Master Equipment Lease Purchase Line of Credit Agreement with Bank of America in an amount not to exceed $10 million for the purpose of acquiring vehicles and other capital assets. Total machinery and equipment acquired under this lease was $9,779,145. As of June 30, 2013, the total outstanding balance on this line of credit was $6,599,522. The lease payments on these bonds constitute obligations of the City's general fund. Such obligation exists through the maturity date of the lease at 10/1/2020.

### *Compensated Absences*

The long-term portion of the liability was $8,376,451 for governmental activities and $1,343,229 for business-type activities at June 30, 2013, which is expected to be paid in future years from future resources.

### *Interest Rate Swaps*

The City of Oxnard has entered into interest rate swaps to hedge its variable rate bond exposure. All 3 interest rate swaps qualify for treatment as 'Hedging Derivative Instruments' pursuant to the requirements of GASB Statement No. 53. Gains or losses on Hedging Derivative Instruments are reported as deferrals in the Statement of Net Position.

1. **City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, (Civic Center Phase 2 Project), Series 2006.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of $3,605,567 as of June 30, 2013. The goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

    a. *Objectives*. As a means to lower borrowing costs, when compared against fixed-rated bonds at the time of issuance in December 2006, the City entered into a floating-to-fixed interest rate swap in connection with its $24,205,000 City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, (Civic Center Phase 2 Project), Series 2006. The intention of the swap was to effectively change the City's variable interest rate on the bonds to an expected synthetic fixed rate of 3.53 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 3.53 percent to the swap counterparty, the Royal Bank of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.

    b. *Terms*. The bonds and the related swap agreement mature on June 1, 2036, and as of June 30, 2013 the swap's notional amount of $20,875,000 matches the $20,875,000 in variable-rate bonds. The swap was entered at the same time the bonds were issued (December 2006) and terminates at the same time that the bonds mature (June 2036). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 3.53 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.

    c. *Risks.* The following represent the applicable risks that could give rise to financial loss:

        i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa3' by Moody's and "AA-" by Standard & Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below 'AA-' by Standard & Poor's or 'Aa' by

Moody's, then the fair value of the swap will be collateralized by the swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian. As of June 30, 2013, the City is not adversely exposed to credit risk due to the negative fair value of the swap.

ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2013, the SIFMA Municipal Swap Index rate was 0.07 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.

iii. *Termination Risk*. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., 'BBB' by Standard & Poor's or 'Baa' by Moody's). If the swap is terminated, the City would be exposed to interest rate risk. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

2. **City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of $3,912,168 as of June 30, 2013. The goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

   a. *Objectives*. As a means to fix its borrowing costs, in June 2007 the City entered into a floating-to-fixed interest rate swap in connection with its $23,975,000 City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to an expected synthetic fixed rate of 4.017 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 4.017 percent to the swap counterparty, the Royal Bank

of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.

b. *Terms*. The bonds and the related swap agreement mature on June 1, 2034, and as of June 30, 2013 the swap's notional amount of $19,650,000 matches the $19,650,000 in variable-rate bonds. The swap was entered into in June 2007 and terminates at the same time that the bonds mature (June 2034). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 4.017 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.

c. *Risks.* The following represent the applicable risks that could give rise to financial loss:

i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa3' by Moody's and "AA-" by Standard & Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below 'AA-' by Standard & Poor's or 'Aa' by Moody's, then the fair value of the swap will be collateralized by the swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian. As of June 30, 2013, the City is not adversely exposed to credit risk due to the negative fair value of the swap.

ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2013, the SIFMA Municipal Swap Index rate was 0.07 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.

iii. *Termination Risk*. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., 'BBB' by Standard & Poor's or 'Baa' by Moody's). If the swap is terminated, the City would be exposed to interest rate risk. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

3. **City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds 2003 Series B.** As a result of a decline in interest rates since execution of the swap, the swap has a negative fair value of $2,314,071 as of June 30, 2013. The goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. The coupons on the City's variable-rate bonds adjust to changing interest rates, and therefore the bonds do not have a corresponding fair value increase. The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

   a. *Objectives*. As a means to fix its borrowing costs, in June 2007 the City entered into a floating-to-fixed interest rate swap in connection with its $14,750,000 City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds 2003 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to an expected synthetic fixed rate of 4.037 percent. The contract provides that the City of Oxnard pay a fixed interest rate of 4.037 percent to the swap counterparty, the Royal Bank of Canada, in exchange for receiving a variable interest rate based upon 68 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap is consistent with the guidelines contained within the City of Oxnard Master Swap Policy adopted on November 21, 2006.

   b. *Terms*. The bonds and the related swap agreement mature on June 1, 2033, and as of June 30, 2013 the swap's notional amount of $11,145,000 matches the $11,145,000 in variable-rate bonds. The swap was entered into in June 2007 and terminates at the same time that the bonds mature (June 2033). The notional value of the swap declines annually at the same rate and amount as the associated principal balance of the bonds. Pursuant to the swap agreement, the City pays the counterparty a fixed payment of 4.037 percent and receives a variable payment computed as 68 percent of 1-month LIBOR. The bond's variable rate coupons track The Securities Industry Financial Markets Association (SIFMA) Municipal Swap Index.

   c. *Risks.* The following represent the applicable risks that could give rise to financial loss:

      i. *Credit Risk.* The swap counterparty carries a senior debt rating of 'Aa3' by Moody's and "AA-" by Standard & Poor's as of June 30, 2013. To mitigate the potential for credit risk, if the counterparty's credit quality falls below 'AA-' by Standard & Poor's or 'Aa' by Moody's, then the fair value of the swap will be collateralized by the swap counterparty with U.S. government securities. Collateral would

be posted with a third-party custodian. As of June 30, 2013, the City is not adversely exposed to credit risk due to the negative fair value of the swap.

ii. *Basis Risk.* The swap exposes the City to basis risk should the relationship between LIBOR and the SIFMA Municipal Swap Index converge, potentially affecting the synthetic rate on the bonds. If a change occurs in which 68 percent of 1-month LIBOR is greater than the SIFMA swap index, the expected cost savings may be reduced. As of June 30, 2012, the SIFMA Municipal Swap Index rate was 0.07 percent, whereas 68 percent of 1-month LIBOR was 0.13 percent.

iii. *Termination Risk*. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., 'BBB' by Standard & Poor's or 'Baa' by Moody's). If the swap is terminated, the City would be exposed to interest rate risk. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

**Hedging derivatives instrument payments and hedged debt**

As of June 30, 2013, debt service requirements of the City's variable-rate debt and net receipts/payments on associated hedging derivatives are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rate of hedging derivative instruments will remain the same for their term. As interest rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

| Fiscal Year Ending 30-Jun | Principal | Interest | Hedging Derivatives, Net | Total |
|---|---|---|---|---|
| 2014 | $ 1,950,000 | $ 129,175 | $ 1,846,977 | $ 3,926,152 |
| 2015 | 2,005,000 | 124,300 | 1,776,309 | 3,905,609 |
| 2016 | 2,070,000 | 119,288 | 1,703,666 | 3,892,953 |
| 2017 | 2,135,000 | 114,113 | 1,628,693 | 3,877,806 |
| 2018 | 2,200,000 | 108,775 | 1,551,367 | 3,860,142 |
| 2019 | 2,275,000 | 103,275 | 1,471,710 | 3,849,985 |
| 2020 | 2,340,000 | 97,588 | 1,389,347 | 3,826,935 |
| 2021 | 2,005,000 | 91,738 | 1,304,680 | 3,401,418 |
| 2022 | 2,075,000 | 86,725 | 1,232,751 | 3,394,476 |
| 2023 | 2,140,000 | 81,538 | 1,158,328 | 3,379,866 |
| 2024 | 2,215,000 | 76,188 | 1,081,600 | 3,372,787 |
| 2025 | 2,280,000 | 70,650 | 1,002,188 | 3,352,838 |
| 2026 | 2,355,000 | 64,950 | 920,471 | 3,340,421 |
| 2027 | 2,430,000 | 59,063 | 836,096 | 3,325,159 |
| 2028 | 2,510,000 | 52,988 | 749,063 | 3,312,050 |
| 2029 | 2,590,000 | 46,713 | 659,183 | 3,295,896 |
| 2030 | 2,675,000 | 40,238 | 566,456 | 3,281,694 |
| 2031 | 2,765,000 | 33,550 | 470,718 | 3,269,268 |
| 2032 | 2,845,000 | 26,638 | 371,780 | 3,243,418 |
| 2033 | 2,935,000 | 19,525 | 270,021 | 3,224,546 |
| 2034 | 2,285,000 | 12,188 | 165,062 | 2,462,250 |
| 2035 | 1,270,000 | 6,475 | 84,952 | 1,361,427 |
| 2036 | 1,320,000 | 3,300 | 43,296 | 1,366,596 |
| **Total** | **$ 51,670,000** | **$ 1,568,981** | **$ 22,284,714** | **$ 75,523,692** |

## 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 and rebate payments were made as appropriate.

## Debt Service

The annual debt service requirements are shown below for all long-term debt:

| | Governmental Activities | | Business - Type Activities | |
|---|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2014 | $ 3,759,050 | $ 2,794,711 | $ 11,933,879 | $ 19,377,808 |
| 2015 | 3,872,529 | 2,656,069 | 12,459,900 | 18,868,533 |
| 2016 | 3,893,065 | 2,513,872 | 11,980,415 | 18,307,869 |
| 2017 | 3,137,585 | 2,394,357 | 9,796,849 | 17,789,708 |
| 2018 | 2,670,268 | 2,230,836 | 10,224,140 | 17,354,361 |
| 2019-2023 | 12,743,386 | 9,677,861 | 54,488,702 | 79,331,662 |
| 2024-2028 | 14,287,381 | 7,089,961 | 67,080,000 | 63,857,743 |
| 2029-2033 | 14,895,000 | 4,191,016 | 87,755,000 | 43,825,922 |
| 2034-2038 | 11,325,000 | 1,127,754 | 52,154,998 | 20,233,947 |
| 2039-2042 | - | - | 46,555,000 | 2,571,447 |
| **Totals** | **$ 70,583,263** | **$ 34,676,437** | **$ 364,428,884** | **$ 301,519,000** |

| | Gas Tax Revenue Cert. of Participation Issued 2008 | | Water Revenue Refunding Bonds Series 2012 | |
|---|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2014 | $ 580,000 | $ 1,133,650 | $ 400,000 | $ 333,819 |
| 2015 | 600,000 | 1,107,050 | 410,000 | 325,819 |
| 2016 | 630,000 | 1,079,450 | 415,000 | 313,519 |
| 2017 | 655,000 | 1,050,475 | 430,000 | 301,069 |
| 2018 | 690,000 | 1,020,300 | 445,000 | 288,169 |
| 2019-2023 | 3,895,000 | 4,650,840 | 2,480,000 | 1,174,195 |
| 2024-2028 | 4,795,000 | 3,682,361 | 3,000,000 | 655,145 |
| 2029-2033 | 5,980,000 | 2,500,038 | 1,375,000 | 85,594 |
| 2034-2038 | 7,510,000 | 855,063 | - | - |
| **Totals** | $ 25,335,000 | $ 17,079,227 | $ 8,955,000 | $ 3,477,329 |

| | Water Revenue Project Bonds Series 2006 | | Water Revenue Project Bonds Series 2004 | |
|---|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2014 | $ 965,000 | $ 2,461,635 | $ 1,150,000 | $ 1,874,154 |
| 2015 | 1,015,000 | 2,413,385 | 1,190,000 | 1,833,904 |
| 2016 | 1,060,000 | 2,370,248 | 1,235,000 | 1,789,874 |
| 2017 | 1,105,000 | 2,322,548 | 1,285,000 | 1,742,944 |
| 2018 | 1,150,000 | 2,275,585 | 1,335,000 | 1,693,150 |
| 2019-2023 | 6,650,000 | 10,498,320 | 7,660,000 | 7,470,250 |
| 2024-2028 | 8,365,000 | 8,783,188 | 9,775,000 | 5,354,000 |
| 2029-2033 | 13,185,000 | 6,384,499 | 12,480,000 | 2,652,750 |
| 2034-2038 | 16,894,998 | 1,865,500 | 2,880,000 | 143,999 |
| Totals | $ 50,389,998 | $ 39,374,908 | $ 38,990,000 | $ 24,555,025 |

See independent auditors' report.

| Fiscal Year | Wastewater Revenue Bonds Series 2004 A | | 2012 Lease Purchase | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2014 | $ - | $ 4,087,725 | $ 295,693 | $ 185,124 |
| 2015 | - | 4,087,725 | 307,210 | 174,657 |
| 2016 | - | 4,087,725 | 318,123 | 163,782 |
| 2017 | - | 4,087,725 | 328,710 | 152,520 |
| 2018 | - | 4,087,725 | 343,958 | 140,884 |
| 2019-2023 | 12,840,000 | 19,817,375 | 1,683,425 | 525,011 |
| 2024-2028 | 26,055,000 | 14,750,125 | 1,952,381 | 212,016 |
| 2029-2033 | 33,350,000 | 7,450,725 | - | - |
| 2034-2038 | 7,755,000 | 407,318 | - | - |
| Totals | $ 80,000,000 | $ 62,864,168 | $ 5,229,500 | $ 1,553,994 |

| Fiscal Year | Wastewater Revenue Refunding Bonds - Series 2003 | | Wastewater Revenue Bonds Series 2006 | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2014 | $ 2,595,000 | $ 1,073,562 | $ 280,000 | $ 515,530 |
| 2015 | 2,730,000 | 937,325 | 295,000 | 504,330 |
| 2016 | 2,875,000 | 794,000 | 305,000 | 492,530 |
| 2017 | 3,015,000 | 650,250 | 315,000 | 480,330 |
| 2018 | 3,170,000 | 499,500 | 330,000 | 466,942 |
| 2019-2023 | 6,820,000 | 515,751 | 1,880,000 | 2,105,288 |
| 2024-2028 | - | - | 2,350,000 | 1,640,206 |
| 2029-2033 | - | - | 2,980,000 | 1,005,250 |
| 2034-2038 | - | - | 2,175,000 | 221,000 |
| Totals | $ 21,205,000 | $ 4,470,388 | $ 10,910,000 | $ 7,431,406 |

| Fiscal Year | Solid Waste Revenue Refunding Bonds Series 2005 | | Adjustable Lease Revenue Bonds Series 2003 B | | |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Swap Interest *1 |
| 2014 | $ 2,275,000 | $ 308,250 | $ 420,000 | $ 449,924 | $ 435,280 |
| 2015 | 2,390,000 | 194,500 | 430,000 | 432,968 | 418,880 |
| 2016 | 1,500,000 | 75,000 | 440,000 | 415,609 | 402,084 |
| 2017 | - | - | 455,000 | 397,846 | 384,900 |
| 2018 | - | - | 470,000 | 379,478 | 367,128 |
| 2019-2023 | - | - | 2,555,000 | 1,601,883 | 1,549,748 |
| 2024-2028 | - | - | 2,960,000 | 1,054,463 | 1,020,152 |
| 2029-2033 | - | - | 3,415,000 | 421,059 | 407,352 |
| 2034-2038 | - | - | - | - | - |
| Totals | $ 6,165,000 | $ 577,750 | $ 11,145,000 | $ 5,153,230 | $ 4,985,524 |

| Fiscal Year | Lease Revenue Refunding Bonds Series 2003 A | | Variable Rate Demand Lease Revenue Bonds Series 2006 | | |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Swap Interest *1 |
| 2014 | $ 1,655,000 | $ 197,805 | $ 590,000 | $ 736,888 | $ 709,464 |
| 2015 | 1,715,000 | 136,570 | 610,000 | 716,061 | 689,412 |
| 2016 | 1,785,008 | 71,400 | 635,000 | 694,528 | 668,680 |
| 2017 | - | - | 655,000 | 672,112 | 647,100 |
| 2018 | - | - | 680,000 | 648,990 | 624,836 |
| 2019-2023 | - | - | 3,810,000 | 2,866,008 | 2,759,348 |
| 2024-2028 | - | - | 4,580,000 | 2,141,121 | 2,061,440 |
| 2029-2033 | - | - | 5,500,000 | 1,269,919 | 1,222,652 |
| 2034-2038 | - | - | 3,815,000 | 272,691 | 262,540 |
| Totals | $ 5,155,008 | $ 405,775 | $ 20,875,000 | $ 10,018,318 | $ 9,645,472 |

See independent auditors' report.

| Fiscal Year | Series 2010A Principal | Series 2010A Interest | Series 2004 B Principal | Series 2004 B Interest | Series 2004 B Swap Interest *1 |
|---|---|---|---|---|---|
| 2014 | $ 1,300,000 | $ 670,325 | $ 940,000 | $ 789,341 | $ 763,524 |
| 2015 | 1,340,000 | 631,325 | 965,000 | 751,581 | 727,000 |
| 2016 | 1,410,000 | 564,325 | 995,000 | 712,817 | 689,504 |
| 2017 | 1,460,000 | 507,925 | 1,025,000 | 672,848 | 650,844 |
| 2018 | 1,535,000 | 434,925 | 1,050,000 | 631,673 | 611,016 |
| 2019-2023 | 6,940,000 | 938,350 | 4,470,000 | 2,549,790 | 2,466,400 |
| 2024-2028 | - | - | 4,250,000 | 1,717,669 | 1,661,492 |
| 2029-2033 | - | - | 4,895,000 | 813,844 | 787,228 |
| 2034-2038 | - | - | 1,060,000 | 42,578 | 41,188 |
| Totals | $ 13,985,000 | $ 3,747,175 | $ 19,650,000 | $ 8,682,141 | $ 8,398,196 |

| Fiscal Year | Water Revenue Project Bonds Series 2010B Principal | Water Revenue Project Bonds Series 2010B Interest | Golf Course Lease Revenue Bonds Series 2011 Principal | Golf Course Lease Revenue Bonds Series 2011 Interest |
|---|---|---|---|---|
| 2014 | $ - | $ 5,786,173 | $ 260,000 | $ 1,093,845 |
| 2015 | - | 5,786,173 | 290,000 | 1,086,045 |
| 2016 | - | 5,786,173 | 330,000 | 1,075,895 |
| 2017 | - | 5,786,173 | 370,000 | 1,065,995 |
| 2018 | - | 5,786,173 | 410,000 | 1,051,195 |
| 2019-2023 | - | 28,930,865 | 2,815,000 | 4,947,626 |
| 2024-2028 | 8,420,000 | 26,792,083 | 4,435,000 | 4,144,042 |
| 2029-2033 | 12,800,000 | 22,667,170 | 6,690,000 | 2,766,090 |
| 2034-2038 | 15,895,000 | 16,905,240 | 5,495,000 | 648,312 |
| 2039-2042 | 46,555,000 | 2,571,447 | - | - |
| Totals | $ 83,670,000 | $ 126,797,670 | $ 21,095,000 | $ 17,879,045 |

| Fiscal Year | 2004 Capital Fund Revenue Bonds Housing Authority Principal | 2004 Capital Fund Revenue Bonds Housing Authority Interest |
|---|---|---|
| 2014 | $ 270,000 | $ 170,835 |
| 2015 | 280,000 | 160,170 |
| 2016 | 295,000 | 148,690 |
| 2017 | 310,000 | 136,300 |
| 2018 | 320,000 | 122,970 |
| 2019-2023 | 1,860,000 | 381,660 |
| 2024-2028 | 430,000 | 21,285 |
| Totals | $ 3,765,000 | $ 1,141,910 |

| Fiscal Year | 2009 Master Equipment Lease Purchase Principal | 2009 Master Equipment Lease Purchase Interest | Purchase Agreement Issue 2008 Principal | Purchase Agreement Issue 2008 Interest |
|---|---|---|---|---|
| 2014 | $ 1,368,921 | $ 229,308 | $ 348,317 | $ 74,626 |
| 2015 | 1,402,368 | 184,922 | 362,851 | 60,092 |
| 2016 | 1,267,355 | 141,224 | 377,992 | 44,952 |
| 2017 | 1,131,960 | 127,826 | 393,764 | 29,179 |
| 2018 | 555,255 | 44,788 | 410,195 | 12,750 |
| 2019-2022 | 873,663 | 36,311 | - | - |
| Totals | $ 6,599,522 | $ 764,379 | $ 1,893,119 | $ 221,599 |

*1 Variable rate used was LIBOR rate as of June 30, 3013.

See independent auditors' report.

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2013.

**Special Assessment Bonds**

There are various 1915 Act Improvement Districts and Mello-Roos Community Facilities Districts within the City, which have issued special assessment or special tax debt. The debt is secured by liens of special assessments 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 when appropriate.

Accordingly, such special assessment debt is not reflected in the accompanying basic financial statements. Special assessment debt outstanding at June 30, 2013 is as follows:

| | | |
|---|---|---|
| **Rice Avenue/Highway 101 Assessment District:** | $ | 11,835,000 |
| Local Obligation Revenue Bonds (2012 Special District Bond Refinancing to refund 1915 Act Limited Obligation Bonds). | | |
| **Rose Avenue/Highway 101 Assessment District:** | | 2,500,000 |
| 1915 Act Improvement Bonds issued November 1, 1996; original amount $8,560,000; average rate of 5.50%; maturing in 2016 | | |
| **City of Oxnard Community Facilities District I (Westport):** | | 8,750,000 |
| Local Obligation Revenue Bonds (2012 Special District Bond Refinancing to refund CFD No. 2000-3 Bonds). | | |
| **City of Oxnard Community Facilities District 88-1:** | | 230,000 |
| **Oxnard Boulevard Interchange Community Facilities District 2000-03:** | | 7,980,000 |
| Local Obligation Revenue Bonds (2012 Special District Bond Refinancing to refund CFD No. 1 Bonds). | | |
| **Oxnard Boulevard/Highway 101 Interchange Assessment District 2000-01:** | | 1,965,000 |
| 1915 Act Improvement Limited Obligation Bonds issued on August 14, 2003; original amount $2,335,000; interest rate varies; the maximum rate of 6.15%; maturing in 2033 | | |
| **Community Facilities District No. 3 - Seabridge/Mandalay Bay** | | 30,810,000 |
| **Total** | **$** | **64,070,000** |

## III. Defined Benefit Pension Plans and Other Post Employment Benefits

### A. Retirement Plan Description

The City contributes to the California Public Employees' Retirement System ("PERS"), a multiple-employer, public employee defined benefit plan, which acts as a common investment and administrative agent for participating public entities within the State of

See independent auditors' report.

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, 2013, was $83,461,612; the City's total payroll was $101,510,481. 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 or from the PERS website http://www.calpers.ca.gov.

All personnel are eligible to participate in PERS, becoming vested 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 as follows:

| | |
|---|---|
| Miscellaneous Employees | 2% at age 55 |
| (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) | |
| Miscellaneous Employees under PEPRA | 2% at age 62 |
| Police Employees | 3% at age 50 |
| Police Employees under PEPRA | 2.7% at age 57 |
| Fire employees | 3% at age 55 |
| Fire employees under PEPRA | 2.7% at age 57 |

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. Under the California Public Employees' Pension Reform Act of 2013 (PEPRA), for new employees hired on or after January 1, 2013, the required employee contributions to PERS are 6.75 percent of compensation for miscellaneous employees, 15 percent of compensation for safety Police employees and 12.25 percent of compensation for safety Fire 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 2012-2013, the City's annual pension cost (APC) of $24,986,509 for PERS was equal to the City's required and actual contribution. The required

contribution was determined as part of the June 30, 2011 actuarial assumptions, using the entry age normal cost method.

Significant actuarial assumptions across all three plans included (1) 7.50% investment rate of return (net of administrative expenses), (2) projected annual salary increases ranging from 3.3% to 14.2% depending on age, service and type of employment, (3) 3% per year across-the-board real salary increases, and (4) inflation of 2.75%. 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 fifteen-year period. In addition, actuarial gains/losses in any given year are amortized over a thirty year period. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

**Trend Information by Plan**

| | Fiscal Year Ending June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|---|
| Police | 2011 | $ 9,547,444 | 100% | $ - |
| Police | 2012 | 10,741,912 | 100% | - |
| Police | 2013 | 11,069,994 | 100% | - |
| Fire | 2011 | $ 3,713,081 | 100% | $ - |
| Fire | 2012 | 4,340,053 | 100% | - |
| Fire | 2013 | 4,296,252 | 100% | - |
| Miscellaneous | 2011 | $ 9,071,291 | 100% | $ - |
| Miscellaneous | 2012 | 9,589,913 | 100% | - |
| Miscellaneous | 2013 | 9,620,263 | 100% | - |

Contributions to PERS for the Fiscal Year ended June 30, 2013, are shown below:

| | **City Contributions** | **Employee Contributions** | **Total** |
|---|---|---|---|
| Safety employees: | | | |
| Police | $ 8,876,032 | $ 2,193,962 | $ 11,069,994 |
| Fire | 3,408,698 | 887,554 | 4,296,252 |
| Total safety employees | 12,284,730 | 3,081,516 | 15,366,246 |
| Miscellaneous employees | 6,174,972 | 3,445,291 | 9,620,263 |
| **Total** | **$ 18,459,702** | **$ 6,526,807** | **$ 24,986,509** |

**Funded Status and Funding Progress**

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation is as follows (dollar amounts in thousands):

See independent auditors' report.

| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL)-Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| Police | $ 212,195 | $ 258,372 | $ 46,177 | 82.1% | $ 23,524 | 196.3% |
| Fire * | $ 9,854,788 | $ 11,724,021 | $ 1,869,233 | 84.1% | $ 947,735 | 197.2% |
| Miscellaneous | $ 299,531 | $ 347,813 | $ 48,282 | 86.1% | $ 49,497 | 97.5% |

* Amounts reflect total risk pool valuations and liabilities.

Valuations as of June 30, 2012 are based on the following assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization Method | Level Percent of Payroll |
| Asset Valuation Method | 15 Year Smoothed Market |
| Discount Rate | 7.50% (net of administrative expenses) |
| Projected Salary Increases | 3.30% to 14.20% depending on Age, Service, and type of employment |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| | Individual Salary Growth A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% |

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## B. Public Agency Retirement System Retirement Enhancement Plan

### Plan Description

The City established a Public Agency Retirement System Retirement Enhancement Plan (PARS) effective January 1, 2003 for selected groups 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. PARS is 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. For employees meeting the eligibility requirements, the plan provides a benefit equal to the “3% at 60” plan factor (formula is a static 3% at age 60 and older), less the PERS “2% at 55” plan factors for all years of City service plus any military service purchased through PERS (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 PERS 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 and city contributions by employee groups are as follows:

| | City Contributions | Employee Contributions |
|---|---|---|
| IUOE | 2.7% | 5.3% |
| SEIU | 3.5% | 4.5% |
| Management and confidential | 3.0% | 5.0% |

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, 2013, was 7.80 percent of eligible employee gross wages. The City's payroll for employees covered by PARS for the year ended June 30, 2013, was $38,357,176. 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 actual value of assets used in the June 30, 2011 valuation is the investment gains or losses spread over a five year rolling period and not less than 80 percent nor more than 120 percent of the market value. 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 2012-2013, the City's annual pension cost (APC) of $4,169,425, for PARS was equal to the City's required actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial assumptions and retained the entry age actuarial cost method.

Contributions to PARS for the fiscal year ended June 30, 2013 are shown below:

| | City Contributions | Employee Contributions | Total |
|---|---|---|---|
| Miscellaneous employees | $ 1,100,851 | $ 3,068,574 | $ 4,169,425 |

### Trend Information

The three year trend for fiscal years ending June 30 is as follows:

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2011 | $ 4,194,952 | 100% | $ - |
| 2012 | $ 4,154,047 | 100% | - |
| 2013 | $ 4,169,425 | 100% | - |

### Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 36% funded. The actuarial accrued liability for benefits was $71,388,000, and the actuarial value of assets was $32,859,000, resulting in an unfunded actuarial accrued liability (UAAL) of $38,529,000. The covered payroll (annual payroll of active employees covered by the plan) was $40,414,00, and the ratio of the UAAL to the covered payroll was 95.3%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability of benefits.

## C. Early Retirement Incentive Plan

The City adopted through resolution number 13,893 a supplemental retirement plan to forty eight (48) eligible employees, this plan is administered by Phase II Systems, PARS Trust Administrator. The level of benefit is seven percent (7%) of the employee's final base pay, payable through the employee's lifetime, with an option of payment for five (5) to ten (10) years, at the employee's election.

## D. Post-employment Health Care Benefits

### Plan Description

The City participates in the CALPERS medical program, which is a cost-sharing multiple employer defined benefit health care plan administered by CALPERS. Employees who retire from the City and receive a CalPERS pension are eligible for post employment medical benefits. Retirees can enroll in any of the available CalPERS medical plans. This benefit continues for the life of the retiree and surviving spouse.

Benefit provisions for CalPERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.).

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

**Funding Policy**

The City contributes the minimum amount allowed under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The City's required monthly contribution for calendar year 2013 was $115.00. The required contribution is based on pay-as-you-go financing requirements. Retirees must contribute any premium amounts in excess of the City Contribution.

**Annual OPEB Cost and Net OPEB Obligation**

For fiscal 2012-2013 the City's annual OPEB cost of $1,339,137 was higher than the actual contribution. The City's annual OPEB cost, actual contribution, percentage of annual OPEB cost contributed, and the net OPEB obligation for the current year and prior fiscal year were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 6/30/2011 | $ 1,599,856 | $ 322,671 | 20.2% | $ 6,235,657 |
| 6/30/2012 | $ 1,352,923 | $ 412,537 | 30.5% | $ 7,176,043 |
| 6/30/2013 | $ 1,339,137 | $ 366,704 | 27.4% | $ 8,148,476 |

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2011, was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 12,772,079 |
| Actuarial value of plan assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | $ 12,772,079 |
| | |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | $ 82,501,012 |
| UAAL as a percentage of covered payroll | 15.481% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status are subject to

See independent auditors' report.

continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as RSI following the notes to the financial statements.

## IV. Risk Management

All funds of the City participate in general liability and workers' compensation insurance programs and make payments to internal service funds on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of $14,667,793 recorded at June 30, 2013, 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 3.5 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 as of the date of the financial statements and the amount of the loss can be reasonably estimated.

### A. General Liability

The City is self-insured for general liability claims up to $1,000,000. The City is covered through Big Independent Cities Excess Pool (BICEP) for claims between $1,000,000 and $25,000,000. Self-insured general liability claims are administered through a third-party administrator, with the City Attorney's approval required for settlements over $15,000. Litigated claims are settled directly through the City Attorney's Office.

The City's contribution to BICEP for general liability coverage in Fiscal Year 2012-2013 was $591,468 which included a dividend credit of $66,675. During the past five-year period, the average claims filed each year for general liability amounted to 194 claims totaling $1,221,399 per year (an average of $6,296 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. Information concerning the BICEP pooled liability insurance program can be obtained at 801 South Figueroa Street, Suite 1050, Los Angeles, CA 90017, telephone number (213) 896-8900.

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2013 was $3,339,435. The following schedule presents the changes in self-insurance claims liabilities for the past two years:

| | Public Liability and Property Damage | |
|---|---|---|
| | FY 12-13 | FY 11-12 |
| Unpaid claims and claims adjustment expenses-July 1 | $ 3,721,307 | $ 3,871,295 |
| Incurred claims and claims adjustment expenses: | | |
| Increase/decrease in provision for insured events | (601,837) | (149,988) |
| Increase/decrease in actuarially incurred but not reported claims (IBNR) | 219,965 | - |
| Total incurred claims and claims adjustment expenses | (381,872) | (149,988) |
| Unpaid claims and claims adjustment expenses-June 30 | 3,339,435 | 3,721,307 |
| Claims and judgements due within one year | $ 2,316,272 | $ 1,992,000 |

## B. Workers' Compensation

The City is self-insured for workers' compensation claims up to $1,000,000. For claims over $1,000,000, 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 212 claims filed per year for the past five years, with an average of approximately $2,266,852 per year in total reported losses (an average of $15,395 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.

The total unpaid claims and claims adjustment expense liability (long-term obligations) recorded at June 30, 2013 was $11,328,358.

The following schedule presents the changes in self-insurance claims liabilities for the past two years:

| | Worker's Compensation | |
|---|---|---|
| | FY 12-13 | FY 11-12 |
| Unpaid claims and claims adjustment expenses-July 1 | $ 8,216,393 | $ 8,164,105 |
| Incurred claims and claims adjustment expenses: | | |
| Increase/decrease in provision for insured events | 2,893,499 | 52,288 |
| Increase/decrease in actuarially incurred but not reported claims (IBNR) | 218,466 | - |
| Total incurred claims and claims adjustment expenses | 3,111,965 | 52,288 |
| Unpaid claims and claims adjustment expenses-June 30 | 11,328,358 | 8,216,393 |
| Claims and judgements due within one year | $ 4,231,808 | $ 3,239,975 |

See independent auditors' report.

## V. Other Information

### A. Commitments 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 except as discussed below, nor the aggregate thereof, represents any substantial exposure to the City. At June 30, 2013 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.

There is one case that is pending where the exposure has been determined to most likey exceed the City's $1,000,000 reserve, the amount of the exposure cannot be determined at this time.

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.

### B. Subsequent Event

**Issuance of $27,870,000 Community Facilities District No. 3 (Seabridge at Mandalay Bay) of the City of Oxnard 2013 Special Tax Refunding Bonds.**

On August 8, 2013, the City issued bonds in the aggregate amount of $27,870,000 ("2013 Bonds") to refund the outstanding Community Facilities District No. 3 (Seabridge at Mandalay Bay) of the City of Oxnard Special Tax Bonds ("2005 Bonds") and pay costs of issuance of the 2013 Bonds. The 2005 Bonds were issued by the City of November 15, 2005, in the aggregate principal amount of $32,275,000, of which #30,810,000 was outstanding as of June 30, 2013. The 2013 Bonds were sold as a private placement to Bank of Nevada/Western Alliance Bancorporation.

**Issuance of $21,384,064 City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2013**

On October 30, 2013, the City issued bonds in the aggregate amount of $21,384,064 to refund $21,205,000 in outstanding wasterwater bonds issued on March 1, 2003 in the aggregate principal amount of $43,785,000, and pay costs of issuance. These bonds were sold as a private placement to Capital One Public Funding, LLC.

**Repayment of Loans to the Former Community Development Commission**

The Recognized Obligation Payment Schedule (ROPS) 13-14B covering the period of January 1, 2014 – June 30, 2014 approved on September 10, 2013 by Successor Agency included repayment of loans made to the former CDC with a combined value

of $10.7 million including accrued interest. On September 19, the Oversight Board reviewed the ROPS and removed the repayment of these loans pending further review of the loan documents. It is the Successor Agencies intent to include these loan repayments on the ROPS 14-15A.

**Lease Agreements with Oxnard Fire Station, LLC for Fire Station 8.**

On June 1, 2013, the City Council 1) conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing in consideration of the issuance of tax exempt revenue bonds with a principal amount not to exceed $15,750,000 by the California Municipal Finance Authority on behalf of Oxnard Fire Station Limited Liability Corporation (OFSLLC), an Arizona limited liability company whose sole member will be Community Finance Corporation, an Arizona non-profit corporation designated as an exempt organization under Section 501 of the Internal Revenue Code of 1986, for the purpose of developing a "turn-key" fire station. Such hearing constituted a public hearing under Section 6586.5 of the Government Code of the State of California; 2) adopted a resolution approving, authorizing, and directing execution of a site lease and a master lease for the purpose of TEFRA and approving the issuance of tax exempt revenue bonds with a principal amount not to exceed $15,750,000 in one or more series by the California Municipal Finance Authority; 3) authorized the allocation of additional Measure O Funds as required to meet the annual lease payments for Fire Station No. 8 consistent with the alternatives and options approved as part of the above recommendation and related project costs; and 4) authorized the allocation of Measure O Funds for the acquisition of the necessary Fire vehicles at an estimated cost of $1,193,748. The bonds are scheduled to be priced on December 18, 2013 contingent on favorable interest rates and demand. Otherwise, the bonds will be priced in January 2014. Annual lease payments will be based on the debt service on the bonds with a $1,372,459 maximum. The master leased also provides for “additional rent” for payment of fees and taxes.

**Golf Fund Restructuring**

On July 23, 2013, the City Council discussed the restructuring of certain aspects of the Golf Fund. Discussion included refunding the outstanding debt, converting the operating agreement with High Tide and Green Grass, Inc. to a lease, and reclassification of the fund to General Fund. While City Council did not approve the debt restructuring at that time, they requested that staff work with the operator on restructuring the current agreement to a lease and to develop a plan to reclass the Golf Fund to the General Fund. Staff is currently in discussion with the operator and will develop additional options for addressing the financial structure of the Golf Fund, including reclassifying to General Fund for Council consideration in February 2014.

## C. Notes to the Financial Statements – Successor Agency

### a. Reporting Entity

On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with AB 1X 26 as part of City resolution number 14135, to oversee the winding down of the agency's affairs and liquidation of the agency's assets effective February 1, 2012. AB 1484 essentially transferred authority over the successor agency to the oversight board, also established pursuant to AB 1X 26 and the California Department of Finance. Oversight Boards are composed of one member each appointed by the county board of supervisors, mayor, the largest special district by property tax share, the county supervisor of education, the Chancellor of the California Community Colleges, a public member appointed by the county board of supervisors and a member representing employees of the former redevelopment agency appointed by the mayor or chair of the county board of Supervisors.

Oversight boards direct the staff of the Successor Agency, have fiduciary responsibilities to holders of enforceable obligations, approves actions of the Successor Agency and establishes the Recognized Payment Obligation Payment Schedule.

### b. Prior period adjustments

At July 1, 2012 the Successor Agency's cash and due from City of Oxnard balances were restated to correct errors in recording. The restatement consisted of the following:

| | | |
|---|---|---|
| Cash transferred to Housing Successor | $ | 6,964,573 |
| Recognize Tax Allocation Bond surplus revenue | | 17,463 |
| Book principal long-term loan from City of Oxnard for R-108 Downtown Project | | 304,572 |
| Book interest of long-term loan from City of Oxnard for R-108 Downtown Project | | 43,274 |
| Book principal long-term loan from City of Oxnard | | 3,433,466 |
| Book interest of long-term loan from City of Oxnard | | 3,735,938 |
| Recognize allowance for uncollectible - Oxnard Theater Lease Guarantee payment | | 61,300 |
| To adjust receivable from former redevelopment | | (1,040) |
| Total | $ | 14,559,546 |

### c. Cash and Investments

Cash and cash equivalents and investments with fiscal agents of the Successor Agency are comprised of the following at June 30, 2013:

| | Fair Value |
|---|---|
| Deposits and investments | $ 4,135,667 |
| Investments with fiscal agents | 10,937,313 |
| **Total** | **$ 15,072,980** |

Detail notes on cash and cash investments can be found on the City's Notes to the financial statement.

### d. Payables

Accounts payable and other liabilities as of June 30, 2013 primarily consist of the following:

| | |
|---|---|
| Due to vendors | $ 932,123 |
| Accrued interest | 646,770 |
| Total | $ 1,578,893 |

## e. Capital Assets

Changes in the Successor Agency**'s** capital assets for the year-ended June 30, 2013 consisted of the following:

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,221,289 | $ - | $ - | $ 1,221,289 |
| Construction in progress | 15,491,722 | - | - | 15,491,722 |
| Total capital assets, not being depreciated | **16,713,011** | **-** | **-** | **16,713,011** |
| Capital assets, being depreciated | | | | |
| Buildings | 905,636 | - | - | 905,636 |
| Improvement other than buildings | 46,919,371 | - | - | 46,919,371 |
| Equipment and machinery | 89,082 | - | - | 89,082 |
| Total capital assets, being depreciated | **47,914,089** | **-** | **-** | **47,914,089** |
| Less accumulated depreciation for: | | | | |
| Buildings | (418,654) | (27,381) | - | (446,035) |
| Improvement other than buildings | (6,726,336) | (1,676,821) | - | (8,403,157) |
| Equipment and machinery | (88,084) | (299) | - | (88,383) |
| Total accumulated depreciation | **(7,233,074)** | **(1,704,501)** | **-** | **(8,937,575)** |
| Total capital assets, being depreciated, net | 40,681,015 | (1,704,501) | - | 38,976,514 |
| **Total** | **$ 57,394,026** | **$ (1,704,501)** | **$ -** | **$ 55,689,525** |

## f. Long-Term Obligations

The following is a summary of changes in the Successor Agency's long-term obligations for the year ended June 30, 2013:

| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Due within One Year |
|---|---|---|---|---|---|
| Tax allocation refunding bonds series 2004A | $ 13,975,000 | - | $ 755,000 | $ 13,220,000 | $ 780,000 |
| Tax allocation bond financing series 2006: | 18,555,000 | - | 465,000 | 18,090,000 | 480,000 |
| HERO project tax allocation bonds series 2008: | 11,260,000 | - | 190,000 | 11,070,000 | 200,000 |
| **Total long-term indebtedness** | $ 43,790,000 | $ - | $ 1,410,000 | $ 42,380,000 | $ 1,460,000 |

### Description of Long-term Debt

#### *Tax Allocation Refunding Bonds, Series 2004A*

Tax Allocation Refunding Bonds, Series 2004A were issued on May 4, 2004 in the amount of $19,185,000. These are twenty-two-year bonds with a net interest cost of 4.58 percent. 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, 2013 is $13,220,000.

#### *2006 Tax Allocation Bond Financings*

Local Obligation Revenue Bonds (2006 Tax Allocation Bond Financings) in the amount of $20,530,000 were issued on December 1, 2006 to purchase the following obligations being issued simultaneously for 1) the Oxnard Community Development Commission Ormond Beach Project Area Tax Allocation Bonds, Series 2006 in the amount of $5,750,000, 2) the Oxnard Community Development Commission Southwinds Project Area Tax Allocation Bonds, Series 2006 in the amount of $3,290,000, and 3) the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2006 in the amount of $11,490,000. The bonds were issued to finance redevelopment activities (street improvement projects) in the Ormond Beach Project Area, Southwinds Project Area and the HERO Redevelopment Project Areas. These bonds carry a net interest cost of 4.424 percent, maturing on September 1, 2036. The outstanding balance as of June 30, 2013 is $18,090,000.

### *Tax Allocation Bonds, Series 2008*

Tax Allocation Bonds, Series 2008 were issued on July 1, 2008 in the amount of $11,790,000 for the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area. Proceeds from the sale of bonds are to be used to finance a 500-space parking structure to service a mixed-use retail/commercial development located within the RiverPark Specific Plan Area. These bonds carry a net interest cost of 4.849 percent, with a final maturity of September 1, 2038. The outstanding balance as of June 30, 2013 is $11,070,000.

## 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 and rebate payments were made as appropriate.

The Successor Agency is in compliance with all significant covenants related to its debt issues. The annual debt service requirements for the Successor Agency's long-term obligations are as follows:

| | Tax Allocation Refunding Bonds 2004 A | | Tax Allocation Bonds Series 2006 | | HERO Project Tax Allocation Bonds Series 2008 | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2014 | $ 780,000 | $ 585,279 | $ 480,000 | $ 834,580 | $ 200,000 | $ 510,038 |
| 2015 | 810,000 | 555,459 | 495,000 | 817,363 | 215,000 | 501,738 |
| 2016 | 840,000 | 523,269 | 515,000 | 798,555 | 215,000 | 493,138 |
| 2017 | 870,000 | 488,525 | 540,000 | 778,808 | 220,000 | 483,338 |
| 2018 | 910,000 | 451,471 | 555,000 | 758,673 | 235,000 | 473,138 |
| 2019 - 2023 | 4,685,000 | 1,622,786 | 3,115,000 | 3,451,113 | 1,330,000 | 2,201,928 |
| 2024 - 2028 | 4,325,000 | 440,921 | 3,790,000 | 2,749,486 | 1,640,000 | 1,880,991 |
| 2029 - 2033 | | | 4,665,000 | 1,855,773 | 2,055,000 | 1,449,385 |
| 2034 - 2038 | | | 3,935,000 | 560,184 | 3,535,000 | 849,069 |
| 2038 - 2039 | | | | | 1,425,000 | 33,844 |
| | $ 13,220,000 | $ 4,667,708 | $ 18,090,000 | $ 12,604,535 | $ 11,070,000 | $ 8,876,604 |

### g. Commitments and Contingencies

The Successor Agency is a defendant in various claims and legal actions arising in the normal course of operations. In the opinion of the Successor Agency Attorney and Oversight Board, the ultimate liability from such actions and claims will not have a material adverse effect on the Successor Agency's financial position or operations.

### h. Subsequent Events

On September 10, 2013, the Successor Agency approved the Recognized Obligation Payment Schedule (ROPS) 13-14B covering the period of January 1, 2014 – June 30, 2014. On September 19, the Oversight Board reviewed ROPS and approved with certain changes. The primary change was to remove repayment of loans made to the former CDC with a combined value of $10.7 million including accrued interest. The Oversight Board has requested that the Successor Agency provide additional documentation on the loans. It is the Successor Agencies intent to include these loan repayments on the ROPS 14-15A.

On November 14, 2013, the California Department of Finance (DOF) issued its determination on the ROPS 13-14B, excluding certain amounts ($998,336) that were already included on the ROPS 13-14A, but included on 13-14B because of potential payment delays. In addition, the administrative allowance was reduced to $203,696 based on these adjustments.

On June 4, 2013, the Successor Agency received its Finding of Completion pursuant to Section 34179.7 of AB 26 as amended by AB 1484 (collectively the "Dissolution Act"). Once the DOF issues a Finding of Completion, pursuant to Section 34191.5(b) of the Dissolution Act, the Successor Agency is required to prepare a Long-Range Property Management Plan (Plan) that addresses the disposition and use of certain real properties of the former CDC. The Plan must be submitted to the Oversight Board and the DOF for approval no later than 6 months following the issuance of the Finding of Completion to the Successor Agency. On November 5, 2013, the Plan was approved by the Successor Agency and is scheduled for review by the Oversight Board November 21, 2013.

This page left blank intentionally

# REQUIRED SUPPLEMENTARY INFORMATION

OXNARD
CALIFORNIA

**Required Supplementary Information**
**Schedule of Funding Progress**
**For the Year Ended June 30, 2013**
**(Dollars in Thousands)**

## California Public Employee's Retirement System Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL)-Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| **Police** | | | | | | |
| 6/30/10 | $ 186,836 | $ 230,263 | $ 43,427 | 81.1% | $ 23,898 | 181.7% |
| 6/30/11 | $ 199,852 | $ 241,155 | $ 41,303 | 82.9% | $ 24,008 | 172.0% |
| 6/30/12 | $ 212,195 | $ 258,372 | $ 46,177 | 82.1% | $ 23,524 | 196.3% |
| **Miscellaneous** | | | | | | |
| 6/30/10 | $ 272,189 | $ 313,317 | $ 41,128 | 86.9% | $ 52,770 | 77.9% |
| 6/30/11 | $ 286,637 | $ 332,651 | $ 46,014 | 86.2% | $ 49,433 | 93.1% |
| 6/30/12 | $ 299,531 | $ 347,813 | $ 48,282 | 86.1% | $ 49,497 | 97.5% |

* Fire amounts reflect total risk pool valuations and liabilities.

## Public Agency Retirement System Retirement Enhancement Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL)-Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 7/1/05 | $ 7,357 | $ 32,328 | $ 24,971 | 22.76% | $ 33,043 | 75.57% |
| 7/1/07 | $ 16,294 | $ 41,103 | $ 24,809 | 39.64% | $ 42,159 | 58.85% |
| 6/30/11 | $ 32,859 | $ 71,388 | $ 38,529 | 46.00% | $ 40,114 | 95.30% |

See independent auditors' report.

**Required Supplementary Information**
**Schedule of Funding Progress**
**For the Year Ended June 30, 2013**
**(Dollars in Thousands)**

## Other Post Employment Benefit – CalPERS Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL)- Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 7/1/07 | $ - | $ 23,751 | $ 23,751 | 0% | $ 86,730 | 27.4% |
| 7/1/09 | $ - | $ 11,081 | $ 11,081 | 0% | $ 85,873 | 12.9% |
| 7/1/11 | $ - | $ 12,772 | $ 12,772 | 0% | $ 82,501 | 15.5% |

See independent auditors' report.

**City of Oxnard, California**
**General Fund**
**Budgetary Comparison Schedule**
**For the Fiscal Year Ended June 30, 2013**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes: | | | | |
| Property | $ 40,198,000 | $ 40,198,000 | $ 41,224,088 | $ 1,026,088 |
| Sales | 36,245,000 | 36,245,000 | 35,156,013 | (1,088,987) |
| Transient occupancy | 3,621,000 | 3,621,000 | 3,826,954 | 205,954 |
| Business license (net of refund) | 4,775,000 | 4,775,000 | 4,562,692 | (212,308) |
| Franchise | 3,558,000 | 3,558,000 | 3,842,351 | 284,351 |
| Other taxes | 515,000 | 515,000 | 748,284 | 233,284 |
| Licenses and permits | 1,984,000 | 1,984,000 | 1,862,813 | (121,187) |
| Intergovernmental | 13,050,956 | 13,050,956 | 13,127,768 | 76,812 |
| Charges for services | 11,023,518 | 11,023,518 | 8,710,647 | (2,312,871) |
| Fines and forfeitures | 653,000 | 653,000 | 487,297 | (165,703) |
| Investment earnings | 306,000 | 306,000 | 15,104 | (290,896) |
| Miscellaneous | 3,956,000 | 3,956,000 | 3,408,890 | (547,110) |
| Total revenues | 119,885,474 | 119,885,474 | 116,972,901 | (2,912,573) |
| **EXPENDITURES** | | | | |
| General government: | | | | |
| Legislative | | | | |
| City council | 343,327 | 343,327 | 336,910 | 6,417 |
| City treasurer | 1,173,964 | 1,173,964 | 1,189,011 | (15,047) |
| City clerk | 418,125 | 418,125 | 586,305 | (168,180) |
| Administrative and support services | | | | |
| City manager | 1,557,120 | 1,677,120 | 1,574,816 | 102,304 |
| City attorney | 1,463,006 | 1,463,006 | 1,321,386 | 141,620 |
| Financial services | 3,426,077 | 3,426,077 | 3,154,562 | 271,515 |
| Human resources | 965,090 | 965,090 | 1,150,120 | (185,030) |
| Non-departmental | 1,204,481 | 1,307,703 | 749,695 | 558,008 |
| Public safety: | | | | |
| Police | 51,729,240 | 53,590,027 | 51,705,477 | 1,884,550 |
| Fire | 14,880,400 | 15,225,057 | 16,885,807 | (1,660,750) |
| Transportation | 4,645,333 | 4,929,257 | 4,032,023 | 897,234 |
| Community development: | | | | |
| Development services | 5,421,654 | 5,421,654 | 5,218,285 | 203,369 |
| Economic development and tourism service | 912,748 | 912,748 | 908,351 | 4,397 |
| Housing services | 195,492 | 195,492 | 298,113 | (102,621) |
| Community services | 3,355,628 | 3,559,901 | 2,735,021 | 824,880 |
| Culture and leisure: | | | | |
| Recreation services | 4,456,564 | 4,606,190 | 4,464,240 | 141,950 |
| Park and public grounds | 8,286,124 | 8,326,124 | 7,879,564 | 446,560 |
| Library services | 4,272,386 | 4,347,386 | 4,305,466 | 41,920 |
| Capital outlay | 775,000 | 11,867,185 | 7,198,960 | 4,668,225 |
| Total expenditures | 109,481,759 | 123,755,433 | 115,694,112 | 8,061,321 |
| Excess (deficiency) of revenues over expenditures | 10,403,715 | (3,869,959) | 1,278,789 | 5,148,748 |
| Other financing sources (uses) | | | | |
| Transfers in | 37,000 | 37,000 | 132,580 | 95,580 |
| Transfers out | (5,429,175) | (5,530,060) | (5,424,980) | 105,080 |
| Net other financing sources (uses) | (5,392,175) | (5,493,060) | (5,292,400) | 200,660 |
| Net change in fund balances | 5,011,540 | (9,363,019) | (4,013,611) | 5,349,408 |
| Fund balances, July 1 | 33,760,051 | 33,760,051 | 33,760,051 | - |
| Prior period adjustment | - | - | 2,468,605 | - |
| Fund balances, June 30 | **$ 38,771,591** | **$ 24,397,032** | **$ 32,215,045** | **$ 5,349,408** |

**Notes to Budgetary Comparison Schedule:**

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

See independent auditors' report.

**City of Oxnard**
**Federal & State Grants Special Revenue Funds**
**Budgetary Comparison Schedule**
**For Fiscal Year Ended June 30, 2013**

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | $ 2,310,101 | $ 22,565,978 | $ 15,950,090 | $ (6,615,888) |
| Fines and forfeitures | - | - | 196,546 | 196,546 |
| Interest | - | - | 16,057 | 16,057 |
| Miscellaneous | - | 98,116 | 284,837 | 186,721 |
| Total revenues | 2,310,101 | 22,664,094 | 16,447,530 | (6,216,564) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | - | 1,758 | (1,758) |
| Public safety | - | 9,220,125 | 3,144,071 | 6,076,054 |
| Transportation | - | - | 35 | (35) |
| Community Development | 2,244,445 | 7,015,005 | 3,237,289 | 3,777,716 |
| Culture and leisure | 140,067 | 222,115 | 206,529 | 15,586 |
| Library Services | - | 89,596 | 29,525 | 60,071 |
| Capital Outlay | - | 18,798,853 | 9,418,671 | 9,380,182 |
| Total expenditures | 2,384,512 | 35,345,694 | 16,037,878 | 19,307,816 |
| Excess of revenues over (under) expenditures | (74,411) | (12,681,600) | 409,652 | 13,091,252 |
| Other financing uses: | | | | |
| Transfers in | 85,658 | 100,885 | 100,885 | - |
| Total other financing uses | 85,658 | 100,885 | 100,885 | - |
| Net changes in fund balances | 11,247 | (12,580,715) | 510,537 | 13,091,252 |
| Fund balances-July 1 | (6,386,154) | (6,386,154) | (6,386,154) | - |
| Prior period adjustment | - | - | 62,598 | - |
| Fund balances-June 30 | **$ (6,374,907)** | **$ (18,966,869)** | **$ (5,813,019)** | **$ 13,091,252** |

**Notes to Budgetary Comparison Schedule:**

Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

See independent auditors' report.

# SUPPLEMENTARY INFORMATION

OXNARD
CALIFORNIA

# NON-MAJOR GOVERNMENTAL FUNDS

OXNARD
CALIFORNIA

## Non-Major Governmental Funds
## Special Revenue Funds

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.

**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.

**HUD Home Loan Fund –** This fund is used to account for federal entitlement that is used to provide housing loan to low/moderate income families.

**CDBG Entitlement Fund –** This fund is used to account for community development block grants to develop viable urban communities.

**Public Safety Retirement Fund –** This fund is used to account for voter-approved property tax for public safety uniformed employees' retirement.

**Debt Service Fund –** This fund accounts for the accumulation of resources and payments of principal and interest of the City's general long-tem debt.

**Capital Outlay Fund –** This fund accounts for financing and construction of general government capital projects.

**Community Development Commission Fund –** This fund accounts for tax increments collected.

**Housing Successor Fund –** This fund accounts for Low & Moderate Housing assets.

**Tax Increments Fund –** This fund accounts for Cooperation Agreement transactions.

**State Gas Tax Fund –** This fund is used to account for the allocated share of Gas Tax Revenue. Spending of gas tax is legally restricted to be used for maintenance and improvement of public streets.

**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 –** This fund is used to account for Transportation Development Act revenues and to be used for street maintenance and road improvements, and construction of pedestrian and bike facilities.

**Maintenance Assessment District –** This fund is used to account for assessment revenues and expenditures related to waterways and landscape maintenance of various district areas in the City.

**City of Oxnard, California**
**Combining Balance sheet**
**Non-Major Governmental Funds**
**June 30, 2013**

| | Development Fees Fund | HUD and CDBG Grants Fund | Public Safety Retirement | Debt Service Fund | Capital Outlay Fund | Housing Successor |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 11,257,180 | $ - | $ 5,743,522 | $ 157,775 | $ 2,676,404 | $ 2,553,967 |
| Investments with fiscal agents | - | - | - | 1,768,904 | 3,442,005 | - |
| Accounts and other receivables | 123,374 | 5,625,249 | - | - | - | - |
| Notes receivable | 650,000 | - | - | - | - | 2,050,000 |
| Due from other funds | 5,254,727 | - | - | - | - | - |
| Due from other government | - | - | 278,616 | - | - | - |
| Due from Successor Agency | - | - | - | - | - | 1,906,219 |
| Properties held for resale | - | - | - | - | - | 104,736 |
| **Total assets** | **$ 17,285,281** | **$ 5,625,249** | **$ 6,022,138** | **$ 1,926,679** | **$ 6,118,409** | **$ 6,614,922** |
| **LIABILITIES** | | | | | | |
| Accounts payable | $ 889,262 | $ 113,985 | $ - | $ - | $ 368,208 | $ 253,499 |
| Other liabilities | 167,288 | 83,004 | 382,034 | - | - | - |
| Due to other funds | - | 25,229 | - | - | 152,121 | - |
| Unearned revenues | - | 5,403,031 | - | - | - | 755,842 |
| Total liabilities | 1,056,550 | 5,625,249 | 382,034 | - | 520,329 | 1,009,341 |
| **FUND BALANCES** | | | | | | |
| **Nonspendable:** | | | | | | |
| Property held for resale | - | - | - | - | - | 104,736 |
| Long-term receivable | - | - | - | - | - | 3,200,377 |
| **Restricted for:** | | | | | | |
| Debt service | - | - | - | 1,926,679 | 3,442,005 | - |
| Public safety retirement | - | - | 5,640,104 | - | - | - |
| **Assigned to:** | | | | | | |
| Capital projects | - | - | - | - | 2,156,075 | 2,300,468 |
| Other purposes | 16,228,731 | - | - | - | - | - |
| **Unassigned** | - | - | - | - | - | - |
| Total fund balances | 16,228,731 | - | 5,640,104 | 1,926,679 | 5,598,080 | 5,605,581 |
| **Total liabilities and fund balances** | **$ 17,285,281** | **$ 5,625,249** | **$ 6,022,138** | **$ 1,926,679** | **$ 6,118,409** | **$ 6,614,922** |

**City of Oxnard, California**
**Combining Balance sheet**
**Non-Major Governmental Funds**
**June 30, 2013**

| State Gas Tax | Traffic Safety | Transportation Development Fund | Maintenance Assessment District Fund | Total Non-major Governmental Funds | |
|---|---|---|---|---|---|
| | | | | | **ASSETS** |
| $ 3,763,647 | $ 42,929 | $ 3,354,481 | $ 14,557,987 | $ 44,107,892 | Cash and cash equivalents |
| 2,110,978 | - | - | - | 7,321,887 | Investments with fiscal agents |
| 468 | - | 3,791 | - | 5,752,882 | Accounts and other receivables |
| - | - | - | - | 2,700,000 | Notes receivable |
| - | - | - | - | 5,254,727 | Due from other funds |
| - | 77,404 | - | - | 356,020 | Due from other government |
| - | - | - | - | 1,906,219 | Due from Successor Agency |
| - | - | - | - | 104,736 | Properties held for resale |
| **$ 5,875,093** | **$ 120,333** | **$ 3,358,272** | **$ 14,557,987** | **$ 67,504,363** | **Total assets** |
| | | | | | **LIABILITIES** |
| $ 273,913 | $ - | $ 148,558 | $ 294,946 | $ 2,342,371 | Accounts payable |
| 60,937 | 3,980 | 14,227 | 23,836 | 735,306 | Other liabilities |
| - | - | - | - | 177,350 | Due to other funds |
| - | - | 2,419,108 | - | 8,577,981 | Unearned revenues |
| 334,850 | 3,980 | 2,581,893 | 318,782 | 11,833,008 | Total liabilities |
| | | | | | **FUND BALANCES** |
| | | | | | **Nonspendable:** |
| - | - | - | - | 104,736 | Property held for resale |
| - | - | - | - | 3,200,377 | Long-term receivable |
| | | | | | **Restricted for:** |
| - | - | - | - | 5,368,684 | Debt service |
| - | - | - | - | 5,640,104 | Public safety retirement |
| | | | | | **Assigned to:** |
| - | - | - | - | 4,456,543 | Capital projects |
| - | - | - | - | 16,228,731 | Other purposes |
| 5,540,243 | 116,353 | 776,379 | 14,239,205 | 20,672,180 | **Unassigned** |
| 5,540,243 | 116,353 | 776,379 | 14,239,205 | 55,671,355 | Total fund balances |
| **$ 5,875,093** | **$ 120,333** | **$ 3,358,272** | **$ 14,557,987** | **$ 67,504,363** | **Total liabilities and fund balances** |

**City of Oxnard, California**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Non-Major Governmental Funds**
**For the Year Ended June 30, 2013**

| | Development Fees Fund | HUD and CDBG Grants Fund | Public Safety Retirement | Debt Service Fund | Capital Outlay Fund | Housing Successor |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Taxes | $ - | $ - | $ 13,924,166 | $ - | $ - | $ - |
| Licenses and permits | 839,489 | - | - | - | - | - |
| Intergovernmental | - | 4,339,567 | - | - | - | - |
| Growth and development fees | 1,828,294 | - | - | - | - | - |
| Charges for services | - | - | - | - | 16,921 | - |
| Fines and forfeitures | - | - | - | - | - | - |
| Interest | (47,976) | - | (67,203) | (6,138) | 18,386 | 26,824 |
| Special assessments | - | - | - | - | - | - |
| Miscellaneous | 328,050 | - | - | - | - | 109,036 |
| Total revenues | 2,947,857 | 4,339,567 | 13,856,963 | (6,138) | 35,307 | 135,860 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | 180,113 | - | - | - | - | - |
| Public safety | 841,975 | 200,001 | 15,483,256 | - | - | - |
| Transportation | 465,577 | - | - | - | - | - |
| Community Development | 1,780,371 | 1,722,366 | - | - | - | 4,513,420 |
| Culture and leisure | 48,830 | 37,940 | - | - | 2,757 | - |
| Capital outlay | 11,781,540 | 2,379,260 | - | - | 1,602,865 | 286,545 |
| Debt service: | | | | | | |
| Principal | - | - | - | 2,896,261 | 555,000 | - |
| Bond issuance cost | - | - | - | 45,002 | - | - |
| Interest and fiscal charges | - | - | - | 1,785,250 | 1,156,350 | - |
| Total expenditures | 15,098,406 | 4,339,567 | 15,483,256 | 4,726,513 | 3,316,972 | 4,799,965 |
| Excess of revenues over (under) expenditures | (12,150,549) | - | (1,626,293) | (4,732,651) | (3,281,665) | (4,664,105) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Issuance of debt | - | - | - | 5,570,838 | 1,232,148 | - |
| Bond premium | - | - | - | 48,238 | - | - |
| Payment to refunded debt escrow agent | - | - | - | (6,197,285) | - | - |
| Transfers in | - | - | - | 5,335,663 | - | - |
| Transfers out | (1,589,187) | - | - | - | (1,021,106) | - |
| Net other financing sources (uses) | (1,589,187) | - | - | 4,757,454 | 211,042 | - |
| Net change in fund balances | (13,739,736) | - | (1,626,293) | 24,803 | (3,070,623) | (4,664,105) |
| Fund balances, July 1 | 29,968,467 | - | 7,266,397 | 1,406,768 | 8,668,703 | 2,154,736 |
| Prior period adjustment | - | - | - | 495,108 | - | 8,114,950 |
| Fund balances, June 30 | **$ 16,228,731** | **$ -** | **$ 5,640,104** | **$ 1,926,679** | **$ 5,598,080** | **$ 5,605,581** |

**City of Oxnard, California**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Non-Major Governmental Funds**
**For the Year Ended June 30, 2013**

| State Gas Tax | Traffic Safety | Transportation Development Fund | Maintenance Assessment Districts Fund | Total Non-major Governmental Funds | |
|---|---|---|---|---|---|
| | | | | | **REVENUES** |
| $ - | $ - | $ - | $ 1,560 | $ 13,925,726 | Taxes |
| - | - | - | - | 839,489 | Licenses and permits |
| 4,720,976 | - | 602,216 | - | 9,662,759 | Intergovernmental |
| - | - | - | - | 1,828,294 | Growth and development fees |
| 429,190 | - | 18,554 | - | 464,665 | Charges for services |
| - | 293,255 | - | - | 293,255 | Fines and forfeitures |
| 32,981 | - | 17,173 | (26,424) | (52,377) | Interest |
| - | - | - | 7,971,903 | 7,971,903 | Special assessments |
| 3,274 | - | 183,588 | 41,422 | 665,370 | Miscellaneous |
| 5,186,421 | 293,255 | 821,531 | 7,988,461 | 35,599,084 | Total revenues |
| | | | | | **EXPENDITURES** |
| | | | | | Current: |
| 16,336 | - | - | 125,899 | 322,348 | General government |
| - | 343,398 | - | 2,586,688 | 19,455,318 | Public safety |
| 4,180,461 | 620 | 716,059 | 264,488 | 5,627,205 | Transportation |
| 214 | - | - | - | 8,016,371 | Community Development |
| - | - | - | 5,112,275 | 5,201,802 | Culture and leisure |
| 802,943 | - | 300,585 | 125,843 | 17,279,581 | Capital outlay |
| | | | | | Debt service: |
| - | - | - | - | 3,451,261 | Principal |
| - | - | - | - | 45,002 | Bond issuance cost |
| - | - | - | - | 2,941,600 | Interest and fiscal charges |
| 4,999,954 | 344,018 | 1,016,644 | 8,215,193 | 62,340,488 | Total expenditures |
| 186,467 | (50,763) | (195,113) | (226,732) | (26,741,404) | Excess of revenues over (under) expenditures |
| | | | | | **OTHER FINANCING SOURCES (USES)** |
| - | - | - | - | 6,802,986 | Issuance of debt |
| - | - | - | - | 48,238 | Bond premium |
| - | - | - | - | (6,197,285) | Payment to refunded debt escrow agent |
| - | 300,000 | - | - | 5,635,663 | Transfers in |
| - | - | - | - | (2,610,293) | Transfers out |
| - | 300,000 | - | - | 3,679,309 | Net other financing sources (uses) |
| 186,467 | 249,237 | (195,113) | (226,732) | (23,062,095) | Net change in fund balances |
| 5,353,776 | (132,884) | 971,492 | 14,465,937 | 70,123,392 | Fund balances, July 1 |
| - | - | - | - | 8,610,058 | Prior period adjustment |
| **$ 5,540,243** | **$ 116,353** | **$ 776,379** | **$ 14,239,205** | **$ 55,671,355** | Fund balances, June 30 |

**City of Oxnard, California**
**Non-Major - Development Fees Special Revenue Funds**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Licenses and permits | $ 755,314 | $ 755,314 | $ 839,489 | $ 84,175 |
| Growth and development fees | 1,808,100 | 1,808,100 | 1,828,294 | 20,194 |
| Interest | 478,720 | 478,720 | (47,976) | (526,696) |
| Miscellaneous | 405,100 | 405,100 | 328,050 | (77,050) |
| Total revenues | 3,447,234 | 3,447,234 | 2,947,857 | (499,377) |
| **EXPENDITURES** | | | | |
| General government | 120,620 | 120,620 | 180,113 | (59,493) |
| Public safety | 796,006 | 796,006 | 841,975 | (45,969) |
| Transportation | 168,000 | 168,000 | 465,577 | (297,577) |
| Community development | - | 1,523,137 | 1,780,371 | (257,234) |
| Culture and leisure | - | - | 48,830 | (48,830) |
| Capital Outlay | 1,770,162 | 25,299,484 | 11,781,540 | 13,517,944 |
| Total expenditures | 2,854,788 | 27,907,247 | 15,098,406 | 12,808,841 |
| Excess (deficiency) of revenues over expenditures | 592,446 | (24,460,013) | (12,150,549) | 12,309,464 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (1,788,471) | (1,788,471) | (1,589,187) | 199,284 |
| Total other financing sources (uses) | (1,788,471) | (1,788,471) | (1,589,187) | 199,284 |
| Net change in fund balances | (1,196,025) | (26,248,484) | (13,739,736) | 12,508,748 |
| Fund balance, July 1 | 29,968,467 | 29,968,467 | 29,968,467 | - |
| **Fund balance, June 30** | **$ 28,772,442** | **$ 3,719,983** | **$ 16,228,731** | **$ 12,508,748** |

**City of Oxnard**
**Non-Major - CDBG & HUD**
**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amount | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | $ 3,071,307 | $ 3,071,307 | $ 4,339,567 | $ 1,268,260 |
| Total revenues | 3,071,307 | 3,071,307 | 4,339,567 | 1,268,260 |
| **EXPENDITURES** | | | | |
| Public safety | 200,000 | 200,000 | 200,001 | (1) |
| Community Development | 1,355,953 | 2,055,290 | 1,722,366 | 332,924 |
| Culture and leisure | 37,940 | 37,940 | 37,940 | - |
| Capital Outlay | 1,477,414 | 3,083,555 | 2,379,260 | 704,295 |
| Total expenditures | 3,071,307 | 5,376,785 | 4,339,567 | 1,037,218 |
| Excess(deficiency) of revenues over (under) expenditures | - | (2,305,478) | - | 2,305,478 |
| Net change in fund balances | - | (2,305,478) | - | 2,305,478 |
| Fund balances-July 1 | - | - | - | - |
| Fund balances-June 30 | **$ -** | **$ (2,305,478)** | **$ -** | **$ 2,305,478** |

**City of Oxnard, California**
**Non-Major - Public Safety Retirement**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 13,516,600 | $ 13,516,600 | $ 13,924,166 | $ 407,566 |
| Investment income | - | - | (67,203) | (67,203) |
| Total revenues | 13,516,600 | 13,516,600 | 13,856,963 | 340,363 |
| **EXPENDITURES** | | | | |
| Public safety | 15,878,249 | 15,878,249 | 15,483,256 | 394,993 |
| Total expenditures | 15,878,249 | 15,878,249 | 15,483,256 | 394,993 |
| Excess (deficiency) of revenues over (under) expenditures | (2,361,649) | (2,361,649) | (1,626,293) | 735,356 |
| Net change in fund balances | (2,361,649) | (2,361,649) | (1,626,293) | 735,356 |
| Fund balance, July 1 | 7,266,397 | 7,266,397 | 7,266,397 | - |
| **Fund balance, June 30** | **$ 4,904,748** | **$ 4,904,748** | **$ 5,640,104** | **$ 735,356** |

**City of Oxnard**
**Non-Major - Debt Service Funds**
**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**
**For Fiscal Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amount | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Interest | $ 31,413 | $ 31,413 | $ (6,138) | $ (37,551) |
| Total revenues | 31,413 | 31,413 | (6,138) | (37,551) |
| **EXPENDITURES** | | | | |
| Debt Service: | | | | |
| Principal | 3,265,684 | 3,265,684 | 2,896,261 | 369,423 |
| Bond issuance cost | - | - | 45,002 | (45,002) |
| Interest | 2,950,269 | 2,950,269 | 1,785,250 | 1,165,019 |
| Total expenditures | 6,215,953 | 6,215,953 | 4,726,513 | 1,489,440 |
| Excess(deficiency) of revenues over (under) expenditures | (6,184,540) | (6,184,540) | (4,732,651) | 1,451,889 |
| **OTHER FINANCING SOURCES(USES)** | | | | |
| Bond issuance | - | - | 5,570,838 | 5,570,838 |
| Bond premium | - | - | 48,238 | 48,238 |
| Payment to refunded debt escrow agent | - | - | (6,197,285) | (6,197,285) |
| Transfers in | 6,035,798 | 6,035,798 | 5,335,663 | (700,135) |
| Total other financing uses | 6,035,798 | 6,035,798 | 4,757,454 | (1,278,344) |
| Net changes in fund balances | (148,742) | (148,742) | 24,803 | 173,545 |
| Fund balance-July 1 | 1,406,768 | 1,406,768 | 1,406,768 | - |
| Prior period adjustment | - | - | 495,108 | - |
| **Fund balance-June 30** | **$ 1,258,026** | **$ 1,258,026** | **$ 1,926,679** | **$ 173,545** |

**City Of Oxnard, California**
**Non-Major - Capital Outlay Funds**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Interest | $ - | $ - | $ 18,386 | $ 18,386 |
| Charges for services | - | - | 16,921 | 16,921 |
| Total revenues | - | - | 35,307 | 35,307 |
| **EXPENDITURES** | | | | |
| Culture and leisure | - | - | 2,757 | (2,757) |
| Capital Outlay | - | 4,748,959 | 1,602,865 | 3,146,094 |
| Debt service: | - | 3,029,536 | - | 3,029,536 |
| Principal | - | - | 555,000 | (555,000) |
| Interest | - | - | 1,156,350 | (1,156,350) |
| Total expenditures | - | 7,778,495 | 3,316,972 | 4,461,523 |
| Excess (deficiency) of revenues over(under) expenditures | - | (7,778,495) | (3,281,665) | 4,496,830 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Operating transfers out | - | - | (1,021,106) | (1,021,106) |
| Proceeds from sale of bonds | - | 1,719,423 | 1,232,148 | (487,275) |
| Total other financing sources (uses) | - | 1,719,423 | 211,042 | (1,508,381) |
| Net change in fund balances | - | (6,059,072) | (3,070,623) | 2,988,449 |
| **Fund balance, July 1** | 8,668,703 | 8,668,703 | 8,668,703 | - |
| **Fund balance, June 30** | **$ 8,668,703** | **$ 2,609,631** | **$ 5,598,080** | **$ 2,988,449** |

**City Of Oxnard, California**
**Non-Major - Housing Successor**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Interest | $ - | $ - | $ 26,824 | $ 26,824 |
| Miscellaneous | - | - | 109,036 | 109,036 |
| Total revenues | - | - | 135,860 | 135,860 |
| **EXPENDITURES** | | | | |
| Community development | - | - | 4,513,420 | (4,513,420) |
| Capital Outlay | - | - | 286,545 | (286,545) |
| Total expenditures | - | - | 4,799,965 | (4,799,965) |
| Excess (deficiency) of revenues over(under) expenditures | - | - | (4,664,105) | (4,664,105) |
| Net change in fund balances | - | - | (4,664,105) | (4,664,105) |
| Fund balance, July 1 | 2,154,736 | 2,154,736 | 2,154,736 | - |
| Prior period adjustment | - | - | 8,114,950 | - |
| **Fund balance, June 30** | **$ 2,154,736** | **$ 2,154,736** | **$ 5,605,581** | **$ (4,664,105)** |

**City of Oxnard, California**
**Non-Major - State Gas Tax Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | $ 5,330,000 | $ 5,330,000 | $ 4,720,976 | $ (609,024) |
| Charges for services | 193,800 | 193,800 | 429,190 | 235,390 |
| Interest | 34,400 | 34,400 | 32,981 | (1,419) |
| Miscellaneous | 2,700 | 2,700 | 3,274 | 574 |
| Total revenues | 5,560,900 | 5,560,900 | 5,186,421 | (374,479) |
| **EXPENDITURES** | | | | |
| General government | 12,125 | 12,125 | 16,336 | (4,211) |
| Transportation | 4,357,478 | 4,359,478 | 4,180,461 | 179,017 |
| Community development | 9,400 | 9,400 | 214 | 9,186 |
| Capital Outlay | 960,000 | 1,991,537 | 802,943 | 1,188,594 |
| Total expenditures | 5,339,003 | 6,372,540 | 4,999,954 | 1,372,586 |
| Excess(deficiency) of revenues over(under) expenditures | 221,897 | (811,640) | 186,467 | 998,107 |
| Net change in fund balances | 221,897 | (811,640) | 186,467 | 998,107 |
| Fund balance, July 1 | 5,353,776 | 5,353,776 | 5,353,776 | - |
| **Fund balance, June 30** | **$ 5,575,673** | **$ 4,542,136** | **$ 5,540,243** | **$ 998,107** |

**City of Oxnard, California**
**Non-Major - Traffic Safety**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Charges for services | $ 10,000 | $ 10,000 | $ - | $ (10,000) |
| Fines and forfeitures | 400,000 | 400,000 | 293,255 | (106,745) |
| Total revenues | 410,000 | 410,000 | 293,255 | (116,745) |
| **EXPENDITURES** | | | | |
| Public safety | 295,801 | 295,801 | 343,398 | (47,597) |
| Transportation | - | - | 620 | (620) |
| Total expenditures | 295,801 | 295,801 | 344,018 | (48,217) |
| Excess(deficiency) of revenues over(under) expenditures | 114,199 | 114,199 | (50,763) | (164,962) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 300,000 | 300,000 | 300,000 | - |
| Total other financing sources (uses) | 300,000 | 300,000 | 300,000 | - |
| Net change in fund balances | 414,199 | 414,199 | 249,237 | (164,962) |
| Fund balance, July 1 | (132,884) | (132,884) | (132,884) | - |
| **Fund balance, June 30** | **$ 281,315** | **$ 281,315** | **$ 116,353** | **$ (164,962)** |

**City of Oxnard, California**
**Non-Major - Transportation Development**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | $ 494,300 | $ 494,300 | $ 602,216 | $ 107,916 |
| Charges for services | 45,300 | 45,300 | 18,554 | (26,746) |
| Interest | 14,800 | 14,800 | 17,173 | 2,373 |
| Miscellaneous | 168,600 | 168,600 | 183,588 | 14,988 |
| Total revenues | 723,000 | 723,000 | 821,531 | 98,531 |
| **EXPENDITURES** | | | | |
| Transportation | 660,659 | 660,659 | 716,059 | (55,400) |
| Capital Outlay | 50,000 | 517,274 | 300,585 | 216,689 |
| Total expenditures | 710,659 | 1,177,933 | 1,016,644 | 161,289 |
| Excess(deficiency) of revenues over(under) expenditures | 12,341 | (454,933) | (195,113) | 259,820 |
| Net change in fund balances | 12,341 | (454,933) | (195,113) | 259,820 |
| Fund balance, July 1 | 971,492 | 971,492 | 971,492 | - |
| **Fund balance, June 30** | **$ 983,833** | **$ 516,559** | **$ 776,379** | **$ 259,820** |

**City of Oxnard, California**
**Non-Major - Maintenance Assessment District**
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2013**

| | Original Budget | Final Budgeted Amount | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ - | $ - | $ 1,560 | $ 1,560 |
| Interest | 131,383 | 131,383 | (26,424) | (157,807) |
| Special assessments | 8,046,810 | 8,046,810 | 7,971,903 | (74,907) |
| Miscellaneous | 23,400 | 23,400 | 41,422 | 18,022 |
| Total revenues | 8,201,593 | 8,201,593 | 7,988,461 | (213,132) |
| **EXPENDITURES** | | | | |
| General government | 131,009 | 131,009 | 125,899 | 5,110 |
| Public safety | 2,189,006 | 2,455,737 | 2,586,688 | (130,951) |
| Transportation | 760,285 | 768,764 | 264,488 | 504,276 |
| Culture and leisure | 4,733,938 | 4,794,758 | 5,112,275 | (317,517) |
| Capital Outlay | 395,000 | 1,395,000 | 125,843 | 1,269,157 |
| Total expenditures | 8,209,238 | 9,545,268 | 8,215,193 | (1,330,075) |
| Excess(deficiency) of revenues over(under) expenditures | (7,645) | (1,343,675) | (226,732) | (1,543,207) |
| Net change in fund balances | (7,645) | (1,343,675) | (226,732) | (1,543,207) |
| Fund balance, July 1 | 14,465,937 | 14,465,937 | 14,465,937 | - |
| **Fund balance, June 30** | **$ 14,458,292** | **$ 13,122,262** | **$ 14,239,205** | **$ (1,543,207)** |

This page left blank intentionally

# INTERNAL SERVICE FUNDS

OXNARD
CALIFORNIA

## INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for goods and services provided by one City department to other City department or related entities, generally on a cost recovery basis.

**Public Liability and Property Damage Fund-**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.

**Workers' Compensation Fund-**This fund is used to account for the City's self-insurance program for workers' compensation claims.

**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, Caliornia**
**Statement of Net Position**
**Internal Service Funds**
**June 30, 2013**

| | Public Liability / Property Damage | Worker's Compensation | Utility Customer Service | Information Services | Facilities Maintenance | Equipment Maintenance | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ 4,342,152 | $ 8,645,280 | $ 437,762 | $ 2,148,102 | $ 253,359 | $ 165,607 | $ 15,992,262 |
| Accounts and other receivable (net of allowance for uncollectibles) | 26,304 | - | - | - | 3,758 | - | 30,062 |
| Other assets | - | - | 32,900 | - | - | - | 32,900 |
| Advances to other funds | - | 1,168,481 | - | - | - | - | 1,168,481 |
| **Capital assets:** | | | | | | | |
| Land | 595,500 | - | - | - | - | - | 595,500 |
| Machinery and equipment | 62,621 | 56,827 | 42,507 | 2,095,970 | 638,528 | 746,901 | 3,643,354 |
| Construction in progress | - | - | - | 1,293,043 | - | 447,363 | 1,740,406 |
| Total capital assets | 658,121 | 56,827 | 42,507 | 3,389,013 | 638,528 | 1,194,264 | 5,979,260 |
| Less accumulated depreciation | (54,288) | (56,827) | (42,507) | (1,723,589) | (577,666) | (555,929) | (3,010,806) |
| Net capital assets | 603,833 | - | - | 1,665,424 | 60,862 | 638,335 | 2,968,454 |
| **Total assets** | **4,972,289** | **9,813,761** | **470,662** | **3,813,526** | **317,979** | **803,942** | **20,192,159** |
| **LIABILITIES** | | | | | | | |
| **Current liabilities:** | | | | | | | |
| Accounts payable | 123,188 | 21,933 | 26,207 | 104,726 | 65,334 | 464,789 | 806,177 |
| Other liabilities | 1,409 | 8,923 | 11,434 | 44,322 | 60,490 | 83,168 | 209,746 |
| Capital lease payable - current | - | - | - | - | - | 28,808 | 28,808 |
| Compensated absences payable - current | - | 10,000 | 19,000 | 155,000 | 195,000 | 270,000 | 649,000 |
| Self insurance claims - due within one year | 2,316,272 | 4,231,808 | - | - | - | - | 6,548,080 |
| Total current liabilities | 2,440,869 | 4,272,664 | 56,641 | 304,048 | 320,824 | 846,765 | 8,241,811 |
| **Noncurrent liabilities:** | | | | | | | |
| Compensated absences payable | - | 10,339 | 18,354 | 76,890 | 92,771 | 118,458 | 316,812 |
| Self insurance claims | 1,023,163 | 7,096,550 | - | - | - | - | 8,119,713 |
| Other post employment payable | 106,755 | 11,614 | 39,132 | 82,202 | 116,749 | 145,735 | 502,187 |
| Capital lease payable | - | - | - | - | - | 44,812 | 44,812 |
| Total noncurrent liabilities | 1,129,918 | 7,118,503 | 57,486 | 159,092 | 209,520 | 309,005 | 8,983,524 |
| Total liabilities | **3,570,787** | **11,391,167** | **114,127** | **463,140** | **530,344** | **1,155,770** | **17,225,335** |
| **NET POSITION** | | | | | | | |
| Invested in capital assets, net of related debt | 603,833 | - | - | 1,665,424 | 60,862 | 564,715 | 2,894,834 |
| Unrestricted | 797,669 | (1,577,406) | 356,535 | 1,684,962 | (273,227) | (916,543) | 71,990 |
| Total net position | **$ 1,401,502** | **$ (1,577,406)** | **$ 356,535** | **$ 3,350,386** | **$ (212,365)** | **$ (351,828)** | **$ 2,966,824** |

**City of Oxnard, California**
**Internal Service Funds**
**Combining Statement of Revenues, Expenses and Changes in Net Position**
**For Fiscal Year Ended June 30, 2013**

| | Public Liability/ Property Damage | Worker's Compensation | Utility Customer Services | Information Services | Facilities Maintenance | Equipment Maintenance | Total |
|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES:** | | | | | | | |
| Charges for services | $ 2,815,449 | $ 5,573,074 | $ 1,506,113 | $ 3,789,329 | $ 3,568,744 | $ 9,586,628 | $ 26,839,337 |
| Total operating income | 2,815,449 | 5,573,074 | 1,506,113 | 3,789,329 | 3,568,744 | 9,586,628 | 26,839,337 |
| **OPERATING EXPENSES:** | | | | | | | |
| Salaries and wages | 59,393 | 334,945 | 524,445 | 1,869,362 | 2,513,485 | 3,549,430 | 8,851,060 |
| Contractual services | 213,720 | 409,944 | 74,680 | 48,532 | 111,820 | 131,339 | 990,035 |
| Operating supplies | - | - | - | 243,477 | 271,582 | 4,743,442 | 5,258,501 |
| Utilities | - | 2,496 | 8,158 | 928,955 | 589,840 | 21,667 | 1,551,116 |
| Depreciation | 1,667 | 603 | 480 | 168,087 | 29,241 | 60,662 | 260,740 |
| General and administrative | 262,956 | 450,362 | 913,716 | 362,741 | 249,508 | 491,040 | 2,730,323 |
| Repairs and maintenance | 15,689 | 24,612 | 14,997 | 413,755 | 106,232 | 824,332 | 1,399,617 |
| Claims expenses | 2,607,311 | 6,505,227 | - | - | - | - | 9,112,538 |
| **Total operating expenses** | 3,160,736 | 7,728,189 | 1,536,476 | 4,034,909 | 3,871,708 | 9,821,912 | 30,153,930 |
| **Operating income (loss)** | (345,287) | (2,155,115) | (30,363) | (245,580) | (302,964) | (235,284) | (3,314,593) |
| **NON-OPERATING REVENUES (EXPENSES):** | | | | | | | |
| Interest income | (26,869) | (53,782) | 1,200 | (25,146) | 2,857 | 1,514 | (100,226) |
| Interest (expense) | - | - | - | - | - | (2,697) | (2,697) |
| **Total non-operating revenues (expenses)** | (26,869) | (53,782) | 1,200 | (25,146) | 2,857 | (1,183) | (102,923) |
| **Income (loss) before contributions and transfers** | (372,156) | (2,208,897) | (29,163) | (270,726) | (300,107) | (236,467) | (3,417,516) |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| **Changes in net assets** | (372,156) | (2,208,897) | (29,163) | (270,726) | (300,107) | (236,467) | (3,417,516) |
| Net Position - July 1 | 1,773,658 | (456,990) | 385,698 | 3,621,112 | 87,742 | (115,361) | 5,295,859 |
| Prior period adjustment | - | 1,088,481 | - | - | - | - | 1,088,481 |
| **Net Position - June 30** | **$ 1,401,502** | **$ (1,577,406)** | **$ 356,535** | **$ 3,350,386** | **$ (212,365)** | **$ (351,828)** | **$ 2,966,824** |

**City of Oxnard, California**
**Internal Service Funds**
**Combining Statement of Cash Flows**
**For the Year Ended June 30, 2013**

| | Public Liability/ Property Damage | Worker's Compensation | Utility Customer Service | Information Services | Facilities Maintenance | Equipment Maintenance | Total |
|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities :** | | | | | | | |
| Receipts from customers | $ 2,835,020 | $ 5,592,791 | $ 1,506,113 | $ 3,789,329 | $ 3,569,854 | $ 9,586,628 | $ 26,879,735 |
| Payments to suppliers | (374,885) | (873,213) | (1,044,062) | (2,105,897) | (1,298,343) | (5,829,331) | (11,525,731) |
| Payments to employees | (59,393) | (329,743) | (511,406) | (1,860,385) | (2,488,455) | (3,515,898) | (8,765,280) |
| Claims paid | (2,989,182) | (3,393,263) | - | - | - | - | (6,382,445) |
| Net cash flows from operating activities | **(588,440)** | **996,572** | **(49,355)** | **(176,953)** | **(216,944)** | **241,399** | **206,279** |
| **Cash flows from capital financing activities:** | | | | | | | |
| Acquisitions(Disposals) of capital assets | (10,000) | - | - | 0 | (5,049) | (47,891) | (62,940) |
| Interest paid on long-term debt | - | - | - | - | - | (2,697) | (2,697) |
| Principal paid on long-term debt | - | - | - | - | - | (27,984) | (27,984) |
| Net cash flows from capital financing activities | (10,000) | - | - | - | (5,049) | (78,572) | (93,621) |
| **Cash flows from investing activities:** | | | | | | | |
| Interest on investments | (26,869) | (53,782) | 1,200 | (25,146) | 2,857 | 1,514 | (100,226) |
| Cash flows from investing acitivities | (26,869) | (53,782) | 1,200 | (25,146) | 2,857 | 1,514 | (100,226) |
| Net increase (decrease) in cash and cash equivalents | (625,309) | 942,790 | (48,155) | (202,099) | (219,136) | 164,341 | 12,432 |
| Cash and cash equivalents-July 1 | 4,967,461 | 7,702,490 | 485,917 | 2,350,201 | 472,495 | 1,266 | 15,979,830 |
| **Cash and cash equivalents-June 30** | **$ 4,342,152** | **$ 8,645,280** | **$ 437,762** | **$ 2,148,102** | **$ 253,359** | **$ 165,607** | **$ 15,992,262** |
| | | | | | | | |
| Reconciliation of operating income (loss) to net cash used by operating activities: | | | | | | | |
| Operating income (loss) | $ (345,287) | $ (2,155,115) | $ (30,363) | $ (245,580) | $ (302,964) | $ (235,284) | $ (3,314,593) |
| **Adjustment to reconcile operating income to net cash provided by operating activities:** | | | | | | | |
| Depreciation and amortization | 1,667 | 603 | 480 | 168,087 | 29,241 | 60,662 | 260,740 |
| Loss on Disposal of Capital Assets | | | | | | | |
| **Changes in assets and liabilities:** | | | | | | | |
| Decrease (increase) in accounts receivable | 19,571 | 19,717 | 0 | 0 | 1,110 | 0 | 40,398 |
| Increase (decrease) in accounts payable | 117,480 | 14,201 | (32,511) | (108,437) | 30,639 | 382,489 | 403,861 |
| Increase (decrease) in self insurance liability | (381,871) | 3,111,964 | 0 | 0 | 0 | 0 | 2,730,093 |
| Increase (decrease) in compensated absences | 0 | 5,202 | 13,039 | 8,977 | 25,030 | 33,532 | 85,780 |
| **Cash flows from operating activities** | **$ (588,440)** | **$ 996,572** | **$ (49,355)** | **$ (176,953)** | **$ (216,944)** | **$ 241,399** | **$ 206,279** |

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

# FIDUCIARY FUNDS

OXNARD
CALIFORNIA

**Fiduciary Funds**
**Statement of Changes in Fiduciary Net Position**
**June 30, 2013**

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 |
|---|---|---|---|---|
| **ARTWORKS FUND** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 52,904 | $ 320 | $ 3 | $ 53,221 |
| **Total Assets** | **$ 52,904** | **$ 320** | **$ 3** | **$ 53,221** |
| **Liabilities:** | | | | |
| Trust and Agency Payables | $ 52,904 | $ 320 | $ 3 | $ 53,221 |
| **Total Liabilities** | **$ 52,904** | **$ 320** | **$ 3** | **$ 53,221** |
| **IMPROVEMENT DISTRICTS FUND** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 5,659,766 | $ 6,278,068 | $ 7,056,329 | $ 4,881,505 |
| Investments with Fiscal Agents | 15,480,457 | 1,546,433 | 1,924,841 | 15,102,049 |
| **Total Assets** | **$ 21,140,223** | **$ 7,824,501** | **$ 8,981,170** | **$ 19,983,554** |
| **Liabilities:** | | | | |
| Trust and Agency Payables | $ 21,140,223 | $ 7,824,501 | $ 8,981,170 | $ 19,983,554 |
| **Total Liabilities** | **$ 21,140,223** | **$ 7,824,501** | **$ 8,981,170** | **$ 19,983,554** |
| **ODMD** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 84,084 | $ 548,532 | $ 617,989 | $ 14,627 |
| **Total Assets** | **$ 84,084** | **$ 548,532** | **$ 617,989** | **$ 14,627** |
| **Liabilities:** | | | | |
| Trust and Agency Payables | $ 84,084 | $ 548,532 | $ 617,989 | $ 14,627 |
| **Total Liabilities** | **$ 84,084** | **$ 548,532** | **$ 617,989** | **$ 14,627** |
| **TOTAL - ALL FIDUCIARY FUNDS** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 5,796,754 | $ 6,826,920 | $ 7,674,321 | $ 4,949,353 |
| Investments with Fiscal Agents | 15,480,457 | 1,546,433 | 1,924,841 | 15,102,049 |
| **Total Assets** | **$ 21,277,211** | **$ 8,373,353** | **$ 9,599,162** | **$ 20,051,402** |
| **Liabilities:** | | | | |
| Trust and Agency Payables | $ 21,277,211 | $ 8,373,353 | $ 9,599,162 | $ 20,051,402 |
| **Total Liabilities** | **$ 21,277,211** | **$ 8,373,353** | **$ 9,599,162** | **$ 20,051,402** |

This page left blank intentionally

# STATISTICAL SECTION

OXNARD
CALIFORNIA

This page left blank intentionally

# City of Oxnard, California

**SCHEDULE I**
Net Position by Component
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| Governmental activities | | | | | |
| Net investment in capital asset | $104,613,981 | $131,874,401 | $1,313,161,486 | $1,329,023,654 | $1,357,202,580 |
| Restricted | 12,510,935 | 16,183,475 | 15,902,180 | 33,774,265 | 48,175,216 |
| Unrestricted | 91,002,589 | 80,742,442 | 95,688,754 | 94,848,663 | 79,025,330 |
| Total governmental activities net position | $208,127,505 | $228,800,318 | $1,424,752,420 | $1,457,646,582 | $1,484,403,126 |
| Business-type activities | | | | | |
| Net investment in capital asset | $59,252,770 | $97,741,991 | $154,777,148 | $225,311,825 | $229,468,962 |
| Restricted | 7,380,620 | 7,696,523 | 13,405,164 | 12,508,465 | 8,782,553 |
| Unrestricted | 159,369,013 | 138,793,254 | 83,556,063 | 46,954,212 | 47,628,743 |
| Total business-type activities net position | $226,002,403 | $244,231,768 | $251,738,375 | $284,774,502 | $285,880,258 |
| Primary government | | | | | |
| Net investment in capital asset | $163,866,751 | $229,616,392 | $1,467,938,634 | $1,554,335,479 | $1,586,671,542 |
| Restricted | 19,891,555 | 23,879,998 | 29,307,344 | 46,282,730 | 56,957,769 |
| Unrestricted | 250,371,602 | 219,535,696 | 179,244,817 | 141,802,875 | 126,654,073 |
| Total primary government net position | $434,129,908 | $473,032,086 | $1,676,490,795 | $1,742,421,084 | $1,770,283,384 |

Source: Finance Department, City of Oxnard

**SCHEDULE I**
Net Position by Component
Last Ten Fiscal Years
*(accrual basis of accounting)*

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2013 | |
| | | | | | Governmental activities |
| $1,371,345,945 | $1,377,784,811 | $1,411,737,702 | $1,386,189,664 | $1,407,060,810 | Net investment in capital asset |
| 12,852,498 | 25,080,711 | 72,142,274 | 18,707,789 | 28,720,391 | Restricted |
| 111,642,569 | 97,095,180 | 41,934,961 | 58,748,720 | 22,539,194 | Unrestricted |
| $1,495,841,012 | $1,499,960,702 | $1,525,814,937 | $1,463,646,173 | $1,458,320,395 | Total governmental activities net position |
| | | | | | Business-type activities |
| $238,066,640 | $250,720,062 | $265,617,506 | $264,692,784 | $285,475,430 | Net investment in capital asset |
| 7,811,268 | 17,706,319 | 18,417,110 | 17,602,552 | 16,577,898 | Restricted |
| 55,267,595 | 38,725,334 | 43,239,167 | 50,315,899 | 34,418,934 | Unrestricted |
| $301,145,503 | $307,151,715 | $327,273,783 | $332,611,235 | $336,472,262 | Total business-type activities net position |
| | | | | | Primary government |
| $1,609,412,585 | $1,628,504,873 | $1,677,355,208 | $1,650,882,448 | $1,692,536,240 | Net investment in capital asset |
| 20,663,766 | 42,787,030 | 90,559,384 | 36,310,341 | 45,298,289 | Restricted |
| 166,910,164 | 135,820,514 | 85,174,128 | 109,064,619 | 56,958,128 | Unrestricted |
| $1,796,986,515 | $1,807,112,417 | $1,853,088,720 | $1,796,257,408 | $1,794,792,657 | Total primary government net position |

**SCHEDULE II**
Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| **Expenses** | | | | | |
| **Governmental activities:** | | | | | |
| General government | $12,911,930 | $13,646,432 | $18,360,819 | $19,130,468 | $21,898,728 |
| Public safety | 58,758,103 | 68,542,046 | 75,789,982 | 80,579,263 | 88,547,776 |
| Transportation | 8,595,630 | 9,912,068 | 10,341,829 | 9,893,618 | 10,847,730 |
| Community development | 18,590,562 | 18,937,934 | 22,614,813 | 19,369,860 | 27,123,076 |
| Culture and leisure | 11,177,403 | 12,018,761 | 15,345,765 | 16,015,957 | 18,162,564 |
| Libraries | 3,940,974 | 3,919,671 | 4,654,234 | 5,025,580 | 5,517,965 |
| Interest on long-term debt | 2,305,762 | 2,299,356 | 1,904,516 | 3,263,821 | 4,701,143 |
| Total governmental activities expenses | 116,280,364 | 129,276,268 | 149,011,958 | 153,278,567 | 176,798,982 |
| **Business-type activities:** | | | | | |
| Water | 23,636,082 | 23,152,648 | 26,636,150 | 30,683,509 | 33,417,143 |
| Wastewater | 18,960,096 | 25,482,133 | 27,939,236 | 29,033,021 | 24,009,381 |
| Environmental resource | 35,070,009 | 37,117,879 | 38,535,592 | 39,817,351 | 45,329,486 |
| Performing arts and convention center | 1,402,812 | 1,565,920 | 1,590,321 | 1,761,156 | 1,829,853 |
| Oxnard housing authority | 24,462,843 | 25,507,125 | 24,724,889 | 23,494,108 | 23,758,739 |
| Municipal golf course | 3,130,165 | 4,028,435 | 3,983,695 | 4,433,702 | 3,794,080 |
| Total business-type activities expenses | 106,662,007 | 116,854,140 | 123,409,883 | 129,222,847 | 132,138,682 |
| Total primary government expenses | $222,942,371 | $246,130,408 | $272,421,841 | $282,501,414 | $308,937,664 |
| **Program Revenues** | | | | | |
| **Governmental activities:** | | | | | |
| Charges for services: | | | | | |
| General government | $8,044,319 | $8,516,015 | $7,864,784 | $17,237,868 | $8,515,014 |
| Public safety | 3,654,740 | 5,306,818 | 6,513,674 | 6,114,255 | 4,921,670 |
| Transportation | 1,455,304 | 2,468,510 | 4,369,882 | 4,217,846 | 4,050,457 |
| Community development | 16,712,568 | 23,822,460 | 24,448,745 | 11,095,658 | 15,030,222 |
| Culture and leisure | 1,772,109 | 2,725,055 | 928,054 | 3,903,705 | 4,401,090 |
| Libraries | 214,559 | 209,622 | 169,339 | 320,939 | 246,576 |
| Operating grants and contributions | 39,370,445 | 20,254,587 | 30,436,511 | 25,025,965 | 23,207,919 |
| Capital grants and contributions | - | - | 16,758,901 | 6,804,709 | 12,902,805 |
| Total governmental activities program revenues | 71,224,044 | 63,303,067 | 91,489,890 | 74,720,945 | 73,275,753 |

Source: Finance Department, City of Oxnard

**SCHEDULE II**
Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2013 | |
| | | | | | **Expenses** |
| | | | | | **Governmental activities:** |
| $19,717,999 | $18,695,220 | $20,845,702 | $18,680,585 | $18,129,124 | General government |
| 86,249,353 | 92,554,917 | 92,702,882 | 98,603,456 | 103,079,427 | Public safety |
| 10,600,127 | 10,321,184 | 10,521,098 | 11,030,990 | 10,331,822 | Transportation |
| 26,989,828 | 32,863,176 | 26,225,688 | 33,705,121 | 21,162,624 | Community development |
| 20,945,072 | 19,016,619 | 19,047,037 | 18,858,694 | 19,334,566 | Culture and leisure |
| 5,341,028 | 5,176,704 | 5,230,252 | 5,203,318 | 4,916,628 | Libraries |
| 6,519,008 | 5,583,856 | 5,503,330 | 3,532,902 | 2,973,016 | Interest on long-term debt |
| 176,362,415 | 184,211,676 | 180,075,989 | 189,615,066 | 179,927,207 | Total governmental activities expenses |
| | | | | | **Business-type activities:** |
| 29,837,359 | 36,797,806 | 34,062,940 | 37,910,096 | 44,762,850 | Water |
| 22,337,575 | 24,205,554 | 23,052,505 | 29,078,392 | 34,396,819 | Wastewater |
| 41,117,534 | 39,296,115 | 41,405,568 | 41,581,865 | 40,601,250 | Environmental resource |
| 1,799,861 | 1,651,658 | 1,606,129 | 1,587,496 | 1,534,353 | Performing arts and convention center |
| 26,153,807 | 25,259,519 | 24,911,450 | 24,398,669 | 25,397,453 | Oxnard housing authority |
| 7,601,054 | 4,507,360 | 6,104,614 | 6,048,938 | 6,150,325 | Municipal golf course |
| 128,847,190 | 131,718,012 | 131,143,206 | 140,605,456 | 152,843,050 | Total business-type activities expenses |
| $305,209,605 | $315,929,688 | $311,219,195 | $330,220,522 | $332,770,257 | Total primary government expenses |
| | | | | | **Program Revenues** |
| | | | | | **Governmental activities:** |
| | | | | | Charges for services: |
| $9,765,771 | $10,203,810 | $8,422,050 | $9,471,575 | $8,408,578 | General government |
| 5,017,708 | 4,202,162 | 4,246,985 | 4,426,984 | 4,460,425 | Public safety |
| 4,042,492 | 5,068,843 | 2,131,535 | 2,145,431 | 3,152,660 | Transportation |
| 11,825,981 | 6,366,499 | 7,198,058 | 12,576,655 | 4,316,880 | Community development |
| 5,273,551 | 5,237,167 | 5,037,380 | 5,605,866 | 4,667,879 | Culture and leisure |
| 260,577 | 428,872 | 399,582 | 378,004 | 427,152 | Libraries |
| 25,875,331 | 24,380,018 | 27,293,717 | 30,155,325 | 27,406,424 | Operating grants and contributions |
| 9,420,033 | 17,106,111 | 35,331,568 | 16,598,931 | 8,313,758 | Capital grants and contributions |
| 71,481,444 | 72,993,482 | 90,060,875 | 81,358,771 | 61,153,756 | Total governmental activities program revenues |

**SCHEDULE II**
Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| **Business-type activities:** | | | | | |
| Charges for services: | | | | | |
| Water | $28,401,190 | $34,334,436 | $32,150,667 | $36,855,486 | $35,378,947 |
| Wastewater | 23,532,305 | 33,709,319 | 26,139,278 | 24,503,133 | 27,621,114 |
| Environmental resource | 32,965,746 | 36,071,999 | 36,704,264 | 40,122,057 | 42,795,069 |
| Performing arts and convention center | 371,553 | 468,732 | 483,475 | 517,766 | 485,548 |
| Oxnard housing authority | 23,024,813 | 21,411,579 | 23,197,945 | 23,137,523 | 23,785,335 |
| Municipal golf course | 7,487,215 | 3,119,621 | 3,899,645 | 3,999,148 | 3,234,074 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions | - | - | 1,306,910 | - | - |
| Total business-like activities program revenues | 115,782,822 | 129,115,686 | 123,882,184 | 129,135,113 | 133,300,087 |
| Total primary government program revenues | $187,006,866 | $192,418,753 | $215,372,074 | $203,856,058 | $206,575,840 |
| Net (expense) revenue | | | | | |
| Governmental activities | (45,056,320) | (65,973,201) | (57,522,068) | (78,557,622) | (103,523,229) |
| Business-like activities | 9,120,815 | 12,261,546 | 472,301 | (87,734) | 1,161,405 |
| Total primary government net expense | ($35,935,505) | ($53,711,655) | ($57,049,767) | ($78,645,356) | ($102,361,824) |
| **General Revenues and Other Changes in Net Position** | | | | | |
| **Governmental activities:** | | | | | |
| Taxes | | | | | |
| Property taxes | $35,245,432 | $49,096,920 | $58,537,770 | $68,429,117 | $75,726,666 |
| Sales taxes | 22,772,358 | 23,212,641 | 23,985,182 | 25,783,808 | 24,205,622 |
| Transient occupancy taxes | 2,222,553 | 2,445,468 | 3,309,716 | 3,550,903 | 3,618,611 |
| Franchise taxes | 3,718,917 | 4,572,206 | 3,914,317 | 3,686,627 | 3,986,567 |
| Deed transfer taxes | 1,159,215 | 1,196,393 | 1,230,768 | 880,370 | 860,378 |
| Business license taxes | 4,386,245 | 3,967,972 | 4,470,841 | 4,504,455 | 4,662,658 |
| Penalties on delinquent taxes | 181,655 | 126,250 | 132,403 | 129,679 | 123,956 |
| Investment earnings | 4,547,276 | 3,911,106 | 4,860,461 | 6,653,231 | 7,561,978 |
| Sale of capital assets | - | - | 7,146,270 | - | 4,351,772 |
| Transfers | (1,778,579) | (1,882,942) | (2,280,393) | (2,166,406) | 5,181,566 |
| Extraordinary loss | - | - | - | - | - |
| Contributions to other government | - | - | - | - | - |
| Total governmental activities | 72,455,072 | 86,646,014 | 105,307,335 | 111,451,784 | 130,279,774 |
| **Business-type activities:** | | | | | |
| Investment earnings | 2,080,206 | 4,486,577 | 4,753,913 | 7,480,785 | 5,125,917 |
| Sale of capital assets | - | - | - | 23,476,670 | - |
| Transfers | 1,488,793 | 1,481,242 | 2,280,393 | 2,166,406 | (5,181,566) |
| Total business-type activities | 3,568,999 | 5,967,819 | 7,034,306 | 33,123,861 | (55,649) |
| Total primary program | $76,024,071 | $92,613,833 | $112,341,641 | $144,575,645 | $130,224,125 |
| **Change in Net Position** | | | | | |
| Governmental activities | 27,398,752 | 20,672,813 | 47,785,267 | 32,894,162 | 26,756,545 |
| Business-type activities | 12,689,814 | 18,229,365 | 7,506,607 | 33,036,127 | 1,105,756 |
| Total primary government | $40,088,566 | $38,902,178 | $55,291,874 | $65,930,289 | $27,862,301 |

Source: Finance Department, City of Oxnard

**SCHEDULE II**
Changes in Net Position
Last Ten Fiscal Years
*(accrual basis of accounting)*

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2013 | |
| | | | | | **Business-type activities:** |
| | | | | | Charges for services: |
| $38,477,754 | $38,439,653 | $43,170,566 | $46,769,748 | $51,056,102 | Water |
| 24,846,717 | 22,566,372 | 25,157,094 | 31,528,171 | 30,998,260 | Wastewater |
| 39,695,711 | 40,468,627 | 45,047,154 | 44,217,775 | 42,535,271 | Environmental resource |
| 483,371 | 513,857 | 439,653 | 545,270 | 483,778 | Performing arts and convention center |
| 6,105,106 | 4,686,681 | 4,786,715 | 5,157,388 | 5,173,132 | Oxnard housing authority |
| 4,398,074 | 4,278,241 | 3,905,224 | 4,063,299 | 4,157,668 | Municipal golf course |
| 19,635,556 | 20,781,204 | 20,524,235 | 18,727,259 | 18,595,158 | Operating grants and contributions |
| 543,140 | 192,400 | 2,308,206 | 1,002,582 | 966,935 | Capital grants and contributions |
| 134,185,429 | 131,927,035 | 145,338,847 | 152,011,492 | 153,966,304 | Total business-like activities program revenues |
| $205,666,873 | $204,920,517 | $235,399,722 | $233,370,263 | $215,120,060 | Total primary government program revenues |
| | | | | | Net (expense) revenue |
| (104,880,971) | (111,218,194) | (90,015,114) | (108,256,295) | (118,773,451) | Governmental activities |
| 5,338,239 | 209,023 | 14,195,641 | 11,406,036 | 1,123,254 | Business-like activities |
| ($99,542,732) | ($111,009,171) | ($75,819,473) | ($96,850,259) | ($117,650,197) | Total primary government net expense |
| | | | | | **General Revenues and Other Changes in Net Position** |
| | | | | | **Governmental activities:** |
| | | | | | Taxes |
| $76,681,392 | $72,817,719 | $71,118,203 | $63,176,888 | $55,148,254 | Property taxes |
| 24,043,286 | 28,103,051 | 33,396,737 | 37,453,124 | 35,156,013 | Sales taxes |
| 3,328,803 | 3,061,163 | 3,301,864 | 3,402,793 | 3,826,954 | Transient occupancy taxes |
| 4,635,616 | 3,439,645 | 3,495,532 | 3,435,823 | 3,842,351 | Franchise taxes |
| 573,882 | 509,370 | 528,563 | 412,471 | 628,780 | Deed transfer taxes |
| 5,059,323 | 4,692,615 | 4,412,881 | 6,125,278 | 4,562,692 | Business license taxes |
| 145,945 | 136,565 | 105,158 | 126,609 | 121,064 | Penalties on delinquent taxes |
| 5,556,004 | 2,769,250 | 1,934,083 | 1,354,128 | (21,216) | Investment earnings |
| 59,319 | 694,185 | 141,123 | 57,768 | 119,184 | Sale of capital assets |
| (3,764,713) | (885,679) | (2,564,795) | (2,184,229) | (2,166,145) | Transfers |
| - | - | - | (65,066,037) | | Extraordinary loss |
| - | - | - | (14,627) | | Contributions to other government |
| 116,318,857 | 115,337,884 | 115,869,349 | 48,279,989 | 101,217,931 | Total governmental activities |
| | | | | | **Business-type activities:** |
| 3,299,336 | 1,911,510 | 3,361,632 | 3,168,662 | 2,445,183 | Investment earnings |
| 2,862,957 | - | - | - | | Sale of capital assets |
| 3,764,713 | 885,679 | 2,564,795 | 2,184,229 | 2,166,145 | Transfers |
| 9,927,006 | 2,797,189 | 5,926,427 | 5,352,891 | 4,611,328 | Total business-type activities |
| $126,245,863 | $118,135,073 | $121,795,776 | $53,632,880 | $105,829,259 | Total primary program |
| | | | | | **Change in Net Position** |
| 11,437,886 | 4,119,690 | 25,854,235 | (59,976,306) | (17,555,520) | Governmental activities |
| 15,265,245 | 3,006,212 | 20,122,068 | 16,758,927 | 5,734,582 | Business-type activities |
| $26,703,131 | $7,125,902 | $45,976,303 | ($43,217,379) | ($11,820,938) | Total primary government |

Source: Finance Department, City of Oxnard

# City of Oxnard, California

**SCHEDULE III**
Fund Balances of Governmental Funds
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund | | | | | |
| Reserved | $ 1,180,342 | $ 4,201,060 | $ 3,658,849 | $ 3,573,245 | $ 344,987 |
| Unreserved | 25,398,644 | 19,197,335 | 23,523,456 | 21,424,406 | 20,108,117 |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total general fund | $26,578,986 | $23,398,395 | $27,182,305 | $24,997,651 | $20,453,104 |
| All other governmental funds | | | | | |
| Reserved | $ 11,330,593 | $ 11,982,415 | $ 12,243,331 | $ 30,201,020 | $ 11,148,128 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 55,595,303 | 53,104,087 | 58,172,246 | 51,516,503 | 61,096,986 |
| Capital projects funds | 21,790,919 | 22,103,670 | 26,320,799 | 47,966,047 | 81,877,539 |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total all other governmental funds | $88,716,815 | $87,190,172 | $96,736,376 | $129,683,570 | $154,122,653 |

Note: Effective fiscal year 2011, City implemented GASB54, new classification of fund balances.

Source: Finance Department, City of Oxnard

# City of Oxnard, California

**SCHEDULE III**
Fund Balances of Governmental Funds
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2013 | |
| | | | | | General Fund |
| $ - | $ - | $ - | $ - | $ - | Reserved |
| 23,794,737 | 29,726,794 | - | - | - | Unreserved |
| - | - | - | - | 4,714,203 | Nonspendable |
| - | - | - | - | 1,482,872 | Restricted |
| - | - | 17,472,751 | 18,093,783 | 14,658,123 | Assigned |
| - | - | 15,648,084 | 15,666,268 | 11,359,847 | Unassigned |
| $23,794,737 | $29,726,794 | $ 33,120,835 | $ 33,760,051 | $ 32,215,045 | Total general fund |
| | | | | | All other governmental funds |
| $ 12,852,498 | $ 13,811,524 | $ - | $ - | $ - | Reserved |
| | | | | | Unreserved, reported in: |
| 61,924,849 | 61,896,005 | - | - | - | Special revenue funds |
| 72,705,295 | 59,395,831 | - | - | - | Capital projects funds |
| - | - | 13,230,067 | - | 3,305,113 | Nonspendable |
| - | - | 34,500,580 | 18,707,789 | 27,237,519 | Restricted |
| - | - | 80,823,243 | 51,415,603 | 4,456,543 | Assigned |
| - | - | (2,764,967) | (6,386,154) | 14,859,161 | Unassigned |
| $147,482,642 | $135,103,360 | $ 125,788,923 | $ 63,737,238 | $ 49,858,336 | Total all other governmental funds |

**SCHEDULE IV**
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
*(accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| **Revenues** | | | | | |
| Taxes | $69,686,376 | $84,617,850 | $95,580,997 | $106,964,959 | $113,184,458 |
| Licenses and permits | 2,182,715 | 2,116,934 | 5,937,172 | 3,434,727 | 2,792,191 |
| Intergovernmental | 40,834,560 | 27,036,948 | 31,543,392 | 31,830,674 | 36,110,724 |
| Growth and development fees | 9,004,335 | 10,061,956 | 9,616,234 | 4,984,467 | 5,724,940 |
| Charges for services | 11,105,208 | 15,358,432 | 14,721,778 | 11,418,999 | 12,877,753 |
| Fines and forfeitures | 1,198,456 | 1,248,242 | 1,320,782 | 1,383,780 | 1,350,628 |
| Interest | 4,547,276 | 3,911,106 | 4,860,461 | 6,653,231 | 7,561,978 |
| Special assessments | 2,089,097 | 2,240,492 | 2,346,088 | 14,967,993 | 9,014,090 |
| Contributions from property owners | - | - | 1,085,000 | - | - |
| Rental income | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | 4,809,675 | 5,240,064 | 10,352,424 | 6,700,305 | 9,757,199 |
| Total revenues | 145,457,698 | 151,832,024 | 177,364,328 | 188,339,135 | 198,373,961 |
| **Expenditures** | | | | | |
| General government | 11,444,213 | 11,788,754 | 11,994,048 | 12,283,152 | 12,390,389 |
| Public safety | 55,856,590 | 64,312,956 | 69,405,713 | 75,815,578 | 80,409,884 |
| Transportation | 8,108,305 | 9,709,306 | 10,254,324 | 10,136,221 | 10,642,590 |
| Community development | 17,912,245 | 18,597,956 | 22,100,626 | 18,962,172 | 26,158,572 |
| Culture and leisure | 10,824,801 | 11,520,103 | 14,366,317 | 15,141,511 | 16,894,790 |
| Library services | 3,818,769 | 3,731,437 | 4,214,038 | 4,558,864 | 4,950,293 |
| Capital outlay | 31,640,247 | 29,924,300 | 41,227,891 | 56,309,445 | 52,283,436 |
| Debt Service: | | | | | |
| Principal | 2,908,600 | 2,999,393 | 7,983,492 | 2,251,795 | 2,754,823 |
| Cost of issuance | - | - | - | - | - |
| Interest | 2,102,073 | 2,072,111 | 1,920,662 | 2,411,174 | 3,810,737 |
| Total expenditures | 144,615,843 | 154,656,316 | 183,467,111 | 197,869,912 | 210,295,514 |
| Excess of revenues over (under) expenditures | 841,855 | (2,824,292) | (6,102,783) | (9,530,777) | (11,921,553) |
| **Other Financing Sources (Uses)** | | | | | |
| Proceeds from loans payable | - | - | - | - | - |
| Proceeds from financing sources | 34,750,209 | - | - | - | - |
| Payment to escrow agent | (13,601,060) | - | 14,567,020 | - | - |
| Proceeds from sale of property | - | - | 1,885,649 | - | - |
| Proceeds from sale of bonds | - | - | - | 42,459,723 | 26,634,523 |
| Bond discount | - | - | - | - | - |
| Transfers in | 6,475,027 | 10,770,253 | 13,659,615 | 13,159,636 | 14,107,966 |
| Transfers out | (8,253,606) | (12,653,195) | (10,679,387) | (15,326,042) | (8,926,400) |
| Total other financing sources (uses) | 19,370,570 | (1,882,942) | 19,432,897 | 40,293,317 | 31,816,089 |
| **Special items:** | | | | | |
| Contributions from other funds | - | - | - | - | - |
| Contributions to other funds | - | - | - | - | - |
| Capital contributions | - | - | - | - | - |
| Extraordinary loss | - | - | - | - | - |
| Total special items | - | - | - | - | - |
| Net change in fund balances | $20,212,425 | ($4,707,234) | $13,330,114 | $30,762,540 | $19,894,536 |
| Debt service as a percentage of noncapital expenditures | 4.44% | 4.07% | 6.96% | 3.29% | 4.16% |

Source: Finance Department, City of Oxnard

**SCHEDULE IV**
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
*(accrual basis of accounting)*

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2013 | |
| | | | | | **Revenues** |
| $114,468,247 | $112,760,128 | $116,358,938 | $114,132,986 | $103,286,108 | Taxes |
| 2,470,865 | 2,267,581 | 2,002,416 | 3,662,851 | 2,702,302 | Licenses and permits |
| 32,290,549 | 42,232,125 | 58,971,454 | 39,321,626 | 38,740,617 | Intergovernmental |
| 7,210,668 | 1,502,781 | 2,663,779 | 5,979,605 | 1,828,294 | Growth and development fees |
| 10,705,908 | 11,007,992 | 10,668,661 | 9,967,288 | 9,175,312 | Charges for services |
| 1,408,066 | 1,213,655 | 1,233,733 | 1,311,689 | 977,098 | Fines and forfeitures |
| 5,556,004 | 2,769,250 | 1,934,083 | 1,105,534 | (21,216) | Interest |
| 8,611,926 | 9,168,150 | 9,013,480 | 8,084,122 | 7,971,903 | Special assessments |
| - | - | - | - | - | Contributions from property owners |
| - | - | - | 148,993 | - | Rental income |
| - | - | - | 248,594 | - | Investment income |
| 5,837,966 | 8,268,073 | 3,673,052 | 8,304,617 | 4,359,097 | Miscellaneous |
| 188,560,199 | 191,189,735 | 206,519,596 | 192,267,905 | 169,019,515 | Total revenues |
| | | | | | **Expenditures** |
| 11,883,205 | 11,145,722 | 11,041,050 | 10,355,408 | 10,438,952 | General government |
| 74,877,737 | 84,818,990 | 84,439,008 | 86,218,656 | 91,190,673 | Public safety |
| 9,829,554 | 10,137,568 | 10,338,211 | 10,347,787 | 9,659,263 | Transportation |
| 25,832,640 | 32,073,825 | 24,803,125 | 22,357,237 | 20,333,591 | Community development |
| 19,348,413 | 17,751,755 | 17,789,287 | 17,175,797 | 17,779,933 | Culture and leisure |
| 4,755,540 | 4,632,177 | 4,682,033 | 4,553,275 | 4,334,991 | Library services |
| 43,704,965 | 34,739,151 | 54,785,588 | 46,868,230 | 33,897,212 | Capital outlay |
| | | | | | Debt Service: |
| 3,168,595 | 3,743,020 | 3,926,631 | 4,362,740 | 3,451,261 | Principal |
| 791,867 | - | - | - | 45,002 | Cost of issuance |
| 5,574,369 | 5,230,494 | 5,151,761 | 4,061,894 | 2,941,600 | Interest |
| 199,766,885 | 204,272,702 | 216,956,694 | 206,301,024 | 194,072,478 | Total expenditures |
| (11,206,686) | (13,082,967) | (10,437,098) | (14,033,119) | (25,052,963) | Excess of revenues over (under) expenditures |
| | | | | | **Other Financing Sources (Uses)** |
| - | - | - | - | - | Proceeds from loans payable |
| - | - | - | - | - | Proceeds from financing sources |
| - | - | - | - | (6,197,285) | Payment to escrow agent |
| - | - | - | - | - | Proceeds from sale of property |
| 11,790,000 | 1,395,646 | 1,295,771 | 3,680,714 | 6,802,986 | Proceeds from sale of bonds |
| (116,979) | - | - | - | 48,238 | Bond discount/premuim |
| 10,573,077 | 10,550,390 | 11,718,345 | 6,108,518 | 5,869,128 | Transfers in |
| (14,337,790) | (5,310,294) | (8,497,414) | (8,292,747) | (8,035,273) | Transfers out |
| 7,908,308 | 6,635,742 | 4,516,702 | 1,496,485 | (1,512,206) | Total other financing sources (uses) |
| | | | | | **Special items:** |
| - | - | - | 76,891,362 | - | Contributions from other funds |
| - | - | - | (76,891,362) | - | Contributions to other funds |
| - | - | - | (14,627) | - | Capital contributions |
| - | - | - | (48,861,208) | - | Extraordinary loss |
| - | - | - | (48,875,835) | - | Total special items |
| ($3,298,378) | ($6,447,225) | ($5,920,396) | ($61,412,469) | ($26,565,169) | Net change in fund balances |
| 6.11% | 5.29% | 5.60% | 5.28% | 4.02% | Debt service as a percentage of noncapital expenditures |

# City of Oxnard, California

**SCHEDULE V**
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
*(modified accrual basis of accounting)*

| Fiscal Year | Property Tax | Sales Tax | Transient Occupancy Tax | Franchise Tax | Deed Transfer Tax | Business License | Penalties and Interest | Total |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2007 | 68,429,117 | 25,783,808 | 3,550,903 | 3,686,627 | 880,370 | 4,504,455 | 129,679 | 106,964,959 |
| 2008 | 75,726,666 | 24,205,622 | 3,618,611 | 3,986,567 | 860,378 | 4,662,658 | 123,956 | 113,184,458 |
| 2009 | 76,681,392 | 24,043,286 | 3,328,803 | 4,635,616 | 573,882 | 5,059,323 | 145,945 | 114,468,247 |
| 2010 | 72,817,719 | 28,103,051 | 3,061,163 | 3,439,645 | 509,370 | 4,692,615 | 136,565 | 112,760,128 |
| 2011 | 71,118,203 | 33,396,737 | 3,301,864 | 3,495,532 | 528,563 | 4,412,881 | 105,158 | 116,358,938 |
| 2012 | 63,176,888 | 37,453,124 | 3,402,793 | 3,435,823 | 412,471 | 6,125,278 | 126,609 | 114,132,986 |
| 2013 | 55,148,254 | 35,156,013 | 3,826,954 | 3,842,351 | 628,780 | 4,562,692 | 121,064 | 103,286,108 |

Source: Finance Department, City of Oxnard

## SCHEDULE VI

Assessed Value and Estimated Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Land | Improvements | 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 |
|---|---|---|---|---|---|---|---|---|
| 2004 | 3,613,674,889 | 6,152,956,699 | 580,195,155 | 1,346,099,223 | 9,000,727,520 | 1.20384% | 9,000,727,520 | 100.00% |
| 2005 | 4,320,681,588 | 6,818,196,522 | 484,878,479 | 1,537,114,090 | 10,086,642,499 | 1.19624% | 10,086,642,499 | 100.00% |
| 2006 | 5,266,423,145 | 7,510,814,807 | 564,046,351 | 1,835,609,239 | 11,505,675,064 | 1.17614% | 11,505,675,064 | 100.00% |
| 2007 | 6,122,287,297 | 8,427,981,083 | 598,530,800 | 2,126,175,049 | 13,022,624,131 | 1.16564% | 13,022,624,131 | 100.00% |
| 2008 | 7,043,458,754 | 8,801,081,711 | 608,929,391 | 2,299,830,016 | 14,153,639,840 | 1.17864% | 14,153,639,840 | 100.00% |
| 2009 | 7,364,501,802 | 8,753,745,455 | 637,023,113 | 2,692,759,267 | 14,062,511,103 | 1.19334% | 14,062,511,103 | 100.00% |
| 2010 | 6,699,090,916 | 8,441,834,476 | 648,608,797 | 654,220,264 | 15,135,313,925 | 1.20384% | 15,135,313,925 | 100.00% |
| 2011 | 6,524,818,244 | 8,540,793,743 | 618,870,116 | 654,216,502 | 15,030,265,601 | 1.22054% | 15,030,265,601 | 100.00% |
| 2012 | 6,423,814,010 | 8,584,579,684 | 596,771,651 | 673,465,559 | 14,931,699,786 | 1.20544% | 14,931,699,786 | 100.00% |
| 2013 | 6,304,938,777 | 8,677,033,769 | 617,612,672 | 422,079,822 | 15,177,505,396 | 1.20424% | 15,177,505,396 | 100.00% |

NOTE: The County does not provide the breakdown of residential and commercial assessed values to the cities. The City also no longer have the information available for the residential and commercial assessed values. The personal property amounts include assessed values for boats and aircraft.

Source: County of Ventura, Office of the Auditor-Controller
Finance Department, City of Oxnard

# 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 (1) | Debt Service | Total Direct | School Districts | Water Districts | Total Overlapping | |
| 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% |
| 2007 | 1.00000% | 0.16564% | 1.16564% | 0.08220% | 0.03272% | 0.11492% | 1.28056% |
| 2008 | 1.00000% | 0.17864% | 1.17864% | 0.10500% | 0.02922% | 0.13422% | 1.31286% |
| 2009 | 1.00000% | 0.19334% | 1.19334% | 0.11160% | 0.01290% | 0.12450% | 1.31784% |
| 2010 | 1.00000% | 0.20384% | 1.20384% | 0.11470% | 0.01290% | 0.12760% | 1.33144% |
| 2011 | 1.00000% | 0.22054% | 1.22054% | 0.11990% | 0.01110% | 0.13100% | 1.35154% |
| 2012 | 1.00000% | 0.20544% | 1.20544% | 0.12200% | 0.01110% | 0.13310% | 1.33854% |
| 2013 | 1.00000% | 0.20424% | 1.20424% | 0.11980% | 0.00000% | 0.11980% | 1.32404% |

NOTE: (1) The passage of Proposition 13 on June 6, 1978 established a maximum countywide levy of 1% of market value or $1.00 per $100 of assessed value.

Source: County of Ventura, Office of the Auditor-Controller

# City of Oxnard, California

## SCHEDULE VIII
Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2013 Taxable Assessed Value | 2013 Rank | 2013 Percentage of Total Taxable Assessed Value | 2004 Taxable Assessed Value | 2004 Rank | 2004 Percentage of Total Taxable Assessed Value |
|---|---|---|---|---|---|---|
| Proctor & Gamble Paper Products | 268,098,003 | 1 | 1.75% | 270,808,814 | 1 | 2.70% |
| St Johns Regional Medical Center | 230,115,059 | 2 | 1.50% | | | |
| Essex Arbors LP | 197,972,713 | 3 | 1.29% | | | |
| SOCM I LLC | 91,198,200 | 4 | 0.60% | | | |
| Sunbelt Enterprises LLC | 86,539,573 | 5 | 0.56% | | | |
| Capri of KW Serenade LLC | 83,068,300 | 6 | 0.54% | | | |
| Haas Automation Inc | 82,295,400 | 7 | 0.54% | | | |
| GS Paz Mar LP | 70,530,594 | 8 | 0.46% | | | |
| Reliant Energy Ormond Beach, Inc | | | | 166,200,000 | 2 | 1.66% |
| SI VIII LLC | | | | 74,524,729 | 3 | 0.74% |
| Weyerhaeuser Company | | | | 59,789,800 | 4 | 0.60% |
| Duesenberg Investment Company | 67,133,520 | 9 | 0.44% | 59,179,100 | 5 | 0.59% |
| Genon Energy West LP-Mandalay | 66,700,000 | 10 | 0.44% | | | |
| Channel Islands Harbor Investment Co LP | | | | 58,696,857 | 6 | 0.58% |
| Fred Kavli | | | | 51,850,693 | 7 | 0.52% |
| Reliant Energy Mandalay, Inc | | | | 51,476,532 | 8 | 0.51% |
| Seminis Inc | | | | 49,662,634 | 9 | 0.49% |
| GSA Vintage-Rose Apts LP | | | | 46,364,974 | 10 | 0.46% |
| Other taxpayers | 14,074,261,994 | | 91.88% | 9,151,420,675 | | 91.15% |
| Totals | 15,317,913,356 | | 100.00% | 10,039,974,808 | | 100.00% |

Source: HdL Coren & Cone, Ventura County Assessor 2012/13 Combined Tax Rolls and the SBE Non Unitary Tax Roll

# 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 |
| 2004 | 35,432,169 | 34,937,526 | 98.60% | 344,390 | 35,281,916 | 99.58% |
| 2005 | 46,496,506 | 46,356,420 | 99.70% | 126,250 | 46,482,670 | 99.97% |
| 2006 | 54,511,910 | 53,889,833 | 98.86% | 132,403 | 54,022,236 | 99.10% |
| 2007 | 62,871,775 | 62,416,666 | 99.28% | 129,679 | 62,546,345 | 99.48% |
| 2008 | 73,234,168 | 71,707,923 | 97.92% | 121,075 | 71,828,998 | 98.08% |
| 2009 | 71,489,249 | 71,034,625 | 99.36% | 145,945 | 71,180,570 | 99.57% |
| 2010 | 75,929,128 | 71,755,189 | 94.50% | 136,565 | 71,891,754 | 94.68% |
| 2011 | 72,434,536 | 71,118,203 | 98.18% | 105,158 | 71,223,361 | 98.33% |
| 2012 | 70,330,200 | 63,176,888 | 89.83% | 126,609 | 63,303,497 | 90.01% |
| 2013 | 53,833,600 | 52,537,321 | 97.59% | 121,064 | 52,658,385 | 97.82% |

NOTE: City used original budget for the total tax levy for the fiscal year.

Source: Finance Department, City of Oxnard

# City of Oxnard, California

**SCHEDULE X**
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| | Governmental Activities | | | | Business-type Activities | | | (1) | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Revenue Bonds | Certificates of Participation | Tax Allocation Bonds | Capital Leases | Revenue Bonds | Capital Leases | Total Primary Government | Percentage of Personal Income | (2) Per Capita |
| 2004 | 22,874,301 | 8,045,000 | 19,185,000 | 1,729,354 | 214,035,699 | 2,916,139 | 268,785,493 | 9.310% | 1,479 |
| 2005 | 21,607,009 | 7,835,000 | 18,635,000 | 1,412,398 | 236,943,314 | 2,469,070 | 288,901,791 | 9.339% | 1,554 |
| 2006 | 19,975,756 | 7,620,000 | 18,030,000 | 1,086,013 | 298,559,567 | 2,010,676 | 347,282,012 | 10.649% | 1,850 |
| 2007 | 43,109,750 | 7,395,000 | 37,940,000 | 749,911 | 292,625,260 | 1,536,788 | 383,356,709 | 10.970% | 2,025 |
| 2008 | 41,746,367 | 34,835,000 | 37,040,000 | 493,471 | 286,428,643 | 4,603,874 | 405,147,355 | 11.009% | 2,112 |
| 2009 | 40,337,356 | 34,350,000 | 47,755,000 | 293,886 | 278,427,654 | 4,053,370 | 405,217,266 | 10.800% | 2,090 |
| 2010 | 38,877,717 | 33,600,000 | 46,475,000 | 1,436,151 | 370,257,293 | 3,632,411 | 494,278,572 | 13.333% | 2,510 |
| 2011 | 37,359,198 | 32,820,000 | 45,155,000 | 2,552,594 | 383,230,810 | 3,623,668 | 504,741,270 | 13.498% | 2,524 |
| 2012 | 35,781,802 | 32,010,000 | - | 5,665,006 | 372,713,206 | 2,963,438 | 449,133,452 | 11.319% | 2,241 |
| 2013 | 34,146,715 | 25,335,000 | - | 11,101,548 | 361,808,291 | 2,620,593 | 435,012,147 | 10.825% | 2,166 |

NOTE: (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) 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 XI
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| **City of Oxnard Overlapping Debt:** | | | |
| Metropolitan Water District | 165,085,000 | 0.722% | 1,191,914 |
| Ventura County Community College District | 308,659,326 | 14.649% | 45,215,505 |
| Ventura County Superintendent of Schools - Certificates of Participation | 11,510,000 | 14.643% | 1,685,409 |
| Ventura County General Fund Obligations | 388,450,000 | 14.643% | 56,880,734 |
| Oxnard Union High School District | 91,662,016 | 45.867% | 42,042,617 |
| Oxnard Union High School District - Certificates of Participation | 7,680,000 | 45.867% | 3,522,586 |
| Oxnard School District | 152,703,139 | 91.914% | 140,355,563 |
| Oxnard School District - Certificates of Participation | 4,845,100 | 91.914% | 4,453,325 |
| Rio School District | 14,675,000 | 86.381% | 12,676,412 |
| Rio School District - Certificates of Participation | 7,420,000 | 86.381% | 6,409,470 |
| Hueneme School District | 26,287,428 | 43.599% | 11,461,056 |
| Ocean View School District | 11,410,247 | 41.084% | 4,687,786 |
| Ocean View School District - Certificates of Participation | 1,521,500 | 41.084% | 625,093 |
| Rio School District - Community Facilities District 1 | 29,600,000 | 100.000% | 29,600,000 |
| City of Oxnard - Rose Avenue/Hwy 101 Assessment District 96-1 | 2,500,000 | 100.000% | 2,500,000 |
| City of Oxnard - Rice Avenue/Hwy 101 Assessment District 2001-1 | 11,835,000 | 100.000% | 11,835,000 |
| City of Oxnard - Oxnard Blvd/Hwy 101 Assessment District 2000-1 | 1,965,000 | 100.000% | 1,965,000 |
| City of Oxnard Community Facilities District 1 | 8,750,000 | 100.000% | 8,750,000 |
| City of Oxnard Community Facilities District 3 | 30,810,000 | 100.000% | 30,810,000 |
| City of Oxnard Community Facilities District 88-1 | 230,000 | 100.000% | 230,000 |
| Oxnard Boulevard Interchange Community District | 7,980,000 | 100.000% | 7,980,000 |
| Successor Agency - Tax Increment Debt | 42,380,000 | 100.000% | 42,380,000 |
| Subtotal - Overlapping Debt | 1,327,958,756 | | 467,257,470 |
| **City of Oxnard Direct Debt:** | | | |
| City of Oxnard Financing Authority | | | 70,583,263 |
| Subtotal - Direct Debt | | | 70,583,263 |
| **Total direct and overlapping debt** | | | **537,840,733** |

The method used to calculate the overlapping debt is based on the percentage of the overlapping agency's assessed valuation located within boundaries of the City.

Capital lease payable amount were added to the numbers provided by California Municipal Statistics.

Source: California Municipal Statistics, Inc.

## City of Oxnard, California

**SCHEDULE XII**
Legal Debt Margin Information
Last Ten Fiscal Years
*(in thousands)*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt limit | 1,534,332 | 1,726,418 | 1,983,111 | 2,250,164 | 2,449,824 | 2,493,677 | 2,349,884 | 2,333,523 | 2,322,196 | 2,319,396 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | 1,534,332 | 1,726,418 | 1,983,111 | 2,250,164 | 2,449,824 | 2,493,677 | 2,349,884 | 2,333,523 | 2,322,196 | 2,319,396 |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Legal Debt Margin Calculation for Fiscal Year 2013**

| | |
|---|---|
| Assessed value | 12,999,663 |
| Add back: exempt real property | 2,462,977 |
| Total assessed value | 15,462,640 |
| | |
| Debt limit (15% of total assessed value) | 2,319,396 |
| Debt applicable to limit: | |
| General obligation bonds | 421,290 |
| Less: assets in debt service funds for principal payments | |
| Revenue bonds - governmental activities | (34,147) |
| Revenue bonds - business-type activities | (361,808) |
| Tax allocation bonds-community development commission | |
| Certificates of participation | (25,335) |
| Total net debt applicable limit | 0 |
| Legal debt margin | 2,319,396 |

Source: Finance Department, City of Oxnard

# City of Oxnard, California

**SCHEDULE XIII**
Pledged Revenue Coverage
Last Ten Fiscal Years

| | Water Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Interest | Coverage |
| 2004 | 28,898,906 | 19,899,216 | 8,999,690 | 235,000 | 1,315,783 | 5.80 |
| 2005 | 34,609,573 | 18,351,471 | 16,258,102 | 1,150,000 | 2,682,330 | 4.24 |
| 2006 | 34,212,012 | 21,865,005 | 12,347,007 | 1,202,083 | 2,699,580 | 3.16 |
| 2007 | 40,719,155 | 22,674,080 | 18,045,075 | 1,205,000 | 2,625,730 | 4.71 |
| 2008 | 38,369,885 | 27,732,616 | 10,637,269 | 1,235,000 | 5,253,315 | 1.64 |
| 2009 | 40,395,380 | 25,883,824 | 14,511,556 | 2,040,000 | 5,149,575 | 2.02 |
| 2010 | 39,764,998 | 28,681,992 | 11,083,006 | 2,105,000 | 8,049,790 | 1.09 |
| 2011 | 46,118,265 | 29,910,426 | 16,207,839 | 2,209,809 | 11,621,908 | 1.17 |
| 2012 | 49,580,413 | 30,309,016 | 19,271,397 | 3,195,568 | 11,858,798 | 1.28 |
| 2013 | 53,306,397 | 36,096,926 | 17,209,471 | 3,479,490 | 10,524,675 | 1.23 |

| | Environmental Resources Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Interest | Coverage |
| 2004 | 33,200,540 | 30,574,399 | 2,626,141 | 1,433,833 | 1,216,797 | 0.99 |
| 2005 | 36,529,711 | 34,228,035 | 2,301,676 | 19,001,588 | 1,155,331 | 0.11 |
| 2006 | 36,878,690 | 36,342,348 | 536,342 | 2,033,392 | 1,117,677 | 0.17 |
| 2007 | 40,322,484 | 38,170,528 | 2,151,956 | 2,142,556 | 1,036,405 | 0.68 |
| 2008 | 42,986,155 | 43,113,155 | (127,000) | 2,102,040 | 943,620 | (0.04) |
| 2009 | 39,901,815 | 38,055,524 | 1,846,291 | 2,335,505 | 970,779 | 0.56 |
| 2010 | 40,614,642 | 37,258,502 | 3,356,140 | 2,447,346 | 885,840 | 1.01 |
| 2011 | 45,243,032 | 39,058,556 | 6,184,476 | 2,534,094 | 1,178,081 | 1.67 |
| 2012 | 44,403,042 | 38,874,986 | 5,528,056 | 2,651,878 | 929,973 | 1.54 |
| 2013 | 42,668,594 | 38,235,619 | 4,432,975 | 2,729,777 | 763,442 | 1.27 |

Note: The above operating expenses figures do not include depreciation and debt service expenses
The City's bond obligations are secured by the pledge of the net system revenues, detailed information is on the Notes to the financial statements.

Source: Finance Department, City of Oxnard

# City of Oxnard, California

**SCHEDULE XIII**
Pledged Revenue Coverage
Last Ten Fiscal Years

**Wastewater Revenue Bonds**

| Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Interest | Coverage | Fiscal Year |
|---|---|---|---|---|---|---|
| 23,182,456 | 12,958,128 | 10,224,328 | 1,750,000 | 1,924,827 | 2.78 | 2004 |
| 36,892,293 | 14,715,076 | 22,177,217 | 1,815,000 | 5,969,101 | 2.85 | 2005 |
| 28,512,017 | 16,185,708 | 12,326,309 | 1,885,000 | 6,682,905 | 1.44 | 2006 |
| 27,322,064 | 16,956,481 | 10,365,583 | 2,135,000 | 7,259,743 | 1.10 | 2007 |
| 29,054,646 | 17,562,559 | 11,492,087 | 2,260,000 | 7,418,756 | 1.19 | 2008 |
| 28,762,308 | 16,268,395 | 12,493,913 | 3,155,000 | 7,282,032 | 1.20 | 2009 |
| 23,165,658 | 17,588,757 | 5,576,901 | 3,255,000 | 7,284,462 | 0.53 | 2010 |
| 25,373,362 | 16,484,729 | 8,888,633 | 3,367,079 | 7,359,648 | 0.83 | 2011 |
| 31,680,309 | 18,146,959 | 13,533,350 | 3,532,784 | 7,060,378 | 1.28 | 2012 |
| 31,045,715 | 18,763,458 | 12,282,257 | 3,709,555 | 6,882,148 | 1.16 | 2013 |

**Oxnard Housing Authority Revenue Bonds**

| Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Interest | Coverage | Fiscal Year |
|---|---|---|---|---|---|---|
| 21,823,107 | 22,305,475 | (482,368) | - | 181,708 | (2.65) | 2004 |
| 21,515,845 | 23,235,370 | (1,719,525) | 205,000 | 231,660 | (3.94) | 2005 |
| 23,321,917 | 22,699,304 | 622,613 | 205,000 | 227,758 | 1.44 | 2006 |
| 22,616,071 | 21,496,289 | 1,119,782 | 215,000 | 243,407 | 2.44 | 2007 |
| 23,956,893 | 21,916,273 | 2,040,620 | 220,000 | 218,233 | 4.66 | 2008 |
| 25,784,589 | 24,427,197 | 1,357,392 | 225,000 | 209,945 | 3.12 | 2009 |
| 24,847,419 | 23,750,482 | 1,096,937 | 235,000 | 212,903 | 2.45 | 2010 |
| 25,312,733 | 23,531,077 | 1,781,656 | 240,000 | 198,220 | 4.07 | 2011 |
| 23,905,239 | 23,029,780 | 875,459 | 250,000 | 189,204 | 1.99 | 2012 |
| 23,782,397 | 23,948,254 | (165,857) | 260,000 | 180,456 | (0.38) | 2013 |

# City of Oxnard, California

**SCHEDULE XIV**
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | (1) Population | (2) Personal Income (in thous) | (2) Per Capita Income | (3) Median Age | (4) School Enrollment | (5) Unemployment Rate |
|---|---|---|---|---|---|---|
| 2004 | 186,122 | 2,886,966 | 15,886 | 30 | 42,276 | 7.8% |
| 2005 | 188,941 | 3,093,466 | 16,645 | 30 | 38,372 | 7.0% |
| 2006 | 189,990 | 3,261,107 | 17,376 | 28 | 37,196 | 6.2% |
| 2007 | 192,997 | 3,494,586 | 18,463 | 31 | 37,956 | 6.1% |
| 2008 | 194,905 | 3,680,019 | 19,185 | 36 | 37,703 | 7.4% |
| 2009 | 197,067 | 3,751,908 | 19,352 | 30 | 38,911 | 11.0% |
| 2010 | 200,004 | 3,707,181 | 18,829 | 29.7 | 39,135 | 14.4% |
| 2011 | 199,722 | 3,739,475 | 18,697 | 30.5 | 38,595 | 14.2% |
| 2012 | 200,390 | 3,968,123 | 19,802 | 30.3 | 39,231 | 13.0% |
| 2013 | 200,855 | 4,018,506 | 20,007 | 30.1 | 38,813 | 10.1% |

Sources:
(1) California Department of Finance, Demographic Research Unit
(2) HdL Coren & Cone
(3) HdL Coren & Cone
(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 XV**
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

| Function | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| General government | 207 | 211 | 217 | 214 | 186 | 234 | 234 | 234 | 228 | 227 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 220 | 229 | 235 | 236 | 236 | 293 | 237 | 237 | 236 | 252 |
| Civilians | 134 | 138 | 152 | 151 | 151 | 95 | 151 | 151 | 151 | 155 |
| Fire | | | | | | | | | | |
| Firefighters & officers | 89 | 91 | 100 | 102 | 103 | 100 | 103 | 103 | 101 | 101 |
| Civilians | 5 | 4 | 4 | 5 | 4 | 7 | 3 | 3 | 3 | 3 |
| Transportation | 36 | 36 | 45 | 56 | 84 | 50 | 50 | 50 | 49 | 49 |
| Community development | 56 | 57 | 57 | 59 | 67 | 66 | 66 | 66 | 66 | 60 |
| Culture and recreation | 79 | 79 | 74 | 83 | 85 | 85 | 85 | 85 | 83 | 83 |
| Utilities | | | | | | | | | | |
| Water | 44 | 44 | 48 | 47 | 46 | 45 | 51 | 51 | 51 | 51 |
| Wastewater | 67 | 72 | 72 | 72 | 74 | 72 | 72 | 72 | 70 | 76 |
| Environmental Resources | 80 | 80 | 81 | 81 | 76 | 78 | 78 | 78 | 79 | 79 |
| Housing | 80 | 80 | 80 | 81 | 81 | 81 | 81 | 81 | 83 | 82 |
| Total | 1,097 | 1,121 | 1,165 | 1,187 | 1,193 | 1,206 | 1,211 | 1,211 | 1,200 | 1,217 |

Source: Finance Department, City of Oxnard

**SCHEDULE XVI**
Operating Indicators by Function
Last Nine Fiscal Years

| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Police | | | | | | | | | |
| Physical arrests | 6,492 | 8,162 | 8,835 | 8,425 | 7,842 | 7,794 | 8,116 | 7,278 | 6,790 |
| Parking violations | 36,240 | 28,533 | 31,462 | 51,046 | 37,968 | 35,346 | 35,091 | 34,914 | 32,120 |
| Traffic violations | 30,985 | 19,590 | 20,525 | 16,673 | 23,305 | 25,288 | 25,517 | 22,294 | 15,800 |
| Fire | | | | | | | | | |
| Number of calls answered | 11,117 | 10,631 | 11,212 | 12,210 | 13,310 | 13,417 | 13,813 | 13,381 | 14,127 |
| Inspections | 2,829 | 3,109 | 3,693 | 3,190 | 4,244 | 4,777 | 5,614 | 4,212 | 5,000 |
| Highways and streets | | | | | | | | | |
| Potholes repaired | 18,333 | 10,545 | 12,200 | 12,375 | 12,300 | 12,650 | 13,000 | 14,000 | 13,000 |
| Sanitation | | | | | | | | | |
| Total number of customers | 43,617 | 44,941 | 45,731 | 43,489 | 37,195 | 37,124 | 43,991 | 44,034 | 44,312 |
| Refuse/recyclables collected (tons/day) | - | 708 | 681 | 581 | 571 | 570 | 577 | 558 | 569 |
| Recyclables collected (tons/day) | - | 30 | 13 | 13 | 95 | 91 | 93 | 98 | 98 |
| Culture and recreation | | | | | | | | | |
| Community center admissions | 48,800 | 43,849 | 42,831 | 43,230 | 51,872 | 27,934 | 29,655 | 33,751 | 29,910 |
| Water | | | | | | | | | |
| Total number of customers | 37,276 | 38,053 | 38,816 | 39,531 | 40,206 | 40,756 | 40,785 | 41,064 | 41,019 |
| Average daily consumption | 29,000,000 | 29,000,000 | 29,000,000 | 29,326,500 | 25,781,331 | 23,246,924 | 23,293,140 | 23,094,489 | 23,578,792 |
| Wastewater | | | | | | | | | |
| Total number of customers | 34,694 | 35,188 | 35,646 | 36,484 | 37,251 | 38,081 | 38,158 | 38,379 | 38,712 |
| Average daily sewerage treatment | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 | 23,000,000 |

Source: Various departments, City of Oxnard

**SCHEDULE XVII**
Capital Assets by Function
Last Nine Fiscal Years

| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Public safety | | | | | | | | | |
| Police | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police vehicles | 223 | 261 | 345 | 269 | 223 | 171 | 264 | 275 | 268 |
| Fire | | | | | | | | | |
| Stations | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Hydrants | 4,180 | 5,200 | 5,000 | 5,150 | 6,282 | 5,413 | 5,413 | 5,430 | 5,500 |
| Sanitation | | | | | | | | | |
| Collection trucks | 48 | 48 | 57 | 52 | 52 | 52 | 52 | 51 | 51 |
| Highways and streets | | | | | | | | | |
| Streets (miles) | 403 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| City-owned streetlights | 650 | 650 | 650 | 654 | 654 | 674 | 674 | 674 | 974 |
| SCE-owned streetlights | 9,120 | 9,120 | 9,258 | 9,314 | 9,371 | 9,943 | 9,943 | 10,005 | 10,067 |
| Culture and recreation | | | | | | | | | |
| Parks acreage | 449 | 469 | 469 | 494 | 550 | 550 | 550 | 550 | 550 |
| Parks | 45 | 49 | 49 | 55 | 58 | 58 | 58 | 58 | 58 |
| Ball diamonds | 31 | 30 | 30 | 30 | 30 | 30 | 37 | 37 | 37 |
| Basketball courts | 20 | 19 | 19 | 24 | 29 | 29 | 47 | 47 | 47 |
| Craft/Activity buildings | 9 | 8 | 8 | 8 | 8 | 8 | 10 | 10 | 10 |
| Gymnasium | 2 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tennis courts | 33 | 31 | 31 | 32 | 31 | 31 | 30 | 30 | 30 |
| Community centers | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Library | | | | | | | | | |
| Number of books | 336,518 | 361,713 | 433,008 | 355,151 | 353,455 | 356,456 | 356,624 | 362,753 | 337,015 |
| Number of microfilms | 8,299 | 8,394 | 8,473 | 8,510 | 8,525 | 8,572 | 8,634 | 8,708 | 8,726 |
| Number of audiotapes | 14,537 | 18,200 | 20,284 | 21,055 | 20,864 | 21,345 | 22,105 | 21,676 | 20,060 |
| Number of videotapes | 9,377 | 12,917 | 14,709 | 15,582 | 15,318 | 16,045 | 16,015 | 17,288 | 14,688 |
| Number of CD-ROMS (data disk) | 609 | 708 | 808 | 755 | 632 | 689 | 617 | 620 | 438 |
| Water | | | | | | | | | |
| Water mains (miles) | 500 | 525 | 600 | 601 | 663 | 592 | 592 | 597 | 600 |
| Maximum daily treatment capacity | 18,000,000 | 18,000,000 | 18,000,000 | 18,600,000 | 18,600,000 | 18,600,000 | 18,600,000 | 18,600,000 | 18,600,000 |
| Sewer | | | | | | | | | |
| Miles of sewer lines | 425 | 435 | 440 | 445 | 445 | 445 | 445 | 445 | 445 |

Source: Various departments, City of Oxnard

This page left blank intentionally

## APPENDIX D

## FORM OF BOND COUNSEL OPINION

[Closing Date]

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

Re: FINAL OPINION
$71,985,000 City of Oxnard Financing Authority
Wastewater Revenue Refunding Bonds, Series 2014

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the "Authority") in connection with the issuance by the Authority of $71,985,000 aggregate principal amount of the City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 (the "Bonds"), pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and the provisions of an Indenture, dated as of November 1, 2014 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Amended and Restated Installment Purchase Agreement, dated as of November 1, 2014 (the "Installment Purchase Agreement"), by and between the City of Oxnard (the "City") and the Authority, as applicable.

In such connection, we have reviewed the Indenture, the Installment Purchase Agreement, the Tax Certificate of the City and the Authority, dated the date hereof (the "Tax Certificate"), opinions of the City Attorney, 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.

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 Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion letter. 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 Authority and the City. 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 Indenture, the Installment Purchase 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 interest on the Bonds 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 Bonds, the Indenture, the Installment Purchase Agreement, and the Tax Certificate and their enforceability 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 express no opinion with respect to any indemnification, arbitration, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement for the Bonds dated November 18, 2014, or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Installment Payments or the Net System 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. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Installment Payments. The Installment Purchase Agreement creates a valid pledge, to secure the payment of the Installment Payments, of the Net System Revenues.

3. Interest on the Bonds is excluded 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. Interest on the Bonds 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 federal corporate alternative minimum taxable income.

Except as stated in paragraph 3 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds. We also express no opinion regarding any other tax consequences with respect to the acquisition, ownership, or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement"), dated [Closing Date], is executed and delivered by the City of Oxnard Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee and as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the Authority of $71,985,000 aggregate principal amount of the City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to a Indenture, dated as of November 1, 2014 (the "Indenture"), by and among the City of Oxnard (the "City"), the Authority, and the Dissemination Agent, as trustee.

The Authority and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions.

In addition to the definitions set forth in the Indenture and in the Amended and Restated Installment Purchase Agreement, dated as of November 1, 2014 (the "Installment Purchase Agreement"), by and between the Authority and the City, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Annual Report Date" shall mean the date in each year that is nine (9) months after the end of the Authority's fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

"Bond Insurer" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"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 Authority and which 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.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated November 18, 2014, relating to the Bonds.

"Participating Underwriter" shall mean RBC Capital Markets, LLC, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2015, provide to MSRB and the Bond Insurer an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) calendar days prior to each such Annual Report Date, the Authority shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the Authority. The Annual Report must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as is prescribed by MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City (which include information regarding the funds and accounts of the Authority), if any, may be submitted separately from and later than the balance of the Annual Report if they are not available by the applicable Annual Report Date. If the Authority's fiscal year changes, the Authority shall provide written notice of such change in the same manner as for a Listed Event under Section 5(c). The Authority 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 Authority and shall have no duty or obligation to review such Annual Report.

(b) If the Authority is unable to provide to MSRB an Annual Report by the date required in subsection (a), the Authority shall send to MSRB a notice in substantially the form attached hereto as Exhibit A. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB.

(c) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB by the date required in subsection (a); and

(ii) If the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided to MSRB pursuant to this Disclosure Agreement, and stating the date the Annual Report was so provided.

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 Authority, if any, for the most recent fiscal year of the City then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the Authority shall provide a notice of such modification to MSRB,

including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) An update of the information contained under the following subheadings of the section in the Official Statement entitled "THE WASTEWATER SYSTEM", if the information is not included elsewhere in the Annual Report:

- Service Area
- Sources of Wastewater System Revenues
- Wastewater Rates and Charges
- Wastewater Connection Fees
- Actual and Projected Operating Results (only actual results required)
- Fiscal Year 2014-2015 Budget (updated for applicable Fiscal Year)
- Outstanding Debt
- Plans for Future Indebtedness

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, the City, or related public entities, which are available to the public on MSRB's Internet web site or filed with the Securities and Exchange Commission. The Authority 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 Authority shall give, or cause to be given, not in excess of ten (10) business days after the occurrence of any of the following events, notice of the occurrence of such event with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on any reserve fund for the Bonds reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of owners of the Bonds, if material;

(viii) Bond calls, if material, and tender offers for the Bonds;

(ix) defeasances;

(x) any release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) any bankruptcy, insolvency, receivership, or similar event of the Authority or the City [this Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority or the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority or the City];

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the City or the sale of all or substantially all of the assets of the Authority or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon and after the occurrence of a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Authority determines that knowledge of the occurrence of such Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(c) Upon and after the occurrence of any Listed Event (other than a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above), the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(d) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with MSRB, with a copy to the Bond Insurer, not in excess of ten (10) business days after the occurrence of such Listed Event. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

(e) The Authority hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Authority and that the Trustee or the Dissemination Agent shall not be responsible for determining whether the Authority's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Authority, the Trustee, and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Authority. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Authority in a timely manner and in a form suitable for filing. If at any time there is no designated Dissemination Agent, the Authority shall act as Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent 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 is related 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 (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature, or status of the Authority or the type of business conducted thereby.

(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 Bonds, 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 owners of the Bonds in the manner provided in the Indenture for amendments to such Indenture with the consent of owners or (ii) does not, in the opinion of the Authority or nationally recognized bond counsel, materially impair the interest of owners of the Bonds.

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 quantitative and, to the extent reasonably feasible, 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 and the Authority to meet their respective obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any owner of a Bond, Participating Underwriter, or Trustee may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority 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 Authority agrees to indemnify and save the Dissemination Agent and 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 hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this section shall survive resignation or removal of the Dissemination Agent and payment of all of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the Authority pursuant to this Disclosure Agreement. The Authority shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the City, the Trustee, the Dissemination Agent, the Participating Underwriter, and owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

If to the Authority or the City: City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030
Attention: Controller

If to the Dissemination Agent: Wells Fargo Bank, National Association
707 Wilshire Blvd., 17th Floor
Los Angeles, California 90017
Attention: Corporate Trust Services

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: [Closing Date]

CITY OF OXNARD FINANCING AUTHORITY

_____
Controller

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Dissemination Agent and Trustee

By: _____
Its: Authorized Officer

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

| | |
|---|---|
| Name of Issuer: | City of Oxnard Financing Authority |
| Name of Bond Issue: | City of Oxnard Financing Authority Wastewater Revenue Refunding Bonds, Series 2014 |
| Date of Issuance: | [Closing Date] |

NOTICE IS HEREBY GIVEN that the City of Oxnard Financing Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated [Closing Date], by and among the Authority, the City of Oxnard, and Wells Fargo Bank, National Association, as trustee and dissemination agent. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF OXNARD FINANCING AUTHORITY

By: _____
Authorized Signatory

# APPENDIX F

## SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, 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 AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of 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 New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "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 AGM 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.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100